

# 2018



Annual and Sustainability Report

# In constant motion

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The Nordic landscape outside the window. Fields, forests, suburbs, station buildings and from time to time the sudden darkness of tunnels. The sound of the rails is like a heartbeat, calm and rhythmical. On the way out or going home. Music through headphones, a book, that last finishing touch to some work, a satisfying lunch, or perhaps a time simply for rest makes the journey part of the goal for the millions of passengers who travel with us every year. Our goal is their journey.

SJ is owned by the Swedish State and our goal is to deliver profitable passenger services on the rail network, independently and in partnership with others. As Sweden's market-leading train operating company, we not only connect the towns and regions of Sweden, but also the capital cities of Scandinavia. Our operations make it possible for people to travel simply and sustainably via what is by far the most climate-smart transport option.

The world around us is changing. We are travelling in different ways, to new places. Routes where demand used to be low have become popular thanks to factors like relocation, more flexible working arrangements, a shift from other modes of travel to rail, and increased environmental awareness. Over the past 20 years, rail travel has risen sharply and the trend looks likely to continue. We at SJ aim to live up to a high level of ambition to meet the expectations placed on us and to maintain our partnership with important stakeholders in business, municipalities, county councils, regions and government agencies. And, not least, with our employees, customers and passengers.

Our customers have shown that they want to travel by rail more. It is our duty to ensure that they can do so safely, punctually and simply. Our vision is to be an SJ that people can rely on and look forward to. That is how we can move forward in the years ahead.

Welcome aboard!

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Every day, 140,000 people opt to travel on one of SJ's 1,200 departures from 284 stations.

SJ operates from Narvik in the north to Copenhagen in the south, from Stockholm in the east to Oslo in the west. That is one of the reasons why so many people choose to travel with us.

The SJ Group has 4,600 employees and had sales of around SEK 7.9 billion in 2018.



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### About the Annual Report and Sustainability Report

The Board of Directors and the Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's Annual Report and Sustainability Report for the 2018 financial year. The statutory Annual Report, including the Directors' Report, which has been audited, comprises pages 21–44 and 55–87; see also the Auditor's Report on pages 89–90.

The Sustainability Report consists of the section "Responsible Governance" on pages 22–41 of the Directors' Report, and the report in accordance with Global Reporting Initiatives (GRI) Standards, "Core", which follows the structure of the GRI Index on pages 94–97. The Sustainability Report has undergone a combined audit and review by an external auditing firm; see the Auditor's Combined Assurance Report on page 93.

# Highlights of the Year

## Significant events

### More people chose sustainable travel with SJ

More people chose to travel with us and the number of journeys increased by 1.5 million to 31.8 million.

### The Swedish Transport Administration (STA) started much called-for maintenance works

STA started extensive and essential maintenance works on the western and southern main lines.

### Service disruptions affected our passengers and SJ

Maintenance works on the infrastructure, together with service disruptions, caused delays for our passengers and a high workload for our employees. This had negative impact on our earnings.

### Recipe for succeeding in reducing absence due to illness

Despite a high workload arising from recurring service disruptions, absence due to illness fell to 5.2 percent (5.4). This strengthens us in our conviction that we have the right long-term activities in place for better health in the workplace.

### SJ has the best website in Sweden

IDG/Internetworld named sj.se and the SJ app as the best website in Sweden, while BearingPoint chose SJ as Sweden's most highly digitised travel company.

### Strong focus on tendering

We focus major efforts and resources on participation in tendering, in and outside Sweden, that we judge may help us to achieve our objectives. The year of 2018 was particularly intensive.

**5.2%** (5.4)

Absence due to illness

**76** (75)

Leadership Index

**79** (79)

Performance Index

**96.7** (96.5)

Traffic Safety Index

**77%** (82)

Punctuality, long-distance services

**88%** (92)

Punctuality, medium-distance services

**69** (72)

Customer Satisfaction Index (CSI)

**95** (94)

Passenger Satisfaction Index (PSI) SJ Götalandståg, commuter services

**94** (94)

Passenger Satisfaction Index (PSI) SJ Götalandståg, regional services

**77** (78)

Environmental Index

**1/2** millilitre of petrol

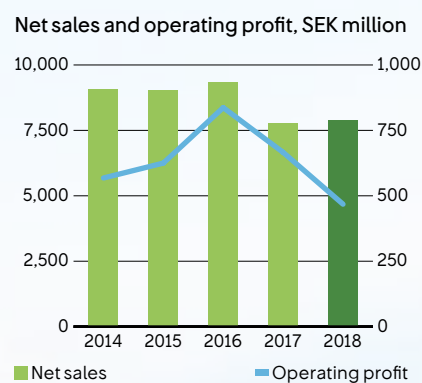
A journey by a single person by X 2000 between Stockholm and Gothenburg generates carbon dioxide emissions corresponding to half a millilitre of petrol

## Financial overview

SJ Group	2018	2017	2016	2015	2014
Net sales, SEK million	7,874	7,780	9,336	9,052	9,065
Operating profit <sup>1</sup> , SEK m	468	666	837	625	568
Operating margin <sup>1</sup> , %	5.9	8.5	8.9	6.9	6.2
Profit/loss for the year, SEK m	389	523	650	471	460
Return on operating capital <sup>1</sup> , %	11.4	16.4	20.0	13.2	11.5
Net debt/equity ratio <sup>1</sup> , multiple	-0.14	-0.10	0.0	0.20	-0.10
Investments, SEK m	566	596	390	525	828

<sup>1</sup> SJ's alternative key metrics; for definitions, see page 99. For definitions of other key metrics see pages 99-100, and for outcomes for 2018 see pages 22-41.

For more about financial events during the year, see the Directors' Report, page 21.



**SEK 566 million**

was invested by SJ in 2018

**4,589**

employees in the SJ Group on 31 December 2018

**SEK 269 million**

in total was distributed to our owner

# More and more people are opting for climate-smart travel with SJ

In 2018, 31.8 million journeys were made with SJ, a new record, despite big challenges from extreme weather conditions and extensive maintenance in the rail network. For many years we have worked hard at improving our offering and I am delighted to see that more people are choosing climate-smart travel with us.

Demand for rail journeys has been rising sharply for several years. Today, there are already times when we do not have the space for everyone wanting to travel with us during rush hours, although we operate as many services as we can, and are allowed to run on our overloaded tracks. If we are to meet demand, we need not only more trains but also more tracks to run them on.

## Major investments to increase capacity

We have an ambitious plan and are investing SEK 9 billion in new trains and renovating existing trains to accommodate this growth. We are also continuing to invest in digitisation and more demand-led maintenance. In view of the strong increase in demand for night-train services in the autumn, our decision to begin comprehensive renovation of all our night-trains feels well-judged.

The programme of modernising all X 2000 trains is in full swing. The trains are being upgraded with new technology and new interiors, all with the aim of providing passengers with an even more pleasant journey. Another benefit will be better reliability. Our aim is that the first train will enter service in autumn 2019.

We are in the final stages of buying new high-speed trains capable of speeds up to 250 kph. With the new trains, we are assured of a reliable fleet and the potential to cut journey times. At the same time, we are prepared for further expansion in track capacity, with higher permitted speeds.

## Challenging year for our passengers

The rail network is a complex system in which many factors affect services. We work a great deal on preparing for various weather conditions and maintenance works. We are now seeing the effects of climate change, and we have learnt many lessons from the past year. For example, we have reviewed how we maintained our air conditioning systems and have increased stocks of wheels.

SJ's planning for Sweden Transport Administration's (STA's) eight-week closure of Getingmidjan (the section between Stockholm Central and Stockholm South) took place over nearly two years and involved large parts of our organisation. Thanks to the quality of preparations, investments of tens of millions of kronor and outstanding contributions from our employees, the closure over the summer went relatively well. The Getingmidjan closure clearly demonstrates the importance of good forward planning by STA when scheduling maintenance works. When we get late decisions from STA, it is our passengers who suffer. Either through late ticket releases so that journey planning becomes more difficult, or because we have to change or even cancel departures at short notice.

Rail services were greatly affected by extreme weather conditions in 2018. At the same time, STA carried out extensive scheduled maintenance on the rail network, measures that are urgently needed and in the long term will improve the conditions for more punctual rail services. Closures and single-track operation, combined with the maintenance works, meant that the margins in the rail network, already narrow in the first place, disappeared. Minor disruptions therefore also created long delays and late cancellations of services above all during July and August, which affected our passengers through poorer punctuality and cancelled departures.

Disruptions over long periods during the year had the effect that our revenue was lower than anticipated. We also paid more compensation to passengers for delays and incurred higher production costs than last year. This impacted on SJ's operating profit, which totalled SEK 468 million (666). As soon as services recovered in the autumn, the volume of travel again took off, and over the year as a whole an increase of 2 per cent was recorded. The Group's sales in 2018 increased to SEK 7,874 million (7,780), much thanks to a strong last quarter, with increased travel and higher income from tendered services.

“During the year, we saw fantastic examples of employee commitment to seeking out fast, smart solutions in every part of SJ's operations.”

## Focus on better punctuality

In regional services, nearly nine out of ten trains arrived on time in 2018 and we are well on the way to achieving the industry's joint target of 95 percent punctuality by 2020. Punctuality in long-distance services is more challenging, as they operate over longer distances and pass through areas where trains running at different speeds share the same tracks.

In view of the challenges during the year, overall punctuality was lower for the first time in several years. This is something that we cannot accept. Punctuality, along with safety and good service are our most important customer promises. Of the disruptions in the rail network in 2018, just under 10 per

cent were caused by SJ. We are not content with that, but we have made a good deal of progress. We are now continuing to focus intensively on our challenges in order to get all the way to our goal. At the same time, we are investing great resources of time and expertise in *Järnvägsbranschens Samverkansforum* (JBS) (the Collaboration Forum for the Rail Industry) and the Together for Trains on Time (TTT) initiative. Our principal focus is on reducing the major, long-lasting delays.

### Growing population needs robust infrastructure

Sweden's rail network has reached its capacity ceiling on some of the critical sections during certain periods of the day. This means that there is little, and sometimes no, margin for recovery if a disruption occurs. To be able to meet the ever-increasing demand for rail travel and to improve punctuality, we need not only a higher standard on the existing tracks but also new tracks. New tracks will need to be capable of supporting high speeds, as the shorter the journey times we can offer passengers, the greater the shift will be to rail from fossil-fuel-based modes of transport such as air and road.

Reliable rail services are an important factor in enabling urban regions to expand, and in that way contribute to development over the whole of Sweden. Here, SJ plays a major part by offering short regional journeys and linking the country via long, national services.

Over long distances, rail is the most energy-efficient mode of travel and SJ is an important part of the solution in enabling Sweden to achieve its ambitious climate goal. Rail is also the most time- and space-efficient mode of travel. A double rail track is the equivalent of a 15-lane motorway, in terms of passenger capacity, which makes rail an indispensable resource in meeting travel demand in expanding cities and regions.

### Great potential for international expansion

SJ aims to be Sweden's leading rail operator and one of the best and most in-demand operators in Europe. When the EU's Fourth Railway Package is implemented in 2020, the European railway market will be totally open to competition. This will create opportunities for SJ to expand internationally, in both independent commercial services and tendered services. We participate in several international industry collaborations in order to influence the nature of the decisions taken. For example, SJ has a major involvement in the Community of European Railway and Infrastructure Companies (CER), in which I serve as chair.

As the biggest Nordic train operator in passenger services, it is a logical first step for SJ to expand in the other Nordic countries. During the year, we participated in several tendering processes in Sweden and elsewhere in Scandinavia, in competition with European and global operators. We received high ratings for the quality appendices we submitted, and the recognition we received for the quality we deliver is a matter of pride to me. Many tendering processes will begin in the next few years, and we will participate where there is potential for us to contribute and develop a sustainable operation.

### SJ's digital journey

One of the most exciting developments at SJ today is the scope and volume of our work in digitisation. With investments in innovative technology, we are developing both advanced solutions for the future and simple, smart solutions that are delivering here and now. We are constantly seeking out areas where we can deploy our technology to improve our

customers' experience, increase accessibility, make the work of SJ's employees easier and lower our costs. The organisation operates via agile processes in which our employees play an important part. One innovation in 2018 was the introduction of a digital process for dispatching trains in the depots.

During the year, we entered into a partnership with Deutsche Bahn, one of the world's biggest train operators, in knowledge- and experience-sharing in digitisation. As part of the venture, we contributed by providing Deutsche Bahn with know-how relating to how we connect our trains, and in return were able to share their knowledge of and experience in 3D printing of spare parts. Together, we developed a prototype app to guide employees in making various on-board adjustments with the aid of augmented reality (AR).

### Our outstanding employees

During the year, we saw fantastic examples of employee commitment to seeking out fast, smart solutions in every part of SJ's operations. Appreciative comments from passengers were clear evidence of exceptional efforts by our employees in the face of at times nearly impossible conditions. Nevertheless, absence due to illness has fallen and our employees are demonstrating just as much commitment as before. It is worth repeating: SJ's employees are by far our strongest competitive advantage.

Over the next few years, SJ will continue to be characterised by tough competition, industry-wide collaborations for improved punctuality and continued focus on what creates value for our customers and passengers. 2019 will be an eventful year, in which we will complete several major development and improvement projects that are intended to make SJ even more customer-focused. Alongside our customers and passengers, we have a lot to look forward to.

A very warm welcome on board!

Stockholm, March 2019

Crister Fritzson  
Chief Executive Officer



# The train is taking on a more important role in society

Over the past ten years, rail travel has risen by 30 percent and in 2018 31.8 million journeys were made with SJ. By understanding the driving forces underlying the increase, we will be able to meet customer and passenger needs more quickly and with greater accuracy. Digital channels and tools are making travelling simpler for our passengers and us more efficient.

## Population growth and urbanisation

### Growing population and migration into cities driving travel demand

Sweden is experiencing its highest population growth since the 1700s. In just 20 years, our population will rise by 20 percent and, according to SCB (Statistics, Sweden), the cities of Stockholm, Gothenburg and Malmö will grow at double the average rate for the country. At the same time, the population is ageing, and more and more people are enjoying a healthier old age. With more people working, and working longer, work-related travel will increase. In addition, the elderly of the future will enjoy better financial conditions for travelling.

The highest growth in rail travel is within regions. Shorter journey times are enabling people to live further and further from where they work or study. This in turn will help create a more flexible labour market and stronger growth.

To meet the rising demand for travel and transport, Sweden needs a stable infrastructure that makes growth possible. Sweden's rail network is underinvested and overloaded. In some critical sections, notably around the cities, capacity utilisation has reached the ceiling at certain times of the day. It is, quite simply, impossible to run more trains during the rush hours. At the same time, rail services have an important part to play if Sweden's highly ambitious climate goal is to be achieved.

#### → How SJ is responding to the trend

- When necessary and practicable, we operate longer trains so that more passengers can board.
- In consultation with our customers in tendered services, we adapt services so that more people opt to go by rail.
- To encourage more people to travel with SJ, we are investing in new trains and upgrading our existing fleet.
- SJ takes important industry-wide issues forward and develops and takes part in all industry projects. We also work closely with STA, the Swedish Transport Administration.
- We argue for the building of new railroads to make journey times even shorter and to enable an even higher proportion of travel and transport to take place by rail.

Read more about SJ's new offerings to customers and passengers on page 14, and about our investments in trains on page 18.

## Deregulation and internationalisation

### Market deregulation impacts both offerings and prices

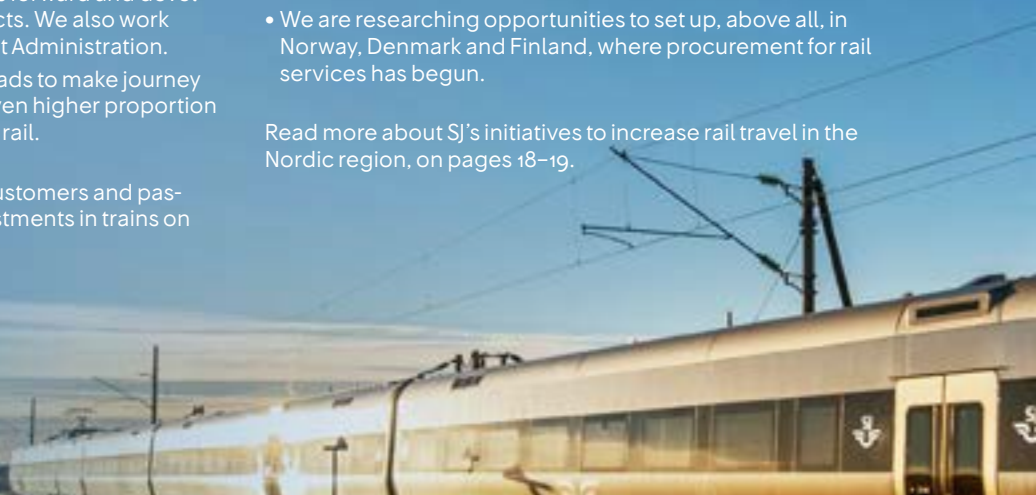
The Swedish rail industry has long been deregulated and thus completely open to competition. This makes expansion of services possible and means that all operators have to be competitive, which in turn will strengthen the position of rail relative to other modes of transport. It is good for the environment, society, the rail industry, and for customers who get a choice of more departures at lower ticket prices.

However, the European rail network is not a homogeneous, open market. Language requirements, regulations on working hours and differing standards and technological systems make cross-border rail services complicated. A major international effort to reduce technological barriers is currently in progress within framework of the EU's Fourth Railway Package. The initiative intends to create a common, deregulated railway market. Sweden has in some ways served as a model for how deregulation can take place. By 2020, it must be possible to apply without restriction for train paths and capacity for commercial passenger services throughout the EU.

#### → How SJ is responding to the trend

- Upgrading and modernisation of our fleet continues to further increase our attractiveness and competitiveness in our domestic market, Sweden.
- Using dynamic pricing, which matches prices to supply and demand, we give more people the chance to travel cheaply while optimising our revenue.
- SJ takes an active part in the work of the EU, not least via SJ CEO Crister Fritzson's chairmanship of the Community of European Railway and Infrastructure Companies (CER).
- We are researching opportunities to set up, above all, in Norway, Denmark and Finland, where procurement for rail services has begun.

Read more about SJ's initiatives to increase rail travel in the Nordic region, on pages 18–19.





## Growing environmental awareness

## Growing environmental engagement is driving increased rail travel in Sweden

Greater awareness of climate changes, the Earth's limited resources and the transport sector's emissions is leading to rising environmental engagement everywhere, not least in the travel industry. According to an SJ-commissioned survey by the Sifo opinion and social research company, 60 percent of Swedes planned journeys within Sweden in summer 2018. 17 percent said that their travel in Sweden had increased, compared to three years earlier.

Today, we identify a strong drive for sustainable public transport solutions in society. Rail travel is both the most energy-efficient and the most eco-friendly mode of transport. Rail is also unique in that it can transport many people directly between city centres, reducing the need for additional car and bus journeys. Rail is also very space-efficient, which is important when cities and regions are expanding. A double rail track is the equivalent of a 15-lane motorway.

Other modes of transport are gradually reducing their environmental impact by developing new fuels or switching to electricity, but the adjustment takes time and the benefit is often swallowed up by volume increases. If Sweden is to achieve its climate goal, we have to migrate more journeys and shipments of goods to rail.

### → How SJ is responding to the trend

- Our most valuable contribution to a sustainable society is to promote more train travel.
- Investments in new and upgraded trains will enable more people to travel sustainably with us.
- We are improving our own energy efficiency via eco-driving, and are modifying our control systems to reduce energy consumption in heating and during parking.
- With our Good Environmental Choice-labelled journeys, we make it easy for everyone to contribute and for businesses to achieve their environmental and climate goals.
- Our Level 1 KRAV-labelled bistro serves largely organic products.

Read more about SJ's environmental work on pages 30–31.

## Digitisation

## Digitisation is part of everyday life

Digitisation today is part of our everyday life, offering great opportunities for communicating, streamlining and developing operations. The trend is driven in particular by customer expectations that any digital contact with a company should be at least as good as physical dealings. Digitisation brings increased transparency and opens the way for new actors and business models.

SJ's ambition is to be one of Sweden's most highly digitised enterprises. Against that background, we are leaving no stone unturned in determining where digital tools can simplify life and make us more efficient. Our customers and passengers expect SJ to be available when and where they want to get information or book tickets. To that end, we have digitised our customer channels and regularly launch new and improved services to simplify travelling with SJ.

The next step, in 2018, was to start a review of our internal processes with a view to using digital solutions to free up time for our employees to enable them to focus more on what creates value for our customers and passengers. Better internal efficiency leads to lower costs, which feeds through into lower ticket prices for SJ customers. In the long term, we also see major potential for generating new business.

### → How SJ is responding to the trend

- Our digital channels are developing all the time, in the form of new and improved functions for our customers and passengers.
- Smart rolling stock and remote monitoring makes maintenance planning easier and provides better reliability and punctuality.
- 3D printing helps us to obtain spare parts that are no longer available, at lower unit cost and faster than if a supplier were to set up the manufacturing process just for us.
- Robot Process Automation (RPA) helps us to go through huge volumes of data and performs monotonous, rule-based operations.
- Digital workplaces create better opportunities for our employees to work together in operations, projects and development.

Read more about SJ's new digital solutions on pages 16–17 and 36.

# Together, we create SJ

Dialogue with SJ's stakeholders brings valuable knowledge which we use in constantly developing our offering and our operations. Individuals, organisations and companies rightfully make high demands of SJ, and expect more than a smooth journey.

SJ is expected both to take responsibility for our overall impact on people and the environment, and to generate value for society. Many stakeholders are affected by our operations and so we have chosen to frame our stakeholder dialogue as comprehensively as possible to gain a wide variety of perspectives. Our most important stakeholders of all are our customers, passengers and employees.

To be able to live up to the requirements and expectations placed on us, we need to understand which issues are material to our stakeholders. Our close dialogue with them give us valuable insight into how we can further develop our offering. Cooperation with stakeholders builds on mutual trust, respect and openness, and is an integral part of SJ's way of working.

We cooperate at strategic, tactical and operational levels with SJ's key stakeholders. Cooperation on the tactical and operational levels is based on working closely day-to-day so we can obtain viewpoints that will help us to improve.

## Material topics

During 2018, we performed a materiality analysis to identify where SJ has greatest impact on the world around it and which areas are most important in enabling us to create value in the long term. This work was based on the previous materiality analysis, together with viewpoints expressed by SJ's stakeholders and our own prioritised issues. The Board's Ethics and Sustainability Committee then discussed and adopted the materiality analysis.

Since introduction of GDPR in 2018, a closer focus on SJ's work on customer privacy has been maintained. As a result of the clarified mandate that SJ received at the 2018 AGM, "within the framework of commercial principles, to contribute towards Sweden's transport policy objectives and thereby achieve long-term sustainable transport provision throughout the country", the former category "Social impacts" has been split into two: Social Responsibility and Community Builder. Safety, punctuality and service information remained the issues of prime importance.

Stakeholder	Dialogues	Monitoring	Issues in focus, 2018
<b>Customers/passengers:</b> Our customers and passengers are our most important stakeholders, and our relationships with them are crucial to SJ's continued success and growth.	Dialogue with customers and passengers is maintained continuously via SJ's sales organisation, customer service, on-board personnel and social media. Customer surveys are further occasions for dialogue. Customers also take part in developing new products and services, for example via the SJ Labs app.	Customer Satisfaction Index (CSI), including Service Index, Customer Satisfaction Index Digital Sales Channels (sj.se) and other key metrics (quarterly), together with Brand Index (BI, monthly).	Continuation of service communication improvement, development and improvement of our digital channels and enhanced personalisation of offerings and in communication and contact with passengers. Administrative processing for our contract customers reduced and simplified.
<b>Employee:</b> SJ is its employees. Our employees' commitment and performance is decisive, in terms of solid service delivery and customer satisfaction. SJ must offer a safe and stimulating workplace.	Cross-functional dialogues, employee survey, performance review, accompanied journeys, workplace meetings and other internal channels. Dialogue with employees' union representatives.	Goal contract, absence due to illness (monthly), Service Index (quarterly), annual employee survey with Leadership Index and Performance Index plus issues relating to bullying and harassment, metrics for health and issues relating to victimisation.	Employees' contribution to increased punctuality, SJ's long-term strategy and objectives and the challenges of the next few years, SJ's corporate culture, actions to prevent bullying and harassment.
<b>Swedish Transport Administration (STA):</b> STA is SJ's most important supplier and partner in Sweden, in delivering efficient train journeys to passengers. This collaboration includes strategic work on train scheduling and maintenance on the rail network, as well as operational work on service conditions.	Strategic, tactical and operational meetings. SJ maintains extensive contact with STA on all levels.	Punctuality statistics (weekly).	Improved punctuality and regularity in the rail system, more accurate forecasting during disruptions, actions to prevent trespassing, more efficient planning and performance of maintenance works.
<b>Owner:</b> SJ is 100 percent owned by the Swedish State. The overall objective for the owner is that SJ's operations should be conducted efficiently with a long-term approach to ensure sustainable value creation.	Ongoing dialogue with the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation, owner dialogue meetings and AGMs.	Interim reports, annual and sustainability report, corporate governance report, presentations and other reports (ongoing).	Follow-up on sustainable enterprise and financial targets.



Stakeholder	Dialogues	Monitoring	Issues in focus, 2018
<b>Regional Public Transport Authorities (PTAs):</b> SJ operates commercial services and services on behalf of PTAs, mainly regional. SJ's services therefore contribute to regional transport provision programmes in the form of both commercial and publicly-funded rail services.	SJ conducts "route meetings" involving infrastructure and service planners, and has personal contacts with key officials in the public transport authority concerned and in the industry forum.	Follow-up of agreements, meetings and dialogues (ongoing).	Quality, robustness and punctuality, passenger satisfaction, service offerings that are optimised for passengers and are also cost-efficient.
<b>Suppliers/partners:</b> To be able to deliver and develop a travel experience that our customers and passengers appreciate, SJ works actively long-term with its suppliers and partners.	Continuous dialogue, targeted surveys, renegotiation and procurement processes, as well as follow-up and development of existing and new services.	In-depth supplier and partnership assessments on sustainability (quarterly), together with ongoing contract follow-up.	Punctuality, sustainability, efficiency, measurement of our perceived capacity for cooperation and establishment, as well as development of in-depth partnerships.
<b>Legislators:</b> Decisions on new legislation, infrastructure, taxes and charges that impact the rail system and SJ's competitiveness. SJ regularly participates as a consultation body in commissions of inquiry and when new legislation is being drafted.	Regular meetings with national, regional and local representatives, as well as other decision makers.	Analysis of the world around us (ongoing).	Social, financial and climate and environmental sustainability, National Infrastructure Plan for the 2018–2029 period, a new generation of main lines, regional development plans, the EU's new GDPR, digitisation and shared ticketing arrangements.
<b>The media:</b> SJ wishes to operate and be perceived in public debate as a transparent, open and proactive force. Our relationship with the media plays a pivotal role here. SJ also has an active presence in social channels.	Round-the-clock telephone availability to the press, interviews, press conferences and social media.	Media monitoring and analysis (ongoing).	Improved night-train service to Jämtland, sharp rise in travel volume to the north, closure of the Getingmidjan section, extended range of organic products in bistros, prize for Sweden's most beautiful rail route.
<b>Associations/organisations:</b> SJ collaborates with associations and organisations to develop rail journeys and, together, to create the sustainable travel of tomorrow.	Information sharing, training and collaboration – for example, for rural areas, commuters and people with functional impairments.	Customer Satisfaction Index (quarterly).	Service offering – number of departures and departure times, accessibility.

# How the Rail System Works

Sweden's rail network has many actors, each with their unique role and responsibilities. The system is complex, and so everyone must be good at what they do, and collaboration is vital.

Around 30 PTAs and train operators offer rail travel in Sweden and a large number of other actors also operate. For the system to work, everyone has to understand and take responsibility for the system as a whole. As a result, the parties collaborate closely both in day-to-day operations and on a more strategic level.

The Swedish Transport Agency is the supervisory authority for Sweden's rail system, with a strong focus on safety. It is responsible for approval and regular follow-up of infrastructure managers, train operators, rolling stock and train drivers. On 16 June 2020, the European Union Agency for Railways (ERA) will assume responsibility, for example, for rolling stock approval in the EU.

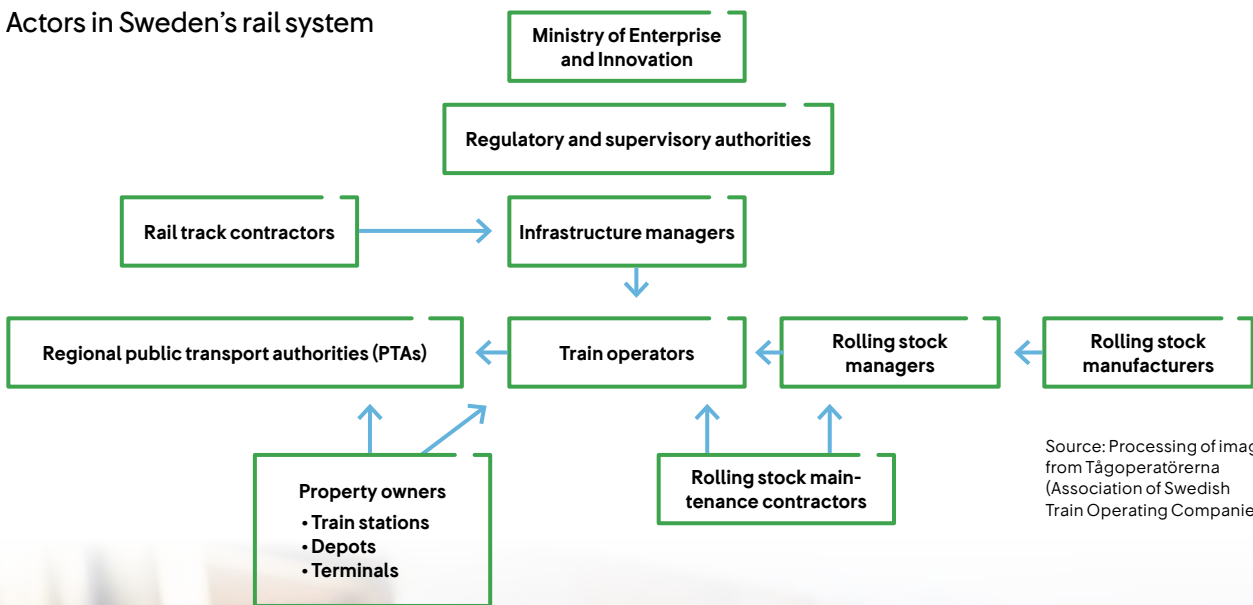
The Swedish Transport Administration (STA) government agency is the infrastructure manager for most of Sweden's rail system. STA also produces Sweden's train timetable. Infra-

structure managers are responsible for ensuring that the rail infrastructure, including tracks, overhead contact lines and points, is in good condition.

## Collaboration forum

*Järnvägsbranschens Samverkansforum* (JBS) (Sweden's collaboration forum for the rail industry) has since 2016 been engaged in a joint improvement programme to increase the robustness, competitiveness and profitability of Sweden's rail industry. Part of the collaboration is taking place within the Together for Trains on Time (TTT) initiative, where the long-term focus is to improve punctuality and minimise the impact of disruptions, for example by providing better information to passengers.

## Actors in Sweden's rail system



Source: Processing of image from Tågoperatörerna (Association of Swedish Train Operating Companies)



# Our Business Model and our Markets

The playing field for Sweden's rail services has changed as competition has grown and as public transport authorities are increasingly inviting tenders for rail services. New actors, many of them foreign with State-owned parent companies, have set up in Sweden. At the same time, work has started on deregulating rail markets in other EU countries.

SJ operates both independent commercial services and tendered services on behalf of public transport authorities. The production process is fundamentally the same, which gives SJ competitive advantages and benefits of scale.

## Tendered services

The Swedish Public Transport Act guarantees that regional and local services operate even where the customer base is insufficient for commercial services. Instead, services may be obtained by tender on behalf of STA or PTAs and funded to a certain extent by taxes. Tendered services are today the strongest-growing part of the market. An example of tendered services are regional and commuter trains in West Sweden, which are operated by SJ via the wholly owned SJ Götalandståg subsidiary on behalf of Västtrafik, Hallands-trafiken and Jönköpings länstrafik.

STA procures transport-policy-based national services where commercial conditions for operating public transport services do not exist. For example, night-train services to and from Upper Norrland and Jämtland are operated by SJ under its own brand on behalf of STA.

In some tendered contracts, SJ owns the trains while in others we operate and maintain trains owned by the client. SJ has the largest market share in tendered rail services in Sweden.

## Commercial services under the SJ brand

Our commercial services are always operated under SJ's own brand, where we have total responsibility for development, sales, production and delivery. SJ today operates commercial services in large parts of Sweden, as well as to Copenhagen, Oslo and Narvik.

We are constantly striving to hone our competitiveness. Frequent departures, short journey times, customer-led arrival times right to city centres, as well as our bistro and other offerings before, during and after the journey, make SJ an attractive option relative to both other train operators and

other modes of transport. Internal efficiency leads to lower costs, and ultimately lower ticket prices for SJ customers. Every line is adapted such as to meet passenger wishes as far as possible, to generate profitability and to play a part in the achievement of SJ's other goals.

## Synergies for a stronger SJ

Our presence in both commercial and tendering markets enable us to offer better end-to-end solutions for both customers and passengers. For passengers, we can link tendered services with convenient connections to our commercial services. For the customer the tendering authority we can offer not only more satisfied passengers but also the possibility of sharing our long experience of areas such as traffic safety, rolling stock management and digital channels.

Greater service volume creates synergies for us as a business. More departures to bear our fixed costs bring down unit costs, which raises our competitiveness and makes lower ticket prices possible for SJ passengers. By operating tendered services, we also reach more passengers who have SJ as an option for longer journeys.

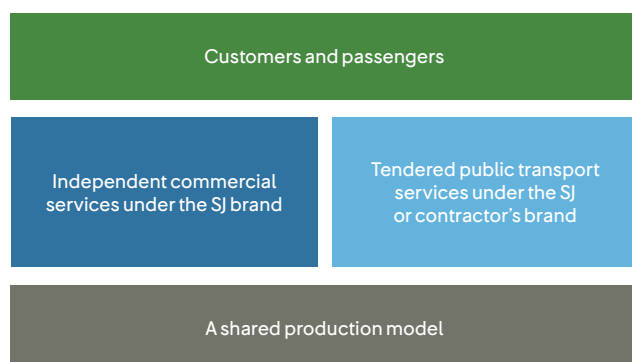
## Competition on healthy terms

We have seen that wider choice leads to more passengers on trains. Deregulation of Sweden's rail system has resulted in a sharply higher volume of travel, and rail has taken market shares from other modes of transport for inland travel.

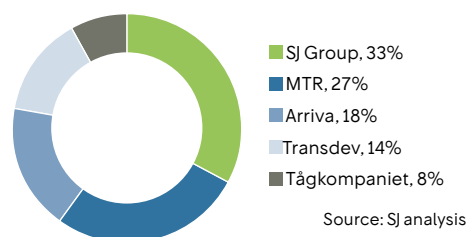
One of the effects of the ongoing implementation of the EU's Fourth Railway Package is that the European market for national passenger services will be opened up more and more to competition. To customers and passengers, the result will, above all, be a wider offering and in some cases lower prices.

To SJ, deregulation of Europe's rail services will enable us to further expand our potential market by setting up in other countries. Read more about SJ'S expansion into the other Nordic countries on page 19.

## SJ's strategic business focus



Estimated market shares in tendered rail services in Sweden, 2019



# Strategy to Increase Rail Travel

SJ's task in brief is to operate passenger services and on a commercial basis to contribute to long-term sustainable transport provision throughout Sweden. This forms the core of our business and is at the same time our way of contributing to a more sustainable society. Many pieces of the puzzle are critical to our long-term strategic focus.

SJ aims to be Sweden's leading rail operator, and to be recognised as one of the best and most in-demand operators in Europe. We will achieve this in close cooperation with our partners and suppliers. Our strategic focus intends to develop our existing offerings, while at the same time we are creating new areas of business by maximising the opportunities that present themselves.

A more robust rail infrastructure in Sweden, strong demand for rail travel and further deregulation in Europe enable SJ to see a bright future ahead.

On the following pages, we describe three important areas that we focused on during 2018. It is about how to assure our delivery here and now – and for long into the future.

Our customer offering and promise

*Read more on pages 14–15.*

Our development journey

*Read more on pages 16–17.*

Sustainable travel for more people

*Read more on pages 18–19.*

**Vision:**

SJ – to rely on and look forward to

**Core values:**

Reliable, Simple, Caring and Joyful

**Purpose:**

We bring people closer together, every day

**SJ's scorecard**

Socially, environmentally and financially sustainable enterprise is measured and followed up via SJ's scorecard

**Mission:**

SJ's mission is to offer the market's most customer-led and sustainable travel, both independently and in collaboration with others. This means that we have to be best at meeting customer needs – while ensuring that social, environmental and economic responsibilities go hand in hand throughout our organisation.

**Production:**

SJ's business is made up of two parts: Commercial rail services under SJ's own brand and tendered rail services. The production model is the same for all services that we operate.

**Agenda 2030**

Of the UN's 17 Global Sustainable Development Goals, three are of greatest relevance to SJ.

Read more about SJ and Agenda 2030 on page 22.

**Sweden's climate goals**

Sweden's climate goals include having zero net emissions of greenhouse gases by 2045. By 2020, Sweden is to have reduced its climate-impacting emissions by 40 percent relative to the 1990 figure. Sweden thus has one of the most ambitious climate targets worldwide.

Rail is the most energy-efficient and most eco-friendly mode of transport and so SJ has a vital role to play in enabling Sweden to achieve its climate goals.



# Our Customer Offering and Promise

Sweden is a country where distances are great and this creates a need for joined-up travel. Travel with SJ should be a fit-for-purpose, sustainable and good-value option. Whoever you are, wherever you're going. This is why we are continuously improving our offering, with the focus on the needs of our customers and passengers.

Rail travel with SJ should be the first choice of passengers, whether the journey is to a meeting in Umeå, for a holiday in Skåne or to the workplace in Enköping. In consultation with public transport authorities, we develop public transport services within and between regions, and connect tendered services with our own commercial services.

## New and redeveloped offerings in 2018

### For our business travellers:

- We launched an improved high-flexibility ticket enabling passengers to change their departure more easily right up to original departure time.
- A digital solution was developed for simple linking to a company agreement.
- The Connection Guide was launched in the SJ app, to simplify use of public transport to and from the customer's SJ journey.
- We developed collaborations with office hubs and enterprise centres to create added value for those subscribing to our business programme.

### For our individual passengers:

- The investment in night-trains continued with individual sleeper compartments also being introduced for those travelling 2nd class.
- Departures every night with our night-train services from Gothenburg, Örebro and Stockholm to Östersund/Duved and Luleå/Narvik.
- The validity of Mälardalstrafik's Movingo commuter ticket was extended to cover parts of the area served by Tåg i Bergslagen (regional trains in Bergslagen area), together with SJ's InterCity service in the Mälardalen region.

### For tendering authorities:

- Our new collaboration with X-traffic led to more departures for passengers, and enabled X-traffic to reduce its originally planned investment in new trains.
- We test-drove Mälardalstrafik's new trains prior to their introduction into service in autumn 2019.
- Our subsidiary SJ Götalandståg expanded its services with Västtrafik, for example with new departures on the Varberg-Gothenburg line. We are also involved in the design of Västtrafik's new rolling stock and are staffing Västtrafik's new information centre in Gothenburg Central Station.

## Our offering

Our passengers appreciate short journey times, frequent departures and arrival times aligned with working hours and connecting public transport services. We therefore focus closely on this aspect when applying for space on the track. SJ offers conditions to ensure that time on board is a simple and joyful as possible: An opportunity to work or socialise, quiet sections for concentration or rest and a bistro with quality food and good coffee.

“ Our customer promise: a safe and punctual journey with good service.”

## What we promise our passengers

Every day, 140,000 people choose to travel with SJ to work, study, visit family or for some leisure pursuit. This is a big responsibility and we do all we can to live up to our promise: a safe and punctual journey with good service.

### A journey with SJ is secure and safe

We always put safety first. The traffic safety is the top priority, but our work also takes in areas such as safety and security on board, data integrity and a high level of preparedness to deal with difficult and unpredictable events. Read more about our work in safety on page 30.

### Punctuality depends on collaboration

SJ's most important sustainability issue is punctuality. This is because the more reliable train journeys are, the more people will choose to go by train. Punctuality is a complex puzzle, where many actors' pieces have to line up in the right place, and where conditions are changing all the time. Of the disruptions that arose in the rail network during 2018, not quite 10 percent were attributable to SJ due to factors such as rolling stock faults or failures of train departures to leave on schedule. The majority of the events affecting our punctuality were thus beyond our control and indeed other actors also have to contribute actively. We are working closely with STA and other rail industry players in Sweden via the industry initiative Together for Trains on Time (TTT) to improve the conditions for punctuality through long-term, systematic action. SJ contributes its expertise to TTT and has impact area responsibility for three out of eight areas and route responsibility for the southern main line.



### Summer travel card

A summer travel card was created at the request of Tåg i Bergslagen (TiB, (regional trains in Bergslagen area) and entitled the user to unlimited travel over three days in summer 2018. Families with children appreciated the card, as did seniors, and travel by TiB was 20 percent higher than in the previous summer.



Our work on punctuality involves fine-tuning our processes. The whole chain must work, from planning to implementation. Over the next few years, we will be investing substantial amounts in new and existing trains to improve our rolling stock fleet. We are striving to get better at preventive maintenance, part through better planning. We use digital tools for information and communication between traffic management, train drivers and train hosts. “Where to stand (on the platform)” in the SJ app reduces stress and hurry on the platform for passengers, and helps us to get the train away on time. Read more about our work on punctuality on pages 38–39.

### Punctuality during 2018

The conditions for punctuality vary according to line, route and time of day. Long-distance services are more sensitive to disruptions since they travel further and pass through various regional transport networks. The volume of rail services has grown sharply in recent years and this is impacting on the rail system’s capacity for recovery after a disruption. Over time, punctuality has improved thanks to measures taken.

In 2018, STA initiated extensive and essential maintenance works on the southern and western main lines to increase robustness and punctuality in the Swedish rail network. As a result of closures and single-track operation, along with planned works, the margins in the rail network already narrow in the first place at times disappeared. Minor disruptions spread quickly. Freezing conditions early in the year and at times lack of adequate snow clearing led to damage to our trains. Train services during the summer drought were affected by more than 400 fires in the vicinity of the tracks.

Maintenance works on the infrastructure, combined with extreme weather conditions led to disruptions over major periods of the year. Punctuality improved in the second half of the fourth quarter when delays became fewer.

Punctuality for SJ’s long-distance services during 2018 was calculated at 77 percent (82). SJ’s medium-distance services recorded punctuality of 88 percent (92) while local services reported 92 percent (93). Both medium-distance and local services are on the way to achieving the industry’s joint target of 95 percent punctuality by 2020.

### When it doesn’t go as it should

When a journey with SJ still does not live up to expectations, for example during service disruptions, we want customers to

feel that we are doing everything in our power to deal with the situation in their best interests. We work with the industry as a whole to alleviate the consequences once disruptions are a fact, above all through clear information.

Our customers demand quick and accurate information that they can act on when service disruptions occur. We provide information about the service situation via our own channels, sj.se, the SJ app, our on-board personnel and several text messages every year to our passengers, and through loudspeaker announcements on the trains. Our first response is to re-route the service. Otherwise, we arrange a replacement service. If that is not possible, we help passengers to plan possible alternative travel arrangements, for example by rebooking the ticket for another train.

### Good service

The third element of our customer promise is about good service. Everyone should have a friendly welcome at SJ, whether buying a ticket, during a journey or if they have general questions about SJ. Our customer and train hosts should be easily seen and be there to welcome passengers on the platform and on board the train. The job of our hosts is to make the journey as simple as possible for passengers and to provide information in a pleasant manner.

The physical environment on board trains is also important in terms of passengers’ perception of their journey and SJ. We are investing in improving our rolling stock fleet by investing in new and existing trains. We are investing continuously in more powerful Wi-Fi to meet passengers’ demand for faster and faster connection, and in that way to offer a joyful and productive journey with SJ.

### Smart travel solutions take passengers from door to door

Being able to buy and make a joined-up journey by more than one mode of transport, whoever the operator is for any part of the journey, makes life a little simpler for passengers. *Resplus* is a ticket where the SJ journey is combined with sections by other modes of transport or operators on the same ticket, so that the passenger gets the whole way via public transport. The ticket also includes an arrival-at-destination guarantee for the final destination.

# Our Development Journey

SJ is constantly developing as a travel provider and employer in processes where both passengers and employees have an active input. Our ambition is to become one of Sweden's most highly digitised enterprises, which we believe will enable us to have the best employees, the best-satisfied customers and the lowest costs.

SJ – an evolving enterprise. We are developing our offering with the overall aim of increasing numbers of, and satisfaction in, customers and passengers. Our owner, the Swedish State, makes demands of us in terms of delivering long-term profitability. We can achieve this by ensuring that every line and every business helps SJ to achieve its goals via customer-led and cost-efficient solutions.

## A modern employer

At SJ, there is a strong conviction that dialogue and engagement is key to our being able to develop as a company and for our employees to grow in their roles. We strive actively to create an inclusive workplace climate characterised by respect, security and accessibility. Our aim is to offer our employees conditions that enable them to work self-sufficiently and deliver good performances. On that basis, we allow our employees great latitude in their respective area of work. Engineers, IT specialists, economists, train drivers, train hosts and depot personnel are among the areas in which SJ faces future recruitment needs.

With the right support in the form of tools and digital infrastructure, we are streamlining our operations so that our employees can spend their time on meeting our customers, analysing outcomes and other value-creating tasks. Our employees are to a high degree driving digitisation of internal processes by identifying areas for improvement and by developing more efficient ways of working or meeting our customers. For some examples from the past year, see next page.

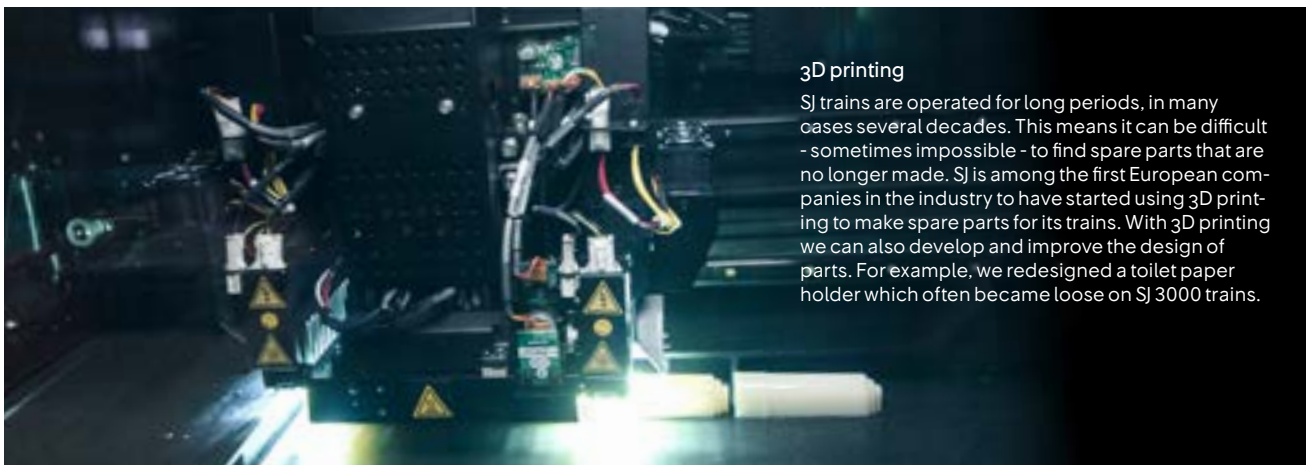
To be able to live up to our customers' expectations, we need employees with the right skills and a good capacity for cooperation and identifying solutions. In this work, our employees reflect SJ's values, Reliable, Simple, Caring and Joyful.

## Development in partnership with customers

We are constantly developing our customer offering on the basis of what customers and passengers want. Daily contacts with passengers on board, via customer service and in social media provide ideas for improvements. We regularly meet with various stakeholder organisations and representatives of municipalities and regions to discuss SJ's existing and future offerings, on the basis of their needs and wishes. SJ also invites customers in to give their opinions on, for example, new concepts, how our information is delivered or the seats in the new X 2000s.

Via our SJ Labs development app, we test out new digital solutions with our customers. Those who download the app get to try functions under development and contribute to evaluating and developing the functions. Fully developed functions are then migrated to the SJ app. For example, SJ Labs developed a customer idea that passengers could have their ticket as a microchip implant, which SJ was the first in the world to bring out. The Connection Guide app, which enables passengers to buy connecting public transport journeys to or from the train station was also developed by SJ Labs. The Student Advisory Board provides us with valuable knowledge about how students, as passengers and as potential future employees, view SJ. We also invite selected passengers to SJ Labs to test digital concepts developed by SJ Business Development, and to contribute valuable insights and viewpoints.

“ IDG/Internetworld  
named sj.se as Sweden's  
best website in 2018.



### 3D printing

SJ trains are operated for long periods, in many cases several decades. This means it can be difficult - sometimes impossible - to find spare parts that are no longer made. SJ is among the first European companies in the industry to have started using 3D printing to make spare parts for its trains. With 3D printing we can also develop and improve the design of parts. For example, we redesigned a toilet paper holder which often became loose on SJ 3000 trains.

## New and redeveloped digital solutions in 2018

### For our customers and passengers:

- With the aid of augmented reality (AR) technology, SJ passengers are guided through Stockholm Central, Stockholm South and Flemingsberg stations via the *VägvisARren* ("Pathfinder") function in the SJ Lab app.
- The Connection Guide app enables our passengers to easily select and buy tickets for local public transport to the train's departure station or from the train's destination station. The digital ticket is available in the SJ app along with the SJ ticket.
- A voice-activated service for Google Assistant in both Android and iOS devices enables users to ask questions and quickly obtain information on SJ services.

### For our employees:

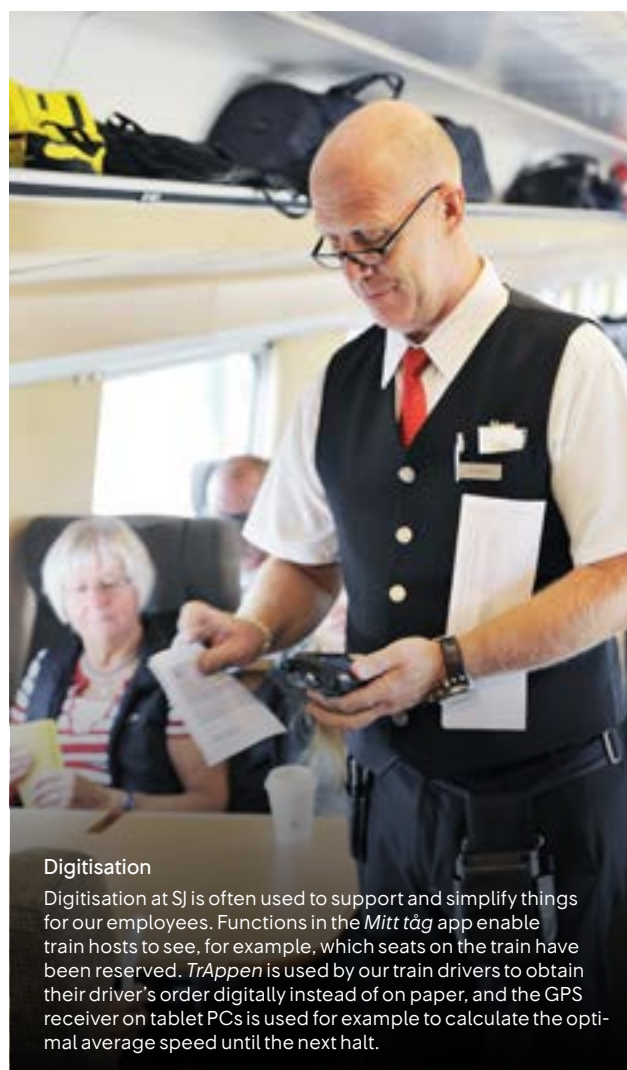
- A new function in the train host app *Mitt tåg* (My train) makes it easier to see which passengers in First Class have pre-ordered, and been served with, food.
- The Finance Staff Unit and SJ Corporate Sales use Robot Process Automation (RPA) to run through large volumes of data and perform huge, monotonous operations such as migration of data from one IT system to another.

“ Consulting firm BearingPoint chose SJ as the most highly digitised travel company in Sweden and Europe.

## Smart trains

SJ continues to develop ways of monitoring the status of our rolling stock in real time. Sensors send huge quantities of signals that we can use in making decisions on what action to take and in planning in good time for maintenance before faults occur that will cause disruptions for our customers. The new X 2000s will be sending a billion signals every hour, making it the smartest train in Sweden.

Collection and processing of Big Data offers SJ great potential for creating better business decisions and better contacts with customers, and represents a basis from which completely fresh business concepts may develop.



### Digitisation

Digitisation at SJ is often used to support and simplify things for our employees. Functions in the *Mitt tåg* app enable train hosts to see, for example, which seats on the train have been reserved. *TrAppen* is used by our train drivers to obtain their driver's order digitally instead of on paper, and the GPS receiver on tablet PCs is used for example to calculate the optimal average speed until the next halt.

# Sustainable Travel for More People

SJ links together major areas of Sweden and the capitals of Scandinavia. We are also an important part of the solution in enabling the climate goals to be achieved in that we make it possible for many people to go by rail, the most sustainable mode of travel over medium and long distances.

The rail infrastructure today is both overloaded and underinvested. At the same time, demand for rail travel is rising and will require considerably greater capacity in Sweden's rail network. Until such time as an expanded and more robust infrastructure is in place, SJ is doing what we can to offer more people the option of sustainable travel.

## Modernisation of the rolling stock fleet – a sustainable investment

The current programme of modernisation of SJ's rolling stock fleet is an important milestone on the way to the train experience of the future. SJ plans to invest in all about SEK 9 billion in a new and upgraded rolling stock fleet over the next few years.

SJ is in the process of procuring around 30 new high-speed trains for long-distance services. As a result, we will be able to offer passengers more modern, higher-capacity trains and at the same time phase out older locomotive-hauled trains. The trains will be able to service the whole of Scandinavia and we are taking due account of sustainability issues in our supplier choice.

The modernisation of all X 2000 trains continues, with the ambition of having the first train in service during the second half of 2019. The trains will be upgraded with new technology and new interiors, while the old chassis will be retained and not replaced, saving large volumes of steel. The new X 2000s will provide even better accessibility, with new wheelchair spaces, more spacious toilets for the disabled and seat num-



bers in tactile script and Braille. With the new X 2000s we will be able to offer 15 percent more seats, and better reliability will play a part in improving punctuality.

Use of our night-train services is increasing. We want even more people to discover the benefits of travelling and sleeping at the same time. To this end, we are modifying and improving comfort in our night-train carriages.

### Need for expanded and more robust rail infrastructure

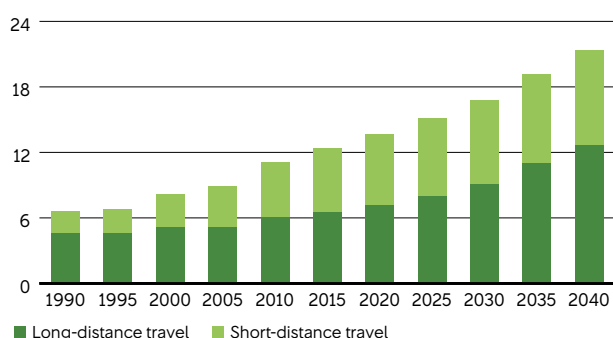
The steadily rising demand for rail travel means that a basic need exists for increasing services on several lines. However, because the capacity limit has been reached this is not possible. Overburdened capacity on strategic routes also affects punctuality, as trains cannot make up for lost time on journeys. Major investments are necessary to make Sweden's rail infrastructure more robust. At the same time, investments in increased capacity will be needed to meet the travel needs of the country's expanding population.

Sweden needs more rail capacity, and investment in very high-speed rail would bring about wide-ranging changes in patterns of travel behaviour. At speeds of 320 kph and more, it is estimated that around three million air journeys per year would migrate to rail. High-speed railways would help link Sweden even closer together, boosting Sweden's international competitiveness and laying the foundations for continued strong growth.

**“ We are investing in our rolling stock fleet to the value of around SEK 9 billion.**

When the fastest trains are operating on very high-speed tracks, there will be considerably more space for commuter, regional and goods trains on existing main lines. Because these trains are driven at around the same speed, punctuality will improve for all, once the risk of faster trains catch-

Outcome and forecast for the rail market i Sweden, billion passenger kilometres



Source: The Transport Analysis Agency, Swedish Transport Administration and SJ analysis

ing up with slower trains is eliminated. Relieving the load on the main lines will make it possible to run two to three times as many goods trains as today. The environmental impact of fewer road shipments would be considerable.

### Expansion into the other Nordic countries

Under the EU's Fourth Railway Package several countries have started opening their railway markets to competition. Major tendering processes will be held in Norway, Denmark and Finland in the next few years.

As European markets are deregulated, and in the face of increased competition at home, SJ is evaluating the opportunities for expansion in the other Nordic countries to ensure a long-term profitable position as a leading rail actor. We have started by examining the potential in our neighbouring Nordic countries. Through a combination of long experience and attractive offerings, we aim to be a natural choice for service procurement agencies in the Nordic region, to offer passengers sustainable travel in and between the countries and at the same time to reap the benefits of scale in for example procurement of trains and technology.

#### Focus markets outside Sweden

##### Norway

For the past year or two, the Norwegian railway sector has been undergoing major change. The newly formed Norwegian Railway Directorate is tasked with procuring management of rail services across the whole country in seven geographical rail service packages. The first tendering process was decided in 2018. The UK's Go Ahead Group won the contract, thereby breaking NSB's monopoly on services in Norway. During 2019, decisions are expected on two further tendering processes.

Today, SJ runs services to Narvik, Halden and Oslo.

##### Denmark

In terms of the number of per capita train journeys, Denmark ranks top among the Nordic countries. On average, every member of Denmark's population makes 37 journeys per year, compared with 22 in Sweden, 15 in Norway and 14 in Finland.

The biggest rail service package in the Nordic region, *S-togen* (commuter services in Copenhagen), is expected to go out for tender in the 2020s. SJ operates high-speed services to Copenhagen from Stockholm and Gothenburg.

##### Finland

Finland has begun the process of deregulating its market on the basis of competitive tendering and separation of rolling stock, maintenance workshops and stations from the State-owned VR Group. The first steps to prepare for obtaining tenders for commuter services in the Helsinki region were taken in 2018. Services are to start in June 2021. The first tendering processes for long-distance lines are expected to begin in 2019.

# A modern, digital and sustainable enterprise



SJ is an outstanding company that takes major initiatives every day in a challenging market. The Company operates more than a thousand departures every day, which arrive punctually, and has been named recently as the most highly digitised travel company in not only Sweden but also Europe. Many people rely - and are dependent - on SJ to be able to travel to and from work, school, family and friends.

SJ's strong brand is largely based on trust among customers and passengers that we will deliver a safe and sustainable journey, that we keep our promises and act correctly and impeccably in every situation. To our passengers, the vital thing is that the trains arrive on time. Punctual journeys need robustness in all parts of the system, and there the industry still has work to do.

One condition for better punctuality is how well our collaboration works with STA and the train operators with whom we co-exist on the tracks. Here, we need to work pragmatically by systematically tackling every factor that causes delay. At the same time, major investments are needed to restore and maintain Sweden's rail infrastructure, and to make the investments in expanding capacity that are necessary to meet the transport needs of a rising population and Sweden's ambitious sustainability target.

## Good organisation key to any business

One of the most important areas that I have focused on during my years on the SJ Board is internal controls. This concept centres fundamentally on good organisation – an SJ that you can rely on in every situation. Internal controls extend over the framework of processes, routines, reporting, system support and data that has been established to assure a healthy and efficient organisation, and consequently a reliable system of financial reporting.

SJ has always had good organisation and in recent years we have thoroughly analysed and reviewed all processes at SJ in order to further strengthen and systemise internal controls. This extends to every process, from how customers book their journeys and how we order spare parts to how we drive our work on sustainability. We have also developed a system of evaluation to be able to regularly check that our processes are working, together with routines for remedying deviations.

## Expansion important to maintain attractive offering

Within a few years, every country in the EU will have a deregulated railway market. The majority of our competitors in Sweden's rail network are today already operating in several markets. As a result, they can spread their costs, create expertise and build up extensive organisations. Long-termism, volume and synergies are important in creating profitability in the particularly capital-intensive activity that is the rail industry.

As a Nordic-wide company, SJ can ensure competitiveness in the domestic market by obtaining benefits of scale via new markets. Benefits of scale mean greater volume to spread fixed costs over, and therefore better potential for maintaining profitability to create the scope for investing in expertise, attractive offers and new trains. Future expansion beyond Sweden's borders will also enable SJ to develop into an even more exciting company to work for.

## Committed employees in good times and bad

SJ's foremost competitive advantage is without doubt our outstanding employees. This was demonstrated not least in 2018, a year unlike anything we had seen before. Huge amounts of snow and ice on the rails during the winter affected rail services throughout the country. This was followed by a heat wave in the summer, with many fires breaking out near the railway tracks. In addition, both scheduled and unscheduled maintenance works were carried out by the STA.

“ Punctual journeys need robustness in every part of the system

Even so, we performed fantastically well. Our employees, worked, toiled and delivered. Everyone made a huge effort when things got tough, from traffic planning to everyone in the depots and the Company's management. But it was our on board personnel who had to carry the heaviest burden. With ingenuity and initiative, they bought pizzas, fixed air conditioning and calmed anxious passengers. Our people are an asset that makes me proud.

Despite a tough year, and lower net profit than anticipated, we finished with a strong last quarter. We achieved all our financial targets and started 2019 in a favourable position with many train journeys booked. SJ will continue to focus on offering what its passengers want: simple, flexible and punctual journeys. I am also convinced that Sweden's most exciting company will continue to play an important role in the emergence of an available and sustainable Sweden for everyone.

Stockholm, March 2019

Siv Svensson, Board Chair

# Directors' Report

The Board of Directors and the Chief Executive Officer of SJ AB (corporate registration number 556196-1599) hereby present SJ's annual accounts and consolidated financial statements for the financial year ending on 31 December 2018. The financial statements were approved for publication by the Board of Directors and the Chief Executive Officer on 20 March 2019 and will be submitted to the Annual General Meeting on 25 April 2019 for adoption.

The Parent Company is a Swedish limited liability company with its registered office in Stockholm, Sweden. The head office is located at Vasagatan 10, SE-105 50 Stockholm, Sweden. SJ AB is 100-percent owned by the Swedish State.

## Significant events in 2018

- The year was dominated by extreme weather conditions and extensive maintenance works. During the first quarter, the cold and at times lack of adequate snow clearing led to rolling stock failures. In the summer, the rail infrastructure was greatly affected by extreme heat and drought, for example via embankment fires that broke out.
- The Swedish Transport Administration (STA) started extensive maintenance works to improve long-term robustness and punctuality in the rail network. Passengers were inconvenienced by fewer departures and changes in routes. Overall, SJ's costs increased and revenue fell as a result of maintenance works and service disruptions.
- In March, IDG/Internetworld named SJ's website, supplemented by SJ's mobile app, as Sweden's best website.
- At SJ's AGM on 24 April, Siv Svensson was elected as SJ's new Board Chair. The AGM also resolved to amend SJ's Articles of Association such that SJ shall "within the framework of commercial principles, contribute towards Sweden's transport policy objectives and thereby achieve long-term sustainable transport provision throughout the country".
- SJ signed an agreement with customer service company Webhelp Nordic, which took over operation of SJ's Customer Service in Ånge on 1 September.
- STA decided to invite direct tenders from SJ for services on the overnight Stockholm–Östersund–Åre–Duvud route. Services started on 8 September.
- SJ signed an agreement with Mälardalstrafik (formerly Mälåb) to exercise a 1-year option to extend an earlier transitional agreement. As a result, SJ will operate services in the Mälardalen region on behalf of Mälardalstrafik until the end of December 2021.
- In November, the BearingPoint consulting firm named SJ as Sweden's most highly-digitised travel company. SJ also took second place as Sweden's most highly-digitised company in all categories.

## SJ's operations and market

SJ is a travel partner whose core business consists of passenger services on the rail network. SJ mainly operates in the markets for regional and long-distance travel within Sweden, as well as to Oslo, Halden, Narvik and Copenhagen. SJ runs its commercial rail services independently, along with tendered

services. In 2018, the Group's rail services were operated via the Parent Company SJ AB and the subsidiary SJ Götalandståg AB. Other subsidiaries conduct activities on a limited scale.

Rail travel in Sweden is on the up, with demand being driven by population growth and urbanisation, deregulation and internationalisation and increased environmental awareness. Growth in travel<sup>1</sup> (measured in passenger kilometres) by SJ was 2 percent in 2018, compared with the preceding year.

Rail is the most energy-efficient and most eco-friendly mode of transport and so has a vital role to play in enabling Sweden to meet its ambitious climate targets. Major investments are necessary to make Sweden's rail infrastructure more robust. At the same time, increased capacity will be needed to meet the travel needs of the country's expanding population. Under the "January Agreement" prior to the formation of the Swedish government in 2019, the national plan agreed for infrastructure in the 2018-2029 period, involving investments of SEK 700 billion in roads and railways, is to be carried through, and very high-speed main lines are to be built to link together the southern parts of Sweden.

The Swedish rail industry is fully deregulated and thus completely open to competition. This makes expansion of services possible and requires all operators to be competitive, which in turn will strengthen the position of rail relative to other modes of transport. In the European rail network, language requirements, regulations on working hours, differing standards and technological systems complicate cross-border rail services. A major international effort to reduce technological barriers is currently in progress within the framework of the EU's Fourth Railway Package. The initiative intends to create a common, deregulated railway market. Sweden has in some ways served as a model for how deregulation can take place. By 2020, it must be possible to apply without restriction for train paths and capacity for commercial passenger services throughout the EU.

Deregulation has begun in Norway, Denmark and Finland. In Norway and Denmark, several tendering processes have been carried out since 2017, and more are in progress.

## Uncertainties

No new material uncertainties were identified.

## Anticipated future developments

Several tendering processes are under way in Sweden, Norway, Denmark and Finland, and will involve SJ. SJ is carefully evaluating these projects in terms of enabling the Company in the long term also to become a leading rail operator in Sweden's neighbouring Nordic markets.

Striving to increase rail travel is a key element of SJ's strategy to expand its business and generate strategic growth, in both independent commercial services and tendered services. The investment decisions on SJ's rolling stock fleet that were taken in 2017 will enable SJ to offer a wider range of services. At the same time, they will better equip SJ to achieve higher punctuality and customer satisfaction. SJ is continuously evaluating how the business can grow, by analysing existing and new routes, nationally and internationally.

<sup>1</sup> Volume of travel includes travel with SJ tickets on SJ's independent commercial services and tendered services, excluding season ticket travel on tendered services. However, all travel on season tickets within the scope of the Movingo agreement is included.

## Sustainability Report: Responsible governance

SJ's sustainability report in accordance with the Swedish Annual Accounts Act is provided on pages 22-43. For detailed page references, see page 97.

SJ's mission is to offer the market's most customer-oriented and sustainable travel, both independently and in partnership with others. This means that SJ shall be best when it comes to fulfilling customer needs – while ensuring that social, environmental and economic responsibility go hand in hand throughout the organisation.

SJ's business model rests on two pillars:

- Independent commercial rail services under SJ's own brand
- Rail services procured by regional and national public transport authorities under the SJ brand or that of the procuring authority.

The production processes are fundamentally the same, which creates competitive advantages and benefits of scale.

Sustainable enterprise is an integral part of SJ's business model. Starting from our vision, mission, core values and balanced scorecard, the business can be conducted in a socially, environmentally and financially sustainable way. SJ's balanced scorecard consists of six control areas that are measured and followed up regularly, every month, quarter and/or year. Similarly, the scorecard is used to identify and minimise risks in each control area – see page 43.

Read more about SJ's management system on page 51.

### Overall analysis of outcomes in 2018

The outcomes for SJ's key metrics in 2018 improved in several control areas, but others were adversely affected by recurring service disruptions for much of the year.

Absence due to illness declined and the target for the year was met, despite high workloads due to the disruptions. The outcome for the Performance Index was on a level with the preceding year, and the target for the year was not achieved. The Leadership Index improved by one point and the target for the year was achieved. The outcome for diversity exceeded the target.

Punctuality is SJ's most important sustainability goal. During the year, punctuality declined, mainly as a result of maintenance works that long term will bring about a more robust rail system, but also arose through service disruptions caused by the extreme weather conditions. The target for the year was not achieved. In late 2018, punctuality returned to more normal levels. In SJ's view, the industry's long-term target of 95 percent is achievable for medium-distance and local services by 2020. On the other hand, achieving the target for long-distance services will be challenging. We are working intensively, on our own account and within the industry, to achieve the target.

The Customer Satisfaction Index (CSI) weakened, following a steady increase since 2015. The decline was mostly attributable to lower punctuality during the first three quarters of the year. In addition, passengers found the information provided during service disruptions inadequate. The CSI improved somewhat during the fourth quarter.

The outcome for SJ Volunteer deviated sharply from the target for the year. The process of enabling employees to engage as volunteers continues.

Read more about the outcomes for all key metrics in 2018 on pages 23-41.

### The global sustainability goals and SJ's role

The world's leaders have pledged, by 2030, to abolish extreme poverty, reduce inequality and injustice worldwide, and to resolve the climate crisis. To this end, 17 global sustainability goals have been agreed. UNEP, the United Nations Environment Programme, has coordinating responsibility in assisting countries to integrate these goals into their national policies and budgets. Businesses are also expected to analyse the goals and identify how their organisation can help in achieving the goals.

For its business plan period 2019-2023, SJ has identified three goals where we can contribute and be part of the solution:

#### Goal 7: Affordable and clean energy for all

The global rate of improvement in energy efficiency is to double by 2030.

*SJ's role:* Rail is the most energy-efficient mode of transport today, and will remain so in the future, irrespective of whether other, less ecofriendly modes of transport succeed in reducing their climate impact. SJ also makes a contribution by, wherever possible, operating train services with attractive timetables.

#### Goal 10: Reduced inequalities

All people, irrespective of age, gender, functional variation, race, ethnicity, origin, religion or economic or other status, shall be included in social, economic and political life.

*SJ's role:* We have to be an SJ for everyone – not only for our passengers but also in our role as employer with employees across major parts of Sweden.



#### Goal 11: Sustainable Cities and Communities

By no later than 2030, everyone shall have access to safe, affordable, accessible and sustainable transport systems. This will require improved traffic safety, above all via improved public transport. Positive economic, social and environmental links between different areas shall be promoted by strengthening national and regional development planning.

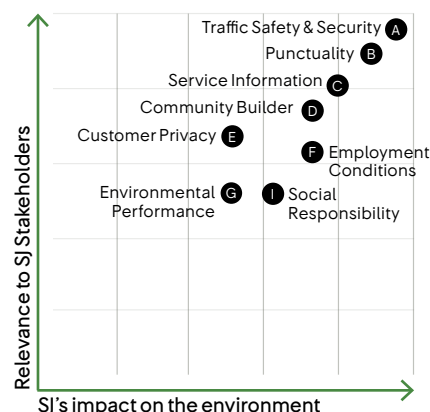
*SJ's role:* SJ contributes to a sustainable society by offering the most efficient and safest mode of transport. We take part in conversations and collaborations at national, regional and local levels to bring about a sustainable transport system. Our timetables make it possible for people to live in one place and work or study in another.



### SJ's scorecard

	Out- come 2018	Target 2018	Out- come 2017	Target 2019	
<b>😊 Employee</b>					
Absence due to illness, %	5.2	5.2	5.4	4.8	F
Leadership Index SJ AB	76	75	75	77	F
Performance Index SJ AB	79	80	79	81	F
Diversity, % from non-Swedish background according to Statistics, Sweden (SCB)	17	15	15	17	F
<b>🔗 Partnership &amp; Resources</b>					
Number of completed sustainability audits <sup>1</sup>	5	5	7	8	I
<b>🏠 Society</b>					
Traffic Safety Index	96.7	96.4	96.5	96.5	A
Brand Index (BI), SJ AB	51	60	52	55	D
Environmental Index, SJ AB	77	78	78	79	D G
SJ Volunteer, SJ AB, no. of hours	752	2,000	1,030	1,000	I
<b>👤 Customer</b>					
Customer Satisfaction Index (CSI), SJ AB	69	75	72	75	C
Passenger Satisfaction Index <sup>2</sup> (PSI), SJ Götalandståg – commuter services	95	93	94	93	C
Passenger Satisfaction Index <sup>2</sup> (PSI), SJ Götalandståg – regional services	94	94	94	94	C
<b>⚙️ Process</b>					
Punctuality, long-distance services (long-distance and overnight), 5 min., %	77	91	82	93	B
Punctuality, medium-distance services (regional services), 5 min., %	88	93	92	94	B
Punctuality, local services (commuter services), 3 min., %	92	93	93	93	B
Regularity <sup>3</sup> , long-distance services (long-distance and overnight), %	96	98	98	98	B
Regularity <sup>3</sup> , medium-distance services (regional services), %	96	98	97	98	B
Regularity <sup>3</sup> , local services (commuter services), %	98	98	98	98	B
<b>📊 Finance</b>					
Net debt/equity ratio, multiple	-0.14	0.5-1.0 <sup>4</sup>	-0.10	0.5-1.0	I
Return on operating capital, %	11.4	7.0 <sup>5</sup>	16.4	7.0	I
Dividend, share of net profit for the period, %	50 <sup>6</sup>	30-50	50	30-50	I

### SJ's materiality analysis, relative to the scorecard



**E** The scorecard currently does not include a key metric linked to customer privacy. How SJ treats customer data is described on page 37 and followed up via GRI disclosure 418-1.

As a result of the clarified mandate that SJ received at the 2018 AGM, "within the framework of commercial principles, to contribute towards Sweden's transport policy objectives and thereby achieve long-term sustainable transport provision throughout the country", the former category "Social Impacts" has been split into two: Social Responsibility and Community Builder.

<sup>1</sup>In-depth sustainability-based supplier reviews. Desktop audit, extended desktop audit, on-site audit or external inspection.  
<sup>2</sup>Own measurement method, not comparable with figure for SJ AB.  
<sup>3</sup>Indicates the percentage of trains departing from their originating station and arriving at their terminating station according to the planned timetable applicable two days prior to the day of service.  
<sup>4</sup>Goal to be achieved in the long term.  
<sup>5</sup>Goal to be achieved as an average.  
<sup>6</sup>As per Board's proposal.

### From vision to concrete action – SJ's management system



Sustainable business is a natural and integral part of SJ's business model. With SJ's vision, mission and core values as the starting point, the social, environmental and economic sustainability of SJ's operations is assured by surveying and monitoring the control areas. To annually evaluate and develop SJ's management system, we use the European Foundation for Quality Management (EFQM) model to measure in a structured and systematic way where SJ is in relation to vision and set objectives.

## Our strongest competitive advantage

Our employees' commitment is SJ's strongest competitive advantage. To be able to meet the expectations of customers and passengers, to perform their tasks and manage any situations that may arise, SJ employees need the right conditions, skills, tools and authorisations.

To be able to recruit and retain the best talents, SJ strives to be an attractive employer, associated with a clear sustainability profile, recognised effective leadership, strong commitment in work environment and health issues and with good opportunities for development within the Group. Every year, a comprehensive succession plan is drawn up within the Group, identifying potential successors, critical key roles, talents and future managers.

All employees are included within collective bargaining agreements.

### Mutual development via dialogue

Dialogue with and involvement of our employees are vital if SJ is to develop. Performance reviews are held annually as part of the employee dialogue, along with accompanied journeys during which employees receive coaching. The dialogues aim to set individual targets, which are clearly linked to SJ's overarching goals, and establish a career-development plan for all employees.

In addition, cross-functional dialogues are organised four times a year, in which employees and Executive Management discuss relevant SJ-related issues. Employees also receive information at meetings, including workplace meetings, via the intranet, in weekly newsletters and from their manager. On these occasions, current issues are raised, as well as our way forward and rules and routines to ensure that operations are well coordinated and safe.

### SJ's Internal Code of Conduct

SJ's Internal Code of Conduct is based on SJ's core values and lays down guidelines as to how all employees of the Group, including Board members and independent contractors, should act and treat each other and our stakeholders. For example, the Code outlines how we should act to uphold human rights, maintain good working conditions and care for the external environment.

The SJ Group's Internal Code of Conduct incorporates all the policies and guidelines that set out how our employees should behave in and outside the organisation. The Code is based on internationally agreed rules, including above all the ten principles of the UN's Global Compact, and must be known, respected and applied equally for all employees, irrespective of type of employment. Every employee must know where to turn if victimised. SJ has clearly-defined processes for investigation, rectification and support to the person affected.

The Code of Conduct stipulates zero tolerance of all forms of bribery and also incorporates the requirements of the Swedish Anti-Corruption Institute's (IMM) Code on Gifts, Rewards and other Benefits in Business. Violations of the code can be reported via SJ's whistle-blower function. Read more on page 51.

### Significant events in 2018

- Absence due to illness fell to 5.2% (5.4)
- Webhelp Nordic took over operation of SJ's Customer Service in Ånge

### Continuous evolution

To meet customer wishes and demands for digital and other services and to address the growing competition, SJ needs to continue to evolve. The process of change is focused on cost efficiency and more customer-led solutions. Digital tools and services are becoming increasingly important in all parts of SJ, and the ideas and suggestions of customers and employees are driving the trend. SJ's ongoing digitisation is affecting ways of working and tools, placing new demands on employees and leaders.

Our managers' competence in change management and their ability to create conditions conducive to commitment and positive performance are crucial to SJ's ability to adapt. Management training, mentoring and coaching are the building blocks for SJ's leadership development platform, built on the foundations of involvement and dialogue with employees.

SJ's employees regularly take part in training courses to keep up with the latest on, for example, our trains, safety, interaction with customers and laws and regulations. In addition, a wide-ranging range of courses is on offer, for example on environment, sales and driving improvement. Our train drivers are trained by instructors on board trains and in simulators, where a variety of processes and situations can be rehearsed. Simulators are figuring more and more importantly in our driver training. In 2018, we stepped up from one to thirteen simulators.

### Employee survey

SJ's annual employee survey examines the work situation and job satisfaction of employees, as well as the conditions for good performance and how leadership contributes. The results are followed up closely, at both general level and broken down per unit, and form the basis of the Performance Index and the Leadership Index. The results are discussed at the units with a view to initiating activities based on needs identified.

The employee survey is translated into four languages. One innovation in 2018 was to send text messages with a link to the survey so that employees were also able to respond via their telephone, as an alternative to their PC or tablet. The outcome for the Performance Index was 79 (79), following a strong increase in 2017, and the target for the year was not achieved. The Leadership Index improved to 76 (75), indicating that the target for the year was surpassed. Sustained initiatives in leadership development, dialogue and involvement were factors in the improvement for the Leadership Index.

### Diversity

SJ's work in diversity is based on the seven aspects of anti-discrimination in Sweden's Discrimination Act. Our intent is to offer an inclusive workplace climate characterised by respect, security and accessibility. We call this "An SJ for everyone" and are striving to establish a culture where employees, customers and passengers feel welcome. An "SJ for everyone" enriches and creates pride and commitment.

## Diversity among decision-makers and employees

Breakdown of age and gender of employees, by employee categories relevant to SJ on 31 December.

%	2018						2017						2016					
	Women			Men			Women			Men			Women			Men		
	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50	<30	30-50	>50
Individual-based pay	5	23	13	5	29	25	5	24	13	5	28	26	5	25	12	5	28	26
Position-based pay	11	18	11	11	25	23	11	19	11	11	24	24	12	20	11	10	23	25
- Train drivers	3	10	3	9	40	36	2	10	3	9	38	39	2	10	2	8	36	42
- Train hosts	15	26	18	9	14	18	15	27	18	9	13	18	15	28	17	8	13	19
Managers <sup>1</sup>	2	28	14	1	33	22	3	28	14	1	29	26	1	29	16	1	26	27
Management team at companies	-	6	44	-	6	44	-	21	32	-	11	37	-	23	20	-	7	50
Board of Directors <sup>2</sup>	-	14	43	-	14	29	-	14	29	-	29	29	-	14	29	-	29	29

<sup>1</sup> In charge of subordinate personnel but not a member of a management team.

<sup>2</sup> Board members elected by the AGM.

With greater diversity, we gain more perspectives and better understanding of the changing needs of our customers and passengers, helping to improve our competitiveness. Of SJ's employees in 2018, 17 percent (15) had a foreign background, according to SCB's (Statistics Sweden) definition (any person born abroad or born in Sweden to two parents born abroad). This represents an increase since last year and indicates that the target for the year was exceeded. For Sweden as a whole, the corresponding figure was 19 percent (18.5) on 31 December 2018.

Discrimination, bullying and harassment are unacceptable at SJ. The initiative launched in 2017 to achieve our zero tolerance vision continued with undiminished vigour in 2018. The initiative includes activities to spread information and raise awareness of what may be discrimination, bullying or harassment and to develop the dialogue between and within various groups. In the 2016-2018 period, no cases of discrimination at SJ were taken to court.

To avoid unjustifiable pay differentials, SJ carries out a pay survey every year.

### Work environment and health

A balance between work and leisure is the starting-point for SJ's health-promotion programme. Health inspirers out in the organisation are local engines of the practical work of health promotion, which consist of a varied offering of initiatives to improve health, well-being and togetherness.

Initiatives are also conducted in ergonomics, and our employees generally have access to massage, wellness rooms for training and rooms for relaxation and recovery. We also offer both personal health and wellness allowances for distribution by the workplace. Health promotion at overall level is managed by Human Resources (HR).

An important aspect of the preventive health programme is early identification of employees at risk of illness and an ability to quickly provide support and implement any measures needed. All SJ employees have access to the Personnel

Support service, which offers free-of-charge and anonymous specialist advice on both work-related and personal issues.

The structured approach to absence due to illness is conducted via a steering group and a reference group that review routines and processes and also propose new forms of preventive work. Employees showing repeated short-term absence due to illness are carefully followed up in order, wherever possible, to prevent longer periods of absence due to illness. In the case of long-term sick leave, SJ takes a focused and long-term approach including rehabilitation plans, in close collaboration with the Company health service and the Social Insurance Office. The aim is to enable the employees concerned to return to their jobs as quickly as possible. Of rehabilitation cases completed in the period March 2017-October 2018, nearly 80 percent of those involved are back at work.

In 2018, absence due to illness in the Group fell to 5.2 percent (5.4), indicating that SJ's target for the year was achieved. Recurring disruptions on a major scale during 2018, for the most part during the summer, led to high workloads above all for on board personnel and in SJ's traffic management and depot activities. Even so, absence due to illness fell, which strengthens us in our conviction that our long-term work and activities are working.

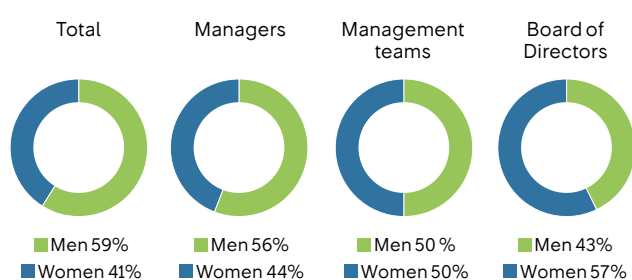
### A secure and safe workplace

A secure and safe workplace is a prerequisite for healthy employees and SJ's Work Environment Policy forms the framework for how we should act. Part of our work on safety focuses on ensuring that our passengers and employees on trains, in depots and at travel centres, feel secure. Employees on trains receive personal safety and conflict management training and carry a personal alarm. SJ has procedures and support for looking after employees who have been subjected to threats or violence, including a return-to-work plan.

A systematic focus is applied to the work environment within the scope of the Swedish Work Environment Act, in association with the safety organisation, safety representatives and safety committees. Safety committees operate centrally at SJ, as well as at divisional level and locally in the organisation. To acquire basic knowledge and to keep updated, safety representatives and managers receive instruction in laws and regulations on work environment and safety. Managers and leaders at SJ carry out an annual review of legal compliance in which they confirm their knowledge of work environment legislation.

Reporting of work environment observations, near-accidents and occupational injuries are important in ensuring that work on improvements to the work environment and safety is carried out in a structured way. Since 2017, production employees have been inputting work environment incidents via an app, which has increased reporting. Administrative personnel can report online. In early 2018, the categories were defined more clearly to improve the quality of the information reported.

### SJ's employees 2018



Figures refer to physical persons on 31 December 2018.

Observations and incidents reported pass to the manager responsible to be actioned. Any events occurring over a period, along with measures taken, are reported to safety committees at various levels. Serious deviations may also be reported to SJ's whistle-blower function, with guaranteed anonymity.

Safety inspections are conducted at least once a year, or as necessary, to ensure that our employees have a secure and safe workplace. On completion of each safety inspection, a safety report incorporating observations is drawn up. Risk analyses are performed continuously in association with safety representatives ahead of any operational changes or introduction of new technology. Findings from safety inspections and risk analyses are followed up via safety committees. Every year, SJ conducts an all-inclusive risk assessment in the part of organisation concerned. The aim is to identify the most serious risks from an organisational/social or physical perspective.

In the presence of major acute work environment risks that may lead to serious danger to life or health, safety representatives may, under work environment legislation, halt work pending a decision by the Work Environment Authority. Employees may also, under the same legislation, stop work if there is a material risk to life or health, pending a decision from the manager responsible.

### We need more people

Retirements and natural attrition among train drivers and train hosts, combined with increased passenger numbers, is creating a major need for new recruitment. To raise SJ's profile as a good employer, we are working actively, for example via the boards for training coordinators for train driver programmes. SJ also operates a trainee programme for recent university graduates. We present at exhibitions and universities and offer internships, for example via the Tekniksprånget initiative.

Contract personnel are engaged to a very minor extent. Such personnel include customer hosts during service disruptions. SJ does not employ seasonal workers either, although holiday replacement personnel are taken on during the summer. When contracting personnel or engaging consultants, the process is open and carried out in consultation with the employee organisations, in accordance with Swedish legislation (MBL, the Co-determination in the Workplace Act).

### Employee security and safety

	2018	2017	2016 <sup>1</sup>
Number of reported accidents (excl. illness, travel accidents)	383	339 <sup>2</sup>	287
Reported accidents per total number of hours worked, %	0.006	0.006 <sup>2</sup>	0.005
Number of near-accidents reported	769	539 <sup>2</sup>	984
Reported near-accidents per total number of hours worked, %	0.013	0.009 <sup>2</sup>	0.018
Number of fatal accidents	0	0	0
Number of days of absence due to illness	33,740	31,913	32,837
Reported occupational diseases	44	— <sup>2</sup>	20
Absence due to illness, SJ Group, %	5.2	5.4	6.6

<sup>1</sup> Outcome for 2016 excludes Stockholmståg, with the exception of absence due to illness (%), which refers to the SJ Group.

<sup>2</sup>The outcome was affected by lack of clarity in definitions.

Occupational injuries and near-accidents are those that occurred during the year indicated (that is, not necessarily reported in the year when they occurred).



### Data on employees

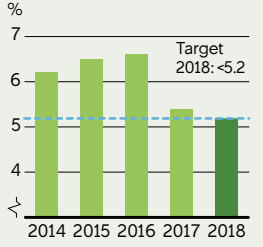
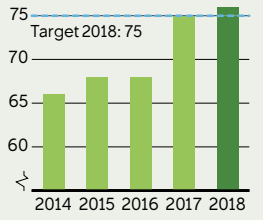
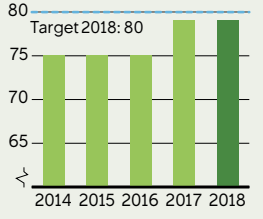
	2018		2017		2016	
	Women	Men	Women	Men	Women	Men
Total						
Permanent employees	1,481	2,155	1,521	2,118	1,532	2,121
Fixed-term employees	48	73	48	49	41	42
Hourly-paid employees	338	494	318	481	292	399
<b>Total</b>	<b>1,867</b>	<b>2,722</b>	<b>1,887</b>	<b>2,648</b>	<b>1,865</b>	<b>2,562</b>

The figures are taken from the companies' payroll systems and refer to physical persons on 31 December.

### New employees and employee turnover

	2018		2017		2016	
	Women	Men	Women	Men	Women	Men
Total number						
Number of new recruits	163	278	135	213	106	200
<30 years	80	99	66	69	45	59
30-50 years	62	144	52	104	50	112
>50 years	21	35	17	40	11	29
Number of employees leaving	157	170	152	210	199	198
<30 years	33	30	47	26	28	24
30-50 years	79	75	68	65	79	77
>50 years	45	65	37	119	92	97

	2018		2017		2016	
	Women	Men	Women	Men	Women	Men
New employee hires, %						
New employee hires, %	3.6	6.1	3.0	4.7	2.4	4.5
<30 years	1.7	2.2	1.5	1.5	1.0	1.3
30-50 years	1.4	3.1	1.1	2.3	1.1	2.5
>50 years	0.5	0.8	0.4	0.9	0.2	0.7
Employee departures, %	3.4	3.7	3.4	4.6	4.5	4.5
<30 years	0.7	0.7	1.0	0.6	0.6	0.5
30-50 years	1.7	1.6	1.5	1.4	1.8	1.7
>50 years	1.0	1.4	0.8	2.6	2.1	2.2

Why this key metric?	Prioritised activities in 2018	Target and outcome	Planned activities in 2019														
<p><b>Absence due to illness</b></p> <p>In any long-term sustainable business, employee health is a crucial factor. Employee health is an important indicator of both well-being among SJ's employees and the overall state of the Company, as well as of the state of the work environment and the climate of cooperation. This measure is important from both the employee and the economic perspective.</p>	<ul style="list-style-type: none"> <li>Continued investment in processes for getting employees on sick leave back to work quickly and early work-capacity assessment, in association with the Company health service</li> <li>Continued work with the Company health service and the Social Insurance Office focusing more closely on preventive measures such as health screening and actions in selected groups</li> <li>Targeted analyses conducted with the Company health service for departments and groups within SJ to identify possible risks of future ill-health</li> <li>Appraisal meetings at the Company health service offered, at an early stage in the event of repeated short-term absence due to illness</li> </ul>	 <table border="1"> <caption>Absence due to illness (%)</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>6.2</td> </tr> <tr> <td>2015</td> <td>6.5</td> </tr> <tr> <td>2016</td> <td>6.6</td> </tr> <tr> <td>2017</td> <td>5.4</td> </tr> <tr> <td>2018</td> <td>5.1</td> </tr> <tr> <td>Target 2018</td> <td>5.2</td> </tr> </tbody> </table>	Year	Value	2014	6.2	2015	6.5	2016	6.6	2017	5.4	2018	5.1	Target 2018	5.2	<ul style="list-style-type: none"> <li>Continue to work with Company health service with closer focus on short-term absence due to illness</li> <li>Evaluate initiatives performed, for example health and work environment profiling</li> <li>Review need for health-promotion initiatives and activities as part of an initiative to prevent absence due to illness.</li> <li>Continue to train managers in the rehab process and tools associated with the initiative to reduce absence due to illness.</li> </ul>
Year	Value																
2014	6.2																
2015	6.5																
2016	6.6																
2017	5.4																
2018	5.1																
Target 2018	5.2																
<p><b>Leadership Index</b></p> <p>Leadership is crucial to our being able to achieve our targets. Managers must ensure that all employee expertise is applied to best effect in developing SJ. This capacity is measured using the employee survey's Leadership Index.</p>	<ul style="list-style-type: none"> <li>Basic training programme carried out for new managers within the framework of the leadership development platform</li> <li>Continued to offer coaching groups for managers, led by external leadership coaches</li> <li>Initiative to create proactive meetings maintained</li> </ul>	 <table border="1"> <caption>Leadership Index</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>66</td> </tr> <tr> <td>2015</td> <td>68</td> </tr> <tr> <td>2016</td> <td>68</td> </tr> <tr> <td>2017</td> <td>75</td> </tr> <tr> <td>2018</td> <td>76</td> </tr> <tr> <td>Target 2018</td> <td>75</td> </tr> </tbody> </table>	Year	Value	2014	66	2015	68	2016	68	2017	75	2018	76	Target 2018	75	<ul style="list-style-type: none"> <li>Conduct training to improve communication abilities of leaders</li> <li>Continue to develop leadership support to strengthen internal dialogue</li> <li>Continue activities such as basic and further training for managers, coaching and mentorship</li> <li>Start up a talent programme for talents identified and future managers</li> </ul>
Year	Value																
2014	66																
2015	68																
2016	68																
2017	75																
2018	76																
Target 2018	75																
<p><b>Performance Index</b></p> <p>SJ's ability to create conditions conducive to employee performance is crucial to the attainment of our targets. It also benefits health performance figures – employees who are able to do a good job feel healthier.</p>	<ul style="list-style-type: none"> <li>Continued trial of rolling three-month schedule for on-board personnel</li> <li>Analysis of forms of employment conducted</li> <li>Rules on uniform reviewed and process to design a new uniform initiated</li> </ul>	 <table border="1"> <caption>Performance Index</caption> <thead> <tr> <th>Year</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>75</td> </tr> <tr> <td>2015</td> <td>75</td> </tr> <tr> <td>2016</td> <td>75</td> </tr> <tr> <td>2017</td> <td>79</td> </tr> <tr> <td>2018</td> <td>80</td> </tr> <tr> <td>Target 2018</td> <td>80</td> </tr> </tbody> </table>	Year	Value	2014	75	2015	75	2016	75	2017	79	2018	80	Target 2018	80	<ul style="list-style-type: none"> <li>Introduce new scheduling arrangements for on-board personnel to enable employees to choose which suits them best</li> <li>Launch the digital workplace, offering better opportunities for collaboration and communication within operations and for driving improvements</li> <li>Design a new uniform based on wishes expressed by employees in contact with customers</li> <li>Provide managers and safety representatives with access to clickable statistics on work environment incidents to facilitate follow-up and remedial action</li> <li>Issue personal alarms to customer hosts</li> </ul>
Year	Value																
2014	75																
2015	75																
2016	75																
2017	79																
2018	80																
Target 2018	80																
<p><b>Diversity</b></p> <p>Diversity provides new experience and perspectives, which feed through into higher competitiveness. This key metric illustrates how well SJ reflects the composition of society.</p>	<ul style="list-style-type: none"> <li>Work in partnership with recruitment agencies focused on reaching target group of job-seekers with a non-Swedish background</li> </ul>	<p style="font-size: 2em; color: green; text-align: center;">17%</p> <p style="text-align: center;">(15) of SJ's employees in 2018 came from a non-Swedish background</p> <p style="text-align: center;">Target 2018: 15 %</p>	<ul style="list-style-type: none"> <li>Launch internship programme for new arrivals studying Swedish for Immigrants</li> </ul>														

## Strong partnerships make us stronger and better

**SJ works closely with suppliers and partners in delivering, developing and improving travel experiences, starting from the wishes of customers and passengers.**

SJ's most important supplier and partner in collaboration is the Swedish Transport Administration (STA). STA owns and operates Sweden's rail infrastructure and is also responsible, for example, for allocation of train paths (track time) and for departure and arrival information in waiting rooms and on platforms. SJ collaborates with STA not only strategically on train scheduling and maintenance on the rail network, but also operationally on current service conditions.

### National and international industry collaboration

SJ focuses actively on developing collaboration between Swedish and European rail industry players. A collaboration forum for the rail industry, *Järnvägsbranschens Samverkansforum* (JBS) has for several years been engaged in a programme to jointly drive improvements to increase the robustness, competitiveness and profitability of Sweden's rail industry. Part of the collaboration is taking place within the Together for Trains on Time (TTT) initiative, where the long-term focus is to improve punctuality and minimise the impact of disruptions, for example by providing better information to passengers.

SJ also partners regional county transport corporations in offering *Resplus* journeys, in which modes of transport and/or operators are combined to provide passengers with a joined-up public transport journey with an arrival-at-destination guarantee. As far as possible, SJ takes regional service departures into account when planning SJ timetables in an effort to ensure that passengers enjoy smoother, more time-efficient journeys.

SJ's CEO Crister Fritzson chairs Branschföreningen Tågoperatörerna (the Association of Swedish Train Operating Companies). Since 2017, SJ's CEO has also headed the Community of European Railway and Infrastructure Companies (CER), the most important organisation for collaboration among rail companies across Europe in influencing EU institutions. Major issues for CER in 2018 included preventing legislation from placing rail at a disadvantage relative to other modes of transport and ensuring that regulations governing the rail industry are fit for purpose and do not lead to higher costs for the operators concerned.

### Significant events in 2018

- 5 sustainability audits of suppliers
- Endorsement of the Ministry of Enterprise and Innovation's Prompt Payment Code initiative

### Important suppliers

SJ procures goods and services annually to a value of around SEK 5 billion from around 2,500 suppliers. Procurement falls into the categories of day-to-day purchases and investments. Day-to-day purchases consist, above all, of train maintenance, on-board catering, hotel accommodation for on-board personnel, replacement buses, marketing, IT services, rolling stock care (including cleaning), leasing of premises and consultancy and other services. SJ's largest investments are made in our rolling stock fleet, employee development and digital solutions.

SJ's associated company SilverRail Technologies (formerly Linkon) manages ticket booking and distribution of SJ tickets. The IT consultancy HCL is responsible for operating and developing SJ's IT systems. Other important suppliers are property owners, including Jernhusen, which leases out depots and waiting rooms. Maintenance contractors ensure that our trains are serviced and repaired as needed and in accordance with the rolling stock's maintenance schedule.

### Responsible purchasing

The SJ Group's Supplier Code of Conduct is based on internationally accepted initiatives and standards, and describes the Group's fundamental policies in areas such as human rights, legal compliance and the environment. For example, the Code requires our suppliers to allow their employees freedom of religion and sexual orientation and the ability to exercise their legal right to organise and negotiate collectively without hindrance. The requirements that we set for suppliers also apply to any sub-contract suppliers engaged.

Our Code of Conduct enables more in-depth dialogue between SJ and our suppliers, in order to mutually develop expertise in responsible purchasing and to extend our cooperation. As of 2018, we have been internally measuring and reporting on how our suppliers and partners perceive SJ's capacity for collaboration on the basis of our values, using the key metric Supplier and Partnership Index.

In the case of purchase or procurement for more than SEK 0.5 million, or where there are geographical or industry-specific factors at play according to SJ's classification of risk, a

### SJ is a member of the following organisations:

- Industry association ALMEGA Spårtrafik, [www.almega.se](http://www.almega.se)
- Tågoperatörerna (the Association of Swedish Train Operating Companies), [www.tagoperatorerna.se](http://www.tagoperatorerna.se)
- The Community of European Railway and Infrastructure Companies (CER), [www.cer.be](http://www.cer.be)
- CSR Sweden, [www.csrsweden.se](http://www.csrsweden.se)
- Fossilfritt Sverige (the Fossil Free Sweden initiative), [www.regeringen.se/regeringens-politik/fossilfritt-sverige](http://www.regeringen.se/regeringens-politik/fossilfritt-sverige)
- The International Union of Railways (UIC), [www.uic.org](http://www.uic.org)
- *Järnvägsbranschens Samverkansforum* (JBS) (Collaboration Forum for the rail industry), [www.trafikverket.se/for-dig-i-branschen/samarbete-med-branschen/jarnvagsbranschens-samverkansforum/](http://www.trafikverket.se/for-dig-i-branschen/samarbete-med-branschen/jarnvagsbranschens-samverkansforum/)
- KRAV, [www.krav.se](http://www.krav.se)
- Naturskyddsföreningen (the Swedish Society for Nature Conservation), [www.naturskyddsforeningen.se](http://www.naturskyddsforeningen.se). SJ has been offering Good Environmental Choice-labelled journeys since 1994.
- Nätverket för Transporter och Miljön (NTM) (Network for Transport and Environment), [www.transportmeasures.org/sv/](http://www.transportmeasures.org/sv/)
- Nätverket för Hållbart Näringsliv (NMC) (the Swedish Association for Sustainable Business), [www.nmc.a.se](http://www.nmc.a.se)
- Nätverket för hållbart företagande, för statligt ägda bolag (Network for Sustainable Enterprise at State-Owned Companies)
- Svensk Kollektivtrafik (SLTF) (the Swedish Public Transport Association), [www.slutf.se](http://www.slutf.se), associated member
- TransportForskAB (TFK), [www.tfk.se](http://www.tfk.se)



SJ's largest investments are made in our rolling stock fleet, employee development and digital solutions.

sustainability-based supplier review is required. Assistance available includes SJ's risk management tool and self-assessment form that suppliers have to complete. SJ's risk management tool provides a general indication of which suppliers are most at risk of breaching the SJ Group's Supplier Code of Conduct. In any cases of doubt, there is a clearly defined process for escalating decisions. If any of our suppliers should fail to comply with the Code of Conduct, this could not only cause personal injury or damage to the environment, but also tarnish SJ's brand.

In late 2018, SJ signed up to the Code of Conduct on payment times, an initiative from the Ministry of Enterprise and Innovation in dialogue with the business sector. The main rule in the Code of Conduct is that small and medium-sized enterprises should receive payment within 30 days. SJ has for several years applied payment within 30 days as a fundamental principle in business relationships of this type.

### Sustainability audits

During 2018, work on sustainability-based supplier audits focused on suppliers of maintenance services and materials for SJ's trains. The process began during the spring with work to ensure that all these suppliers had signed SJ's Supplier Code of Conduct, accompanied by an overall examination of completed self-assessment forms. Four suppliers of maintenance services were then selected for a more in-depth audit.

During the year, a total of five sustainability audits were performed, indicating that the target for the year was achieved. One audit included on-site inspection by SJ personnel. The other audits consisted of thorough examination of documents, together with dialogue and meetings with suppliers. None of the audits revealed any serious deviation from the SJ's Supplier Code of Conduct. The minor deviations and observations found have been remedied.

Why this key metric?	Prioritised activities in 2018	Target and outcome	Planned activities in 2019
<b>Number of sustainability audits (in-depth sustainability-based supplier reviews)</b>			
To ensure that our suppliers meet the requirements of SJ's Supplier Code of Conduct	<ul style="list-style-type: none"> <li>Sustainability audits completed on suppliers of rolling stock maintenance services and of materials for rolling stock</li> </ul>	<span style="font-size: 2em; color: green;">5</span> Sustainability audits during 2018 (7) Target 2018: 5	<ul style="list-style-type: none"> <li>Carry out sustainability audits on focus area food and drink, and continued in-depth examination of rolling stock suppliers</li> </ul>

## More train travel benefits everyone

For Sweden to achieve its target of becoming one of the first fossil-free welfare countries worldwide, the proportion of climate-smart transport needs to rise. SJ's most valuable contribution to a sustainable society is therefore to get more people to travel by train.

Society rightly has high expectations of SJ as the market-leading passenger train operator. We are constantly striving to improve our offering both to customers and employees, to get more people to use the train and to enable us to recruit the best talents.

The clarified mandate that SJ received at the 2018 AGM requires us, within the framework of commercial principles, to contribute towards Sweden's transport policy objectives and thereby achieve long-term sustainable transport provision throughout the country. During the year, we analysed our operations to make sure we are delivering on that.

### SJ's role as community builder

Every day, SJ operates 1,200 departures from 284 stations. Ongoing dialogue with municipalities, regions and passengers, ensures that we can adapt services and departures to the needs expressed. Train travel<sup>1</sup> (measured in passenger kilometres) was 2 percent higher in 2018 than the year before. We also work with regional county transport corporations so that passengers can travel all the way by public transport with an arrival-at-destination guarantee. Our flexible pricing model ensures that tickets are available at a favourable price, especially for passengers who can make their booking in good time or can be flexible with travelling times.

The rail services that we operate on a commercial basis on behalf of regional public transport authorities (PTAs) or the Swedish Transport Administration (STA) connect the country and make it possible for people to work or study in one place and live in another. At society level, SJ's services contribute to growth by enabling companies to recruit skills from a wider catchment area.

### A safe journey

A safe and punctual journey with good service is SJ's customer promise, and safety always has top priority. Traffic safety is fundamental to all work at SJ and, moreover, safety activities take in other areas, such as security and safety for passengers and on-board personnel, data integrity and effective preparedness to manage difficult and unpredictable events.

The Act implementing the Directive on Security of Network and Information Systems (2018:1174) entered into force on 1 August 2018, and within the meaning of that Act, SJ is an operator of an essential service. Our system of internal controls on data integrity is to a major extent compatible with the provisions of the new law and simply requires updating, when practice will be established. Continuity management of IT,

### Significant events in 2018

- Licence renewed for operating trains in Sweden, Denmark and Norway
- New internal e-learning environmental course
- Collaboration initiated with Hemlösa.se

along with incident management and reporting, will continue to undergo development in line with the provisions of the law. The EU's security directive and national-level regulations in SJ's markets in Sweden, Denmark and Norway form the framework for the systematic security work that we conduct in the Group and in cooperation with external partners and government agencies.

SJ's employees report deviations, near-accidents and other incidents via a mobile app. This reporting is important both in terms of identifying risks so that preventive measures can be taken and to enable failings to be remedied. The information reported also forms the basis of SJ's Traffic Safety Index, which was calculated at 96.7 for 2018 (96.5). This indicates that the target for the year was achieved.

### SJ's environmental work

SJ's most important environmental work will always be to get as many people as possible to take the train rather than go by car or air. The minimal emissions of carbon dioxide by trains is due to several factors. The most important one is that nearly all train journeys in Sweden are by electric train and that all electricity procured by SJ is generated by hydropower and wind power. In addition, the aerodynamic design of trains and their ability to carry large numbers of passengers make them very energy-efficient.

SJ journeys are Good Environmental Choice-labelled, partly due to our decision that 50 percent of the electricity that we buy from STA is labelled as such. This is an assurance that the generation of electricity is subject to very high environmental demands, in addition to it being renewably sourced. In addition, SJ has since 2018 been buying 100 percent Good Environmental Choice-labelled electricity for premises where we have separate electricity agreements.

One important part of our environmental focus on board is the food and beverages that we offer. SJ's bistro cars have been Level 1 KRAV-labelled since November 2015, offering a seasonally adapted menu with more and more vegetarian and vegan options. We focus day-to-day on reducing food waste, for example by regular temperature checks. Working with our suppliers, we have also in certain cases reduced the numbers in certain bulk food packages for our bistro to avoid having to throw away food left over at the end of the day. In 2018, we began a collaboration with Hemlösa.se a not-for-profit Stockholm-based association, where we send unsold products from the bistro operations of our trains.

We regularly survey our passengers for their view of SJ as an eco-aware company and monitor findings via the Environmental Index key metric. The Environmental Index for 2018 was 77 (78), indicating that the target for the year was not achieved.

<sup>1</sup>Volume of travel includes travel with SJ tickets on SJ's independent commercial services and tendered services, excluding season ticket travel on tendered services. However, all travel on season tickets within the scope of the Movinggo agreement is included.





SJ's services connect the towns and regions of Sweden and the capitals of Scandinavia. We make it possible for people to work or study in one place and live in another.

### Energy consumption

SJ consumes considerable volumes of electricity in driving our trains and in marshalling of parked trains. Energy consumption by trains is largely determined by weather conditions, the number of halts and speed. As a result, energy efficiency measures have a long-term impact on total consumption, but cannot be interpreted in detail from one year to the next. With a view to increasing efficiency in electricity consumption, SJ has, among other initiatives, been working on eco-driving for several years. In-house experts monitor electricity consumption every month.

SJ falls within the scope of the Swedish Act (2014:266) on Energy Surveys of Large Companies and reported on the concluding stage 2 to the Swedish Energy Agency in 2018. This stage of the survey focused in particular on marshalling and parking of trains. The result was a number of measures that will be put in place from 2019 onwards.

Since June 2016, SJ Götalandståg has been operating the Kinnekulle Line on behalf of Västtrafik. The route is serviced by locomotive trains powered by diesel, as most of the line is not electrified. During the autumn, SJ conducted an internal audit of our refuelling stations, where a number of faults were identified. Work on remedying the faults are in progress.

During 2018, two incidents involving leakage of oil occurred. One took place during refuelling of diesel locomotives. The other was caused by a broken container for transformer oil.

### Energy consumption, train operations

GWh	2018	2017	2016
<b>Electricity consumption</b>			
SJ AB and SJ Norrlandståg	561	562 <sup>1</sup>	517
SJ Götalandståg	92	91	81
Stockholmståg	–	–	182 <sup>2</sup>
<b>Total electricity consumption</b>	<b>653</b>	<b>653</b>	<b>780</b>
<b>Diesel consumption</b>			
SJ Götalandståg, diesel MK1 (not renewable)	7.4	8.1	5.1 <sup>3</sup>
SJ Götalandståg, biofuel (renewable)	2.7	2.9	0.8 <sup>3</sup>
<b>Total diesel consumption</b>	<b>10.2</b>	<b>11.0</b>	<b>5.9</b>

<sup>1</sup> Effective 1 January 2017, services formerly operated by SJ Norrlandståg are now operated by SJ AB.

<sup>2</sup> Services were discontinued on 10 December 2016.

<sup>3</sup> Services started on 19 June 2016.

SJ does not buy heating, refrigeration or steam.

**Greenhouse gas emissions**

The minimal emissions of greenhouse gases from electric train services is an important competitive advantage over other modes of transport. SJ consumes large volumes of electricity, but electricity consumption accounts for only a minor portion of the Group's emissions of carbon dioxide equivalents. The carbon dioxide emissions that are nevertheless caused by SJ's operations arise mainly in replacement services and leakage of climate-impacting refrigerants from air conditioning systems on trains.

The Quality & Environment Staff Unit is responsible for following up on greenhouse gas emissions. Measures to reduce emissions from our air conditioning systems are being taken in the Fleet Management Division. Improvements in punctuality and regularity are the most important factors in reducing replacement services and their associated emissions.

In 2018, SJ AB's carbon dioxide emissions per passenger kilometre were higher than in 2017 as a result of increased replacement services. Despite the increase, emissions were the second lowest recorded since SJ started reporting on this key metric ten years ago. The explanation lies in active work to reduce leakage of refrigerants (greenhouse gases) and a higher proportion of biofuel in replacement services.

SJ does not climate-compensate for climate-impacting emissions and is not affected by any GHG-related (Greenhouse Gas Protocol) legislation.

**Greenhouse gas emissions, rail services**

Grams of carbon dioxide equivalents/ passenger kilometres	2018	2017	2016
SJ AB and SJ Norrlandståg	0.22	0.17 <sup>1</sup>	0.26

<sup>1</sup> Effective 1 January 2017, services formerly operated by SJ Norrlandståg are now operated by SJ AB.

SJ's calculations include greenhouse gas emissions from train operations, rail replacement services and refrigerant leakage (Scope 1, Scope 2 and Scope 3). For a description of the assumptions and sources on which the calculations are based, see page 99.

Emissions from SJ Götalandståg are not included, as Västtrafik is responsible for the replacement services. The key metric would therefore not be comparable.

**Perception of the SJ brand**

The strength of the SJ brand increases our opportunities to do business, today and tomorrow. We aim always to live up to our customer promises and wherever possible to exceed them. But when SJ does not live up to expectations, for example during service disruptions, we want our customers and passengers to feel that SJ is doing all in its power to manage the situation in the best interests of the customer. The public's perception of the SJ brand affects whether passengers choose to travel by train and if so, whether their journey will be with SJ or another train operator.

The Brand Index (BI) is an indicator of how the public and our customers perceive SJ as an organisation on the basis of the core values of Reliable, Simple, Caring and Joyful. The BI for 2018 was 51 (52), indicating that the target for the year was not achieved.

The whole of the customer's journey, from booking to the experience during the journey and all communication, influences the impression given by SJ. Those who travel with us have a better perception of rail travel with SJ than those who do not. The improvements projects in progress should help to create more positive perceptions of SJ.

**High-value collaborations**

SJ partners with selected organisations, including Friends and Way Out West, to deepen and enhance contacts with customers and passengers. Another aim is via our strength and size to seize any opportunities we have to support organisations working for a good cause and aiming to make life a little easier for those who travel with us. All partnerships are selected, assessed and evaluated on the basis of whether they strengthen the SJ brand, help to increase travel with SJ and create opportunities for SJ's passengers and employees to engage.

SJ Volunteer enables SJ Group employees to contribute via non-profit work during working hours. The aim is primarily to support and develop community action aimed at children and young persons, and to improve integration. The outcome for SJ Volunteer in 2018 was 752 hours (1,030), indicating that the target for the year was not achieved. The process of making it easier for employees to engage as volunteers continues.

The When Light Disappears exhibition is part of SJ's My New Friend initiative, in which SJ and the Swedish aid organisation IM (*Individuell Människohjälp*) are together creating meeting places for established citizens and recent arrivals. With award-winning photographer Jens Assur, photography students from the Nordic Photography School and recent arrivals in Sweden travelled to Ånge, mid-Sweden, to capture the image of the Swedish winter through the camera lens.



## Our role in society

SJ has around 4,600 employees. Most are attached to staging stations and depots across the whole of Sweden. Our operations also create jobs outside the organisation itself, above all in depot activities, but also in catering, for example. The current modernisation of our X 2000s is taking place at Tillberga, near Västerås, where around 100 jobs have been created. Another nearly 200 people are also engaged in Switzerland and Sweden in the modernisation programme.

As a responsible player in the community, SJ does its utmost to pay the right tax in the right country and at the right time, based on the operations conducted by the Group. To SJ, the Group's tax affairs, and meeting our tax obligations, are important aspects of our control and wider risk management system. We apply a business approach to the tax cost to the companies in the SJ Group at all levels of our decisions, and regard tax as a cost incurred in the business. In cases where legislation and/or regulations are unclear, SJ will take a responsible, long-term and transparent approach with the aim of minimising the risk of error in the payment of tax. Read more about SJ and tax in Note 9.

## Retained economic value, created and distributed

SEK million	2018	2017	2016
Net sales	7,874	7,780	9,336
Income from financial investments	4	17	14
Capital gains	0	1	1
<b>Economic value generated</b>	<b>7,878</b>	<b>7,798</b>	<b>9,350</b>
Operating expenses	-4,175	-3,964	-4,917
Salaries and other remuneration to employees	-2,546	-2,423	-2,834
Dividend to shareholder	-269	-260	-188
Interest expenses	-15	-20	-18
Payments of taxes and other charges	-85	-152	-146
Social investments	-1	-1	-2
<b>Economic value distributed</b>	<b>-7,091</b>	<b>-6,820</b>	<b>-8,105</b>
<b>Total economic value</b>	<b>787</b>	<b>978</b>	<b>1,245</b>

Why this key metric?	Prioritised activities in 2018	Target and outcome	Planned activities in 2019
<p><b>Traffic Safety Index</b></p> <p>SJ's work on traffic safety is in constant focus as a secure and safe train journey is at the heart of our offering and delivery to the customer. The Traffic Safety Index measures our success in achieving that aim.</p>	<ul style="list-style-type: none"> <li>SJ's operating licences in Sweden, Norway and Denmark reviewed, no deviations found</li> <li>Activities performed to develop safety culture, including training for around 40 managers and traffic safety specialists</li> </ul>	<p>Target 2018: 96.4</p>	<ul style="list-style-type: none"> <li>Develop safety management as part of HR planning</li> <li>Focus on prevention of level crossing accidents and accidents involving persons in the railway track environment</li> <li>Prepare for new legislation in 2020, when the Fourth Railway Package is due to be implemented in full</li> </ul>
<p><b>Brand Index (BI)</b></p> <p>SJ seeks to be perceived according to our core values of Reliable, Simple, Caring and Joyful. A strong Brand Index result also indicates strong trust in SJ as an organisation, which is vital in getting more people to want to travel with us and pay for the experience.</p>	<ul style="list-style-type: none"> <li>Activities to improve perception of punctuality performed</li> <li>Service information and disruption management improved</li> <li>Management of complaints improved</li> <li>Work started on positioning SJ clearly in all channels on the basis of the new brand platform</li> </ul>	<p>Target 2018: 60</p>	<ul style="list-style-type: none"> <li>Improve employees' conditions and capability for acting as ambassadors for SJ</li> <li>Produce dialogue support for internal action with SJ employees on how its values can to a greater extent be translated into practice</li> <li>Continue activities to improve the perception of punctuality</li> </ul>
<p><b>Environmental Index</b></p> <p>Many customers and passengers regard SJ's environmental work as an hygiene factor. The Environmental Index is an indicator of passengers' perception of our environmental work and serves as a benchmark in our continued efforts.</p>	<ul style="list-style-type: none"> <li>New internal e-learning environmental course produced</li> <li>Proportion of organic products in the bistro further increased</li> <li>Internal audit of diesel refuelling facilities (Kinnekulle Line) conducted</li> <li>Plan drawn up for reducing energy consumption on electrically-powered trains</li> </ul>	<p>Target 2018: 78</p>	<ul style="list-style-type: none"> <li>Provide environmental training to all employees via the new e-learning programme</li> <li>Take action to reduce energy consumption, including improved handling and management during parking</li> <li>Replace refrigerants with fairly high climate impact in certain carriages by substituting refrigerants with lower impact</li> </ul>
<p><b>SJ Volunteer</b></p> <p>SJ Volunteer offers SJ employees the opportunity to engage in non-profit work during working hours (one working day per employee per year) and in that way to serve the community.</p>	<ul style="list-style-type: none"> <li>Internal communication maintained</li> <li>New inspirational videos on SJ volunteers produced</li> <li>Involvement of existing and new partner organisations increased in order to create more volunteer opportunities</li> </ul>	<p>Target 2018: 2,000</p>	<ul style="list-style-type: none"> <li>Continue to make it easier for employees to engage as volunteers, for example via partnership with not-for-profit organisations needing volunteer input.</li> </ul>



## Focus on our customer promises

Every day, approximately 140,000 passengers choose to travel with SJ. Many do so precisely because we offer sustainable travel and a range of services that make it possible to travel with us. We are an important part of many people's life and do everything we can to live up to our three customer promises: A safe and punctual journey with good service.

SJ's operations are governed as far as possible from what our customers and passengers demand. The customer is the one who is paying for the journey, which is not always the same person as the passenger. SJ serves three categories of customer: private individuals, business customers and procuring authorities (regional and national government agencies).

### Train timetables

SJ applies for departures (train paths) on the basis of when our passengers wish to travel and taking connecting services into account. STA (the Swedish Transport Administration) examines all train operator applications and the scheduled maintenance works that are to be carried out. STA then establishes the train timetable for one year at a time.

Today, the demand to run trains exceeds the track capacity available. In addition, there is a considerable need for maintenance on the rail network, which also limits availability. When train operators apply for the same train path, that is, wish to run trains on the same track at a particular time, STA firstly tries to adjust the timetable. Secondly, the train operators have to try to come to an agreement and, finally, a decision is taken by STA on the basis of predetermined criteria as to priority.

### Our customers have their say

Every quarter, we conduct a survey on selected services in SJ AB's network to find out more about what our customers think of us and their journey. The aim is to reach out to a spectrum of SJ passengers that is as representative as possible. At least 4,000 replies are collected every quarter from more than 300 different train journeys and the survey is conducted during every month of the year. The responses from the on board survey are analysed carefully so that we can adapt and develop our customer offering and our service, both generally and per route.

The on board survey is used, for example, in the Customer Satisfaction Index (CSI). The CSI declined in 2018, following a steady climb since 2015, ending the year at 69 (72). The decline was mostly attributable to lower punctuality during the first three quarters of the year. In addition, passengers found the information provided during service disruptions inadequate. The CSI improved somewhat during the fourth quarter, but the target for the year was not achieved.

SJ Götalandståg measures a Passenger Satisfaction Index (PSI). The PSI for 2018 came out at 95 (94) for commuter services and 94 (94) for regional services, indicating that the target for the year was achieved. Activities to increase punctuality are crucial to improving CSI and PSI performance.

The Student Advisory Board aims to develop SJ from the perspective of what students want from SJ. On each occasion, 10–12 students meet to discuss SJ from different viewpoints; past themes include social media and the brand.

### Significant events in 2018

- sj.se and the SJ app were named as Sweden's best website by IDG/Internetworld
- SJ was named as Sweden's most highly digitised travel company by BearingPoint
- Simpler rebooking of journeys at sj.se and in the SJ app
- The Connection Guide launched in the SJ app, for a smooth door-to-door journey by public transport

Participating students gain at the same time insight into both how SJ operates and our ambition to function as an innovative and inclusive enterprise.

Within the SJ Labs concept, we are researching new digital solutions with our customers. Those who download the SJ Labs app get to try out functions under development and contribute to evaluating and developing the functions. Usable and fully developed functions are then migrated to the SJ app. During 2018, five SJ Labs were completed, including development of the Connection Guide.

New concepts and major changes are first presented to structured customer panels that are invited to attend for in-depth discussions of the proposals. Many observations are received from passengers via our train hosts and SJ's Customer Service.

### Information during disruption

On the occasions when we do not meet the expectations of our passengers, such as when disruptions occur, passengers must receive relevant and actionable service information. SJ provides information about the service situation via our own channels, sj.se and the SJ app, via our employees on board and via loudspeaker announcements on trains. STA is responsible for loudspeaker announcements and information screens at stations and on platforms. In the event of major disruptions, SJ passengers receive information via text messages or notifications in the SJ app. Read more about our work on punctuality on pages 38–39.

The on-board survey includes questions on how passengers feel about the information provided during major disruptions. The outcome is presented in the form of an index for SJ AB's long-distance services (SJ High-Speed and SJ Inter-City) and regional services. SJ also measures passenger satisfaction with service information via the Customer Satisfaction Index Digital Sales Channels.

Based on comments from our customers, we are constantly making our information clearer, while new and better technology is improving quality. We are working with STA on a model capable of providing better forecasts to passengers during disruptions. In 2018, the possibility to change departure was launched to offer passengers a simpler process for rebooking their journey via the SJ app and via sj.se. SJ can now also automatically rebook all passengers on a train, enabling them to retain chosen options such as quiet carriage and wheelchair space, and can send out information on the new travel arrangements by text message.



Information during major disruption

Index	2018	2017	2016
Information during major disruption (+21 min.), SJ AB long-distance services	64	69 <sup>1</sup>	73
Information during major disruption (+6 min.), SJ AB regional services	61	68 <sup>1</sup>	59

<sup>1</sup>The measurement method was amended in the second quarter of 2017. The outcome for 2017 is based on responses received in April-December and is not comparable with previous years.

The key metric Information during major disruption should be interpreted with caution, as the only ones to interpret the information received will be the passengers who have been affected by a major disruption.

**“ SJ’s operations are governed as far as possible from what our customers and passengers demand. ”**



## Digitisation

Digitisation of SJ's sales channels has been driven by our customers. During 2018, 85 percent of SJ tickets were sold via digital channels (sj.se, the SJ app and ticket machines) while the rest were sold mainly through travel agencies. SJ tickets can also be bought at our travel centres, over the phone from SJ's Customer Service, from Pressbyrån kiosks and 7-Eleven convenience stores. In 2017, payment via Swish was launched in SJ's sales channels and in 2018 half of all journeys sold via the SJ app were paid for using Swish.

In 2018, SJ was ranked by the BearingPoint consulting firm as the most digitised travel company in Sweden and the second most digitised company in all categories in Sweden. In early 2019, SJ was also named by BearingPoint as the most digitised travel company in Europe. In addition, in 2018 IDG/Internetworld named our website sj.se as Sweden's best website. Clear customer benefit and simplicity and the constantly ongoing development of the services provided were highlighted in the citation. The user-friendly interface and key functions that meet user needs were also emphasised when

SJ won first prize in the category Digital Products and Services at the Swedish Design Awards in 2018.

New functions and services are launched regularly on sj.se and in the SJ app. Most launches in the app have first been tested and perfected with our customers in the SJ Labs app. Launches in 2018 included the Connection Guide (to and from the train), enabling passengers to find connecting public transport services to and from train stations and buy tickets for the connecting services. In autumn 2018, SJ launched its first pilot version of a voice-control service in the form of an app for Google Assistant. With the app SJ customers can get information about his or her journey and can ask questions about SJ.

We constantly monitor how satisfied our customers are with SJ's digital sales channels via a range of index surveys. In 2018, satisfaction with both sj.se and the SJ app was high.

## Whoever you are, wherever you're going

Everyone should feel welcome and taken care of before, during and after their SJ journey. During 2018, launches included

more flexible ticketing arrangements for our business passengers. Our offering to young passengers was reviewed. As a result, particularly child-friendly options were added to the on-board bistro menu. SJ's Accessibility Council regularly engages in discussions with representatives of major advocacy organisations as to how our trains and offerings can be made even more accessible.

In 2018, a further 200,000 passengers chose to join SJ's loyalty programme, SJ Prio, which now has 1.3 million members. SJ Prio is intended partly to create long-term relationships with SJ's passengers, and partly to adapt product and service offerings based on in-depth insights into the priorities of active SJ users.

SJ Prio members earn points when travelling with SJ and when purchasing products and experiences from SJ's partners. These points can then be utilised for further SJ journeys or for travel-related experiences. Members can also donate their points to any of SJ's non-profit partners.

SJ Biz is our agreement for businesses. Our business customers are offered discounts on all SJ journeys, a monthly travel and environment report showing the volume of emissions they have spared the environment by choosing SJ, regular statistics on their company's travel purchases and all journeys on a collective invoice.

### Good practice in handling customer data

Our customer privacy is important to us. SJ had long prepared for the introduction of the General Data Protection Regulation (GDPR), which took effect on 25 May 2018. SJ collects the personal data that we need to be able to provide our services and to conduct and develop our business. We also collect personal data to improve the customer's experience and to develop our customer offering. The customer is informed of the purpose of collection of personal data, and we seek and obtain consent where necessary. The personal data collected is used for the purposes for which they are collected and are treated with great respect. Personal data is deleted on an ongoing basis when the data are no longer needed for the purpose for which they have been collected, or at the customer's request.

SJ AB has since autumn 2018 been certified under the Payment Card Industry Data Security Standard (PCI DSS), meaning that a high level of security is maintained in how we handle credit and debit card data. One result of our work on certification has been the introduction of a new payment sys-

tem for ticket purchases via SJ's Customer Service so that our employees are never told the card number.

Via SJ's loyalty programme for passengers, SJ Prio, we have good information on the booking and travel habits of our frequent travellers. This in-depth insight is used in adapting SJ's product and service offering. We comply with the provisions of GDPR, and customer privacy is always a major consideration when customer data is used.

SJ has a risk and safety forum with particular responsibility for safety risks in operations, including risks relating to data integrity. The forum regularly compiles data integrity reports and preventive action is taken on the basis of those reports. Read more on risk management at SJ on page 42. SJ also has a data protection representative with particular responsibility for ensuring that personal data is handled safely.

In 2018, SJ reported to the Swedish Data Protection Authority three suspected or confirmed breaches of customer privacy or losses of customer data. In one case, a perpetrator was using stolen user names and passwords from other Internet services and used SJ Prio accounts of around 60 members. The customers affected were informed and had the points they had lost reinstated. In addition, all SJ Prio members were issued with a new password. The incident was reported to the Police.

During the 2016-2017 period, no major complaints regarding customer privacy were made, and no loss of customer data occurred.

“ Everyone should feel welcome and taken care of before, during and after their SJ journey. ”

Why this key metric?	Prioritised activities in 2018	Target and outcome	Planned activities in 2019												
<b>Customer Satisfaction Index</b>															
<p>The Customer Satisfaction Index (CSI) reflects the degree of satisfaction of customers regarding their relationship with SJ in the past 12 months. Using a key metric that reflects customers' overall satisfaction over a somewhat longer period is an important policy instrument for long-term profitability.</p>	<ul style="list-style-type: none"> <li>Focus trained on service communication to improve the customer experience, both when services are on schedule and during disruptions</li> <li>Test driving of new X 2000s started</li> <li>Focus trained on, for example, toilet cleaning, observance of the Quiet Carriage concept and interaction and ticket inspection on board, taking account of comments from passengers</li> <li>Rebooking of journeys via sj.se and the SJ app simplified</li> <li>Functions and offering for SJ business customers in SJ's digital channels improved</li> <li>The Connection Guide in SJ app developed, to make it simpler to travel by public transport to and from the SJ journey</li> </ul>	<table border="1"> <caption>Customer Satisfaction Index Data</caption> <thead> <tr> <th>Year</th> <th>Index Value</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>62</td> </tr> <tr> <td>2015</td> <td>65</td> </tr> <tr> <td>2016</td> <td>69</td> </tr> <tr> <td>2017</td> <td>72</td> </tr> <tr> <td>2018</td> <td>68</td> </tr> </tbody> </table>	Year	Index Value	2014	62	2015	65	2016	69	2017	72	2018	68	<ul style="list-style-type: none"> <li>Continued initiatives in service communication for better customer experience</li> <li>Introduce new business travel offering for new X 2000s</li> <li>Increase accessibility on sj.se (meet requirements within scope of WCAG AA 2.1)</li> <li>Introduce the first upgraded X 2000 into service</li> <li>Introduce more flexible payment options in on-board bistros (Swish and invoice)</li> </ul>
Year	Index Value														
2014	62														
2015	65														
2016	69														
2017	72														
2018	68														

## Punctuality – our most important sustainability goal

To get more people to choose rail travel, they must be able to rely on trains departing and arriving on time. Consequently, SJ's top-priority sustainability target is, with other rail industry participants, to jointly achieve 95 percent punctuality by 2020.

The conditions for punctuality vary according to train type, line, route and time.

### Punctuality during 2018

During 2018, SJ's *medium-distance services* recorded punctuality of 88 percent (92), while SJ's *local services* (commuter services) achieved 92 percent (93). SJ takes the view that the industry's long-term target of 95 percent by 2020 can nevertheless be achieved for both medium-distance and local services. Punctuality for SJ's *long-distance services* during 2018 was calculated at 77 percent (82). Because the trains are operated over long distances and through areas with regional and commuter services, long-distance services are more sensitive to disruption. SJ's view is that it will be challenging to achieve 95 percent punctuality for long-distance services by 2020 with a tolerance of 5 minutes. However, targeted actions on long-distance services will improve punctuality both for these services and over the whole rail system. The majority of delays in SJ's long-distance services are between 6 and 10 minutes. Compared to air travel, SJ reported higher punctuality over 2018, even if the punctuality targets for the year were not achieved.

In 2018, STA began extensive maintenance works on the western and southern main lines with the aim of providing Sweden with a more robust rail system in the long term. With ongoing maintenance works, there is no capacity to enable delays to be made up in Sweden's already heavily-burdened rail network, and alternative routes may be closed. The works affected punctuality above all on the StockholmGothenburg, StockholmMalmö/Copenhagen, StockholmKarlstadOslo and StockholmUppsala lines, and at times our passengers therefore had fewer departures to choose from on these lines.

Closure of the Getingmidjan section, between Stockholm Central and Stockholm South, for eight weeks in the summer turned out relatively well for SJ passengers, employees and services, thanks to SJ's thorough preparations on its own account and in consultation with STA.

The extreme heat and drought in the summer seriously affected the rail infrastructure and our rolling stock, causing disruptions to services. The drought led to fires on embankments, resulting in new routes for services affected, or cancelled departures.

### Major in-house focus on punctuality

STA is responsible for maintaining punctuality data and for ensuring that all disruptions lasting three minutes or more are assigned a code indicating the cause. Of the disruptions in the rail network in 2018, just under 10 percent were caused by SJ. We work in a structured way to minimise the disruptions that we ourselves cause, which requires a stable service plan (timetable) and preventive maintenance of our rolling stock. When a disruption arises, SJ's traffic management reschedules train services to minimise the ripple effect. We are also improving our departure procedure, closing train doors 30 seconds before departure to enable trains to leave on time. The "Where should I

### Significant events in 2018

- Automatic rebooking for all passengers on a service affected by a disruption
- Right of recourse introduced, enabling compensation for SJ in the event of a delay attributable to STA
- STA began extensive and essential maintenance works on the western and southern main lines

stand on the platform" function in the SJ app simplifies boarding for passengers and makes for better punctuality in departures.

### Improved punctuality through cooperation

One precondition for more punctual train services is that basic planning for the timetable should be properly adapted, for example, to track condition and available capacity. Because the rail network is a closed system with many dependencies, all players must be at the top of their game and work well together. Everyone must take responsibility for the totality, rather than optimising their own system. The industry has been cooperating since 2013 in the Together for Trains on Time (TTT) initiative, in order to achieve the joint target of 95 percent punctuality by 2020. SJ is convinced that cooperation is crucial to achieving better punctuality and we are thus investing major resources of time and expertise in TTT. Read more about TTT on page 28.

The number of hours of disruption caused by trespassing has risen sharply in recent years. If unauthorised persons are present in the track area, train speed has to be reduced sharply, or services halted altogether, resulting in poorer punctuality. The industry is therefore cooperating to prevent trespassing. Fencing in urban areas directly reduces the number of disruption hours and against that background, TTT is identifying locations where large numbers of people move about too near railway tracks in order to take specific actions. Trespassing is punishable by fines of SEK 3,000.

On 1 July 2018, new railway legislation entered into force. The law gives train operators the right to compensation from infrastructure managers for costs arising from the operator's binding obligations towards passengers, the "right of recourse". Under the new law, the operator may demand compensation for costs arising from, for example, replacement services and delay compensation payments in cases where the delay is attributable to STA or other infrastructure manager. SJ has claimed compensation from STA.

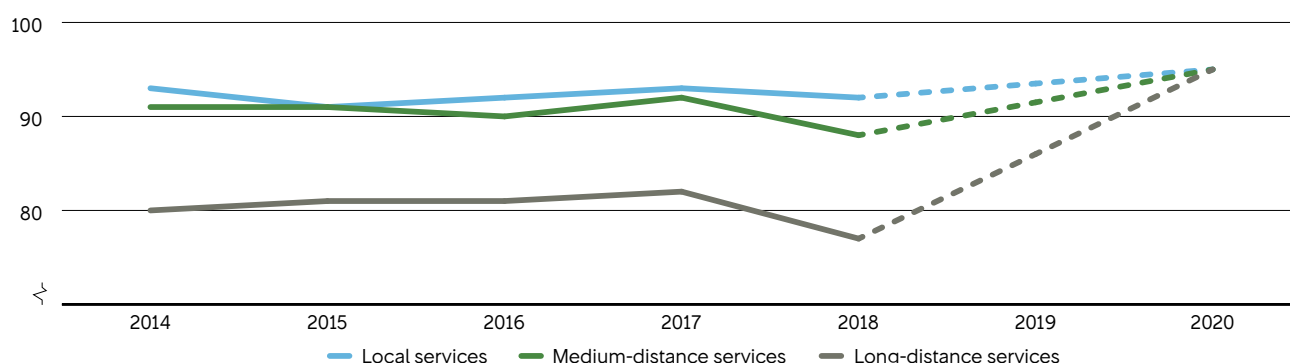
### Measures to alleviate disruption

Once a disruption has occurred, the consequences to passengers have to be alleviated. To ensure that our passengers perceive their journey as reliable, we are focusing for example on optimising connections and improving service information.

Digital aids are simplifying and streamlining decisions in traffic management and the actions that are taken. Actions during disruptions may include assigning a new route for a train or enabling passengers to continue their journey by another mode of transport. Thanks to a digital solution, SJ can now also automatically rebook all passengers on a train, enabling them to retain chosen options such as quiet carriage and wheelchair space, and can send out information on the new travel arrangements by text message.



Punctuality for SJ trains, %



In SJ's view, the industry's long-term target of 95 percent punctuality by 2020 is achievable for our middle-distance and local services. In long-distance services, the target is challenging as these services are more sensitive to disruption, being operated on long distances and sharing track with trains driven at lower speeds. Targeted actions are in progress to improve punctuality in long-distance services, which will have positive impact on the rail system as a whole. The majority of delays in SJ's long-distance services are between 6 and 10 minutes.

Why this key metric?	Prioritised activities in 2018	Target and outcome	Planned activities in 2019
<b>Punctuality</b>			
Punctuality is one of the issues that our customers and passengers attach highest importance to. This means that punctuality is among the most important factors in SJ's ability to maintain and strengthen its market position.	<ul style="list-style-type: none"> <li>Progress made on eliminating unnecessary speed restrictions due to inefficient maintenance works and delays in infrastructure improvements.</li> <li>Progress made on initiatives to reduce the number of disruptions caused by trespassing</li> <li>Conditions created for punctuality in basic planning for southern main line and during maintenance works etc.</li> <li>Process created and adapted for change in conditions, for example, turnarounds during closure of Getting-midjan and implementation of disruption plans.</li> <li>Recurring faults with doors on X 2000s and double deckers rectified</li> <li>Extensive winter preparation for our rolling stock carried out</li> </ul>	<p>Long-distance services</p> <p><b>77%</b> (82) Target 2018: 91%</p> <p>Medium-distance services</p> <p><b>88%</b> (92) Target 2018: 93%</p> <p>Local services</p> <p><b>92%</b> (93) Target 2018: 93%</p>	<ul style="list-style-type: none"> <li>Continue to make progress in initiatives to reduce the number of disruptions caused by trespassing</li> <li>Create conditions for punctuality in basic planning e.g. for western main line</li> <li>Continue to contribute expertise to TTT, as well as impact area responsibility in three areas and route responsibility for the southern main line</li> <li>Review of SJ's rules on which faults require trains to be withdrawn from service. Faults that may affect safety always require trains to be withdrawn from service</li> <li>Continue to reduce rolling stock faults that affect punctuality, e.g. at doors</li> <li>Continue the roll-out of remote diagnostics and licence-based maintenance</li> </ul>
<b>Regularity</b>			
The most important factor for our passengers is to be able to rely on our trains departing and arriving at the designated times. If a train service is cancelled, it is critical for our customers to be informed in good time, to allow them to reschedule their journey.	<ul style="list-style-type: none"> <li>Collaborated with industry to reduce the number of trains cancelled because of scheduled maintenance services</li> <li>Focused on ensuring that no departures are cancelled for personnel-related reasons</li> <li>Continued with systematic maintenance of service-halting faults</li> </ul>	<p>Long-distance services</p> <p><b>96%</b> (98) Target 2018: 98%</p> <p>Medium-distance services</p> <p><b>96%</b> (97) Target 2018: 98%</p> <p>Local services</p> <p><b>98%</b> (98) Target 2018: 98%</p>	<ul style="list-style-type: none"> <li>Introduce new scheduling arrangements for on-board personnel</li> <li>Continue with systematic maintenance of service-halting faults</li> <li>Increase capacity in our workshops</li> <li>Continue work on reducing the number of service-halting faults</li> <li>Continue to work on improving efficiency of managing disruption situations</li> </ul>

## Profitability makes sustainable investments possible

**SJ conducts its operations on commercial conditions in a fully deregulated market. We do not receive any government grants or subsidies. This means that SJ has to be a long-term profitable, and leading, player in Sweden's railway market.**

Good profitability is essential in enabling us to undertake the investments necessary to live up to customer and passenger expectations. SJ's investments are governed by our long-term strategy. They include not only digital initiatives on the customer and employee side, but also major investments in our rolling stock fleet. SJ has a wide-ranging project portfolio with clearly defined objectives for increased efficiency at several levels of our organisation.

### A sustainable SJ

SJ's owner, the Swedish State, requires SJ to be governed in a socially, environmentally and financially sustainable way. Targets, financial and non-financial, must be met. SJ's Annual General Meeting has adopted three long-term financial targets that will contribute to an economically sustainable business. The financial targets are based on SJ's long-term strategy and are intended to make us more competitive in both commercial and tendered services.

All SJ's train lines and businesses, commercial and tendered, are to play a part in ensuring that SJ achieves its financial and non-financial targets. Every line and business operates under a business manager with a mandate to adjust its offering to correspond as far as possible to passenger and customer demands and expectations.

A constant focus on improving cost efficiency is a precondition in ensuring that SJ is competitive in Sweden's deregulated railway market. In addition, cost-efficient systems are also required to enable us to become established in the Scandinavian market without sacrificing profitability.

Every quarter, the Board is informed of how we are managing our financial assets so as to achieve as good a return as possible within the framework of the financial policy in place. SJ also performs a quarterly market analysis as a basis for investment decisions.

### Important event in 2018

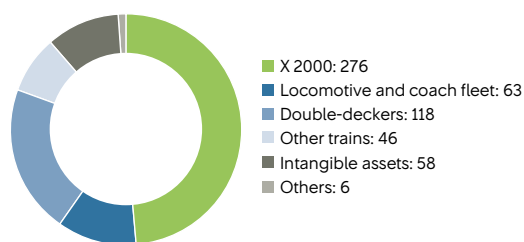
- In appropriating profit for the 2018 financial year, the Board proposes that a dividend of SEK 194 million be paid to SJ's owner, the Swedish State.

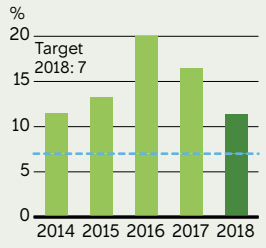
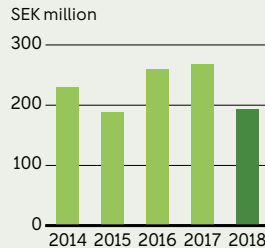
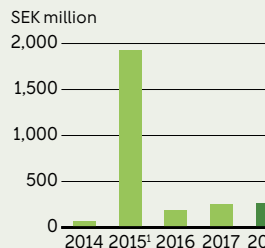
### Investing in the travel of the future

The major investments we are making in new and upgraded rolling stock are helping to broaden our offering and meet our customers' needs for fast and comfortable journeys. SJ operates long investment cycles regarding our rolling stock fleet, and over the next few years we will be investing around SEK 9 billion in our trains. The programme encompasses around 30 new high-speed trains for long-distance services, refurbishment and upgrading of all our night-train carriages and the X 2000 modernisation programme already under way. By choosing to retain and modernise the trains' chassis we can not only save large volumes of steel but also make the most of the trains' unique design. During 2018, we began test-driving the first fully renovated X 2000s on licence from the Swedish Transport Agency. The ambition is to have the first new X 2000s in service in the second half of 2019.

Tendering for suppliers of new high-speed trains, as well as for refurbishment of our night-train carriages, took place during the year. With not only more trains but also more seats than before in X 2000, we will be able to meet the strong demand that exists for train travel with SJ. We also continuously make minor investments in our trains, including to improve safety, performance and the customer experience.

Total investments during 2018, SEK m



Net debt/equity ratio	Return on operating capital	Dividend
<p><b>Why this key metric?</b></p> <p>The net debt/equity ratio is vital to ensuring that SJ has an efficient capital structure and well-balanced risk over time. The aim is that the accounts should be in balance, whereby the financing costs of the business must be kept competitive and at the same time SJ must be able to implement the strategic decisions taken.</p>	<p><b>Why this key metric?</b></p> <p>Return on operating capital indicates the relationship between SJ's operating profit and the degree of capital efficiency in the business. Working capital issues are an important aspect of SJ's financing and we need to ensure that capital is not unnecessarily committed and that our resources are highly utilised. A market-level profit is an essential condition in enabling the necessary investments to be implemented.</p>	<p><b>Target and outcome (analysis)</b></p> <p>The Board's proposed dividend in accordance with the appropriation of profits, SEK million</p>
 <p>Multiple</p> <p>Target 2018: 0.5-1.0 times</p> <p>2014 2015 2016 2017 2018</p> <p><b>Target and outcome (analysis)</b></p> <p>SJ has a target for net debt/equity ratio of 0.5-1.0 long term. The target was based on what the owner and the Board of Directors consider to be an efficient capital structure for SJ over time.</p> <p>On 31 December 2018, SJ held a net cash balance and the net debt/equity ratio was therefore -0.14 (-0.10). The net cash balance was due to the fact that several major investment projects initiated had not yet been completed and consequently allocated funds remained on the balance sheet. On that basis, SJ's capital structure is stronger than defined as the owner's long-term target.</p>	 <p>%</p> <p>Target 2018: 7</p> <p>2014 2015 2016 2017 2018</p> <p><b>Target and outcome (analysis)</b></p> <p>The return on operating capital is to average no less than 7 percent.</p> <p>In 2018, the return on operating capital was 11.4 percent (16.4), again exceeding the target for the year. The decline from the previous year is attributable to a lower profit this year.</p>	 <p>SEK million</p> <p>2014 2015 2016 2017 2018</p> <p>The regular dividend must in the long term average 30-50 percent of the net profit for the year. The Board of Directors proposes that the 2019 Annual General Meeting approve a dividend of SEK 194 million (269). The dividend corresponds to around 50 percent (50) of net profit for the year for the SJ Group.</p>  <p>SEK million</p> <p>2014 2015<sup>1</sup> 2016 2017 2018</p> <p><sup>1</sup> EGM resolution to distribute SEK 1,700 million.</p>

# Risk and Risk Management

Risk is inherent in all business activities. Good awareness of risks is vital in enabling activities to be planned and carried out to minimise negative impact and to enable related opportunities to be leveraged effectively.

SJ defines risk as an event that could affect SJ's ability to achieve its goals, as set out in strategic and business plans.

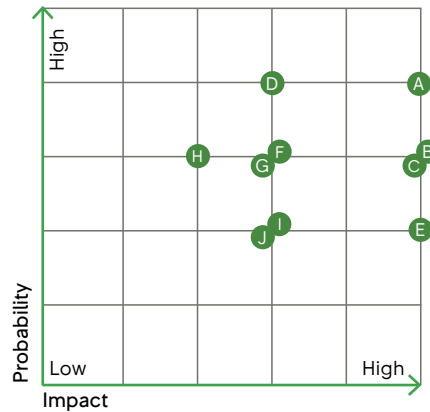
## Identification and management of risks

SJ applies a systematic focus to risk assessment at various levels and with various time horizons. Risks on the strategic level are identified and described in the form of scenarios and in conjunction with the strategic and business planning process, and are summarised in a strategic and business plan.

Work on Group-wide risks on the tactical level is conducted via an established process to identify operational, business and market risks, both financial and non-financial, based on SJ's scorecard. The process involves all divisions, subsidiaries and staff units, creating bottom-up support and greater awareness throughout the organisation, and enables risks to be identified more effectively. Every risk identified has a designated owner in the organisation. Risk assessments for organisational changes may also be performed from specific perspectives, such as transport safety or work environment.

Tactical risks are identified and managed continuously at SJ and reported to the Board three times a year. The process begins with information about existing and new risks being

## Assessed probability and impact of risks identified



Risks A-J are described on the next page.

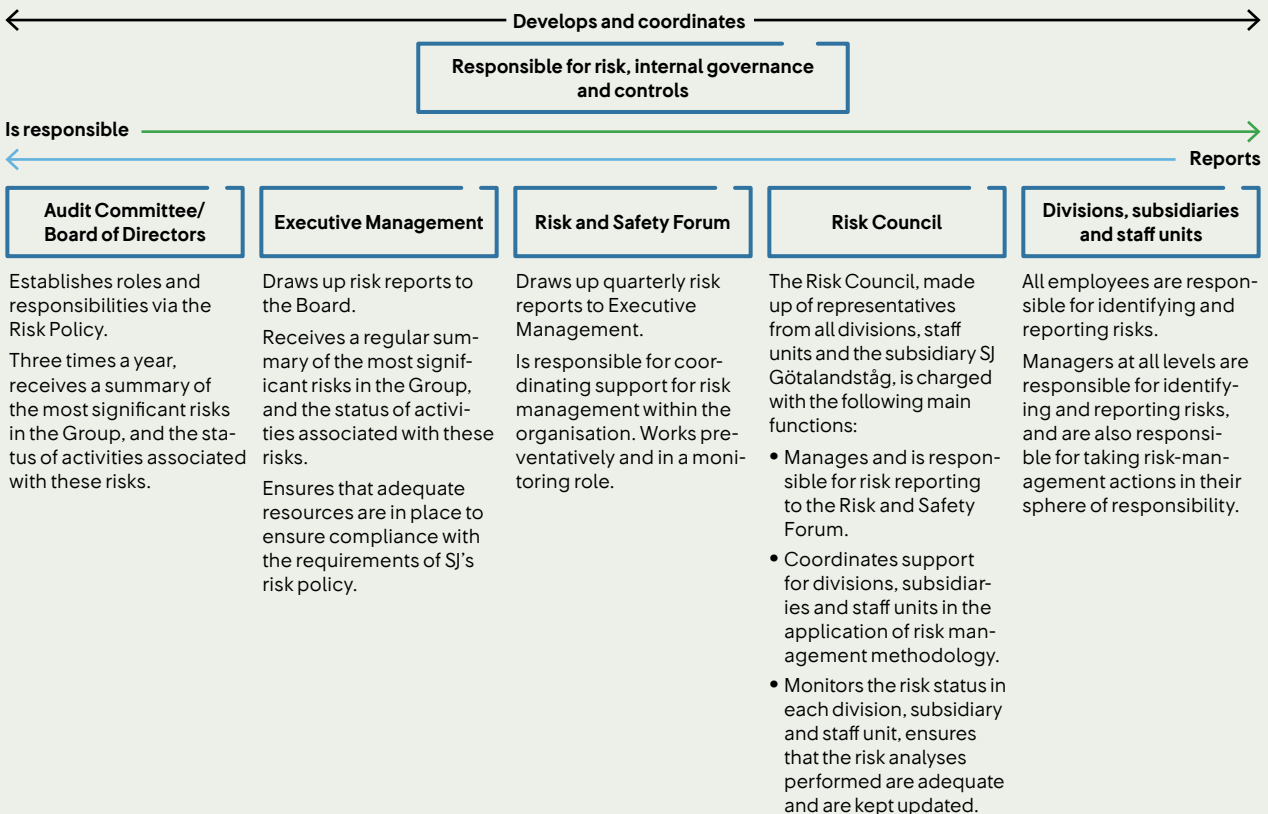
obtained from the Risk Council, as well as from the Strategy Forum, Production Forum and Business Review, depending on the time of year. The risks are assessed on the basis of probability and impact, and are linked to activities designed to manage the risks.

## Risk reporting

The Risk and Safety Forum is responsible for examining and approving the Risk Report before it is presented to Executive Management, which in turn is responsible for risk reporting to the Board. The Executive Management monitors changes in the risks that are attributed a high value, to determine whether there is any need to take further action or whether new risk areas should be assessed.

A selection of risks identified is presented in the summary of risks on the next page.

## Roles in risk reporting



## Selection of risks identified

Risk	Potential impact	Activities	Control area
<b>A</b> Risk that the growth in travel declines because punctuality in SJ long-distance services does not achieve 95% by 2020	Lower Customer Satisfaction Index rating, loss of market share to other modes of transport, lower income	Major collaboration with other industry players in the Together for Trains on Time (TTT) initiative In-house focus on lowering the share of SJ-attributable disruption via measures such as improved departure process, digital work tools and remote diagnostics for rolling stock New and modernised trains	Process
<b>B</b> Risk that the pace of deregulation of the railway markets in Europe is not the same in all countries. Financially powerful international rail operators can act in the Swedish market while Swedish rail operators cannot act unhampered outside Sweden	Distortion of competition, lower income, loss of market share	Collaboration in the Community of European Railway and Infrastructure Companies, in which SJ's CEO Crister Fritzson serves as Chair	Finance
<b>C</b> Risk that Swedish Public Transport Act does not result in decisions in line with the legislator's intentions, which could create poorer conditions for commercially operated public transport	Poorer customer offering, worsening of economic conditions for services	Active promotion of the issue that the regulatory framework on competition and tax-financed public transport must be properly thought-through and clearly defined	Finance
<b>D</b> Risk that SJ cannot procure the right train maintenance services at the right price	Lower quality, including punctuality, service cancellations, lower Customer Satisfaction Index rating	Expanded collaboration with maintenance service providers Segmentation of maintenance for more effective use and development of the market's capacity	Partnership & Resources
<b>E</b> Risk that low-cost operators get established in Sweden's railway market, in both commercial and tendered services	Increased competition and pressure on prices, which in the longer term may result in a smaller market share and lower profitability	Long-term sustainable unit cost Continuous development of every business to consolidate SJ's market shares	Finance
<b>F</b> Risk that SJ cannot retain and recruit train drivers, rolling stock operators and digital resources in a tight labour market	Lower quality, higher costs and service cancellations	Active work on the boards of training coordinators for train driver courses Introduce new scheduling arrangements for on-board personnel Analysis of forms of employment More effective training courses with simulators Strategic skills provision process Digitisation project	Employee
<b>G</b> Risk of serious leakage from diesel refuelling tanks used for services on the Kinnekulle Line	Damage to environment, harm to people Adverse impact on the SJ brand	Continuous review of refuelling process Regular individual checks of refuelling station Internal Audit	Society
<b>H</b> Risk that SJ employees involved in customer contacts face insecure work situation where threats and violence may occur	Feeling of insecurity and lesser well-being, absences due to illness, difficulty in retaining and recruiting employees	Training for all on-board employees in personal security and conflict management Personal alarm for all on-board employees	Employee
<b>I</b> Risk that partners are in breach of the SJ Group's Supplier Code of Conduct	Adverse impact on the SJ brand	The SJ Group's Supplier Code of Conduct is a mandatory part of agreements with SJ Sustainability audits of suppliers	Partnership & Resources
<b>J</b> Risk that SJ employees will be in breach of the SJ Group's Internal Code of Conduct in contacts with suppliers	Lower quality, adverse impact on the SJ brand	Communication with employees on the SJ Group's Internal Code of Conduct	Employee

## Appropriation of Profit

### Statement of the Board of Directors of SJ AB, pursuant to Chapter 18, Section 4 of the Swedish Companies Act.

With reference to the Board's dividend proposal, the Board of Directors of SJ AB, corp. reg. no. 556196-1599, hereby makes the following declaration pursuant to Chapter 18, section 4 of the Swedish Companies Act. The proposed dividend is based on the 2018 annual accounts. The proposed appropriation of profit, income statement and balance sheet for the Parent Company, and the statements of income and other comprehensive income, and statement of financial position for the Group, will be presented to the Annual General Meeting for approval on 25 April 2019.

In its proposal for appropriation of profit, the Board recommends that at the 2019 AGM, the shareholder should resolve that in respect of the 2018 financial year SJ AB should pay a dividend of SEK 48.60 per share, representing a total dividend of SEK 194,400,000 million, corresponding to around 50 percent of net profit for the year for the SJ Group. The Board also proposes that the shareholder at the AGM determine the payment date as 9 May 2019.

Unappropriated profit available for appropriation by the Annual General Meeting:

Retained earnings	SEK 3,480,421,744
Profit for the year	SEK 295,088,686
<b>Total</b>	<b>SEK 3,775,510,430</b>

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

Dividend to shareholder (SEK 48.60 per share)	SEK 194,400,000
To be carried forward	SEK 3,581,110,430
<b>Total</b>	<b>SEK 3,775,510,430</b>

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

The situation for the SJ Group with regard to the above-mentioned key metrics is illustrated in the table below as at year-end 2018 and after the proposed dividend, all else being equal.

### Effect of proposed dividend on key metrics

	31/12/2018	31/12/2018 After ordinary dividend
Net debt/equity ratio, multiple	-0.14	-0.10
Net debt(+)/net cash (-), SEK m	-659	-464
Return on operating capital, %	11.4	11.4
Equity/assets ratio, SJ AB, %	55.9	54.8
Unrestricted equity in SJ AB, SEK	3,775,510,430	3,581,110,430

The proposed dividend represents 4.3 percent of equity in the Parent Company, and 4.1 percent of equity in the Group. The proposed dividend has no effect on return on operating capital, but the net debt/equity ratio falls from -0.14 to -0.10. With payment of the dividend, the owner's target for net debt/equity ratio is not achieved, as SJ still has a lower level of indebtedness in the short term.

The equity/assets ratio is considered satisfactory, given that the business remains profitable. Liquidity in the Parent Company and the Group is expected to remain strong. The proposed appropriation of profit to the shareholder will lower the Parent Company's equity/assets ratio from 55.9 percent to 54.8 percent after the proposed dividend.

### Basis of the Board's decision

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

The nature and scope of the business do not involve any risks than are greater than those normally occurring in the industry.

The Board's view of the financial position of the Company and the Group is such 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.

# Corporate Governance Report 2018

SJ AB is 100-percent owned by the Swedish State and ownership is operated under the supervision of the Ministry of Enterprise and Innovation. The owner's overall objective for SJ is to create long-term sustainable value, which calls for long-term profitability, efficiency, capacity for development and social, environmental and financial accountability. SJ has no public-service role and its operations are conducted on purely commercial terms without any government subsidies or grants.

## Application of the Code

SJ applies the Swedish Code of Corporate Governance (the Code). The deviations that occur in the Company arise mainly from the fact that SJ is wholly owned by the Swedish State. SJ deviated from the following Code provisions:

### 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 agenda items listed in the notice of the AGM. In State-owned enterprises, this provision has no relevance.

### Rule 2

The establishment of a nomination committee to prepare for election and remuneration of Board members and auditors. SJ's Board has set aside Rule 2 regarding a nomination committee in favour of the owner's nomination process, as detailed in the State's ownership policy.

### Rule 4.4-4.5

Board member's independence in relation to the Company, Executive Management and major shareholders. The aim of the rule is to protect minority owners. Because SJ is wholly owned by the Swedish State there is no such need.

## Principles of Corporate Governance

SJ is subject to both external and internal regulations.

### Major external regulations:

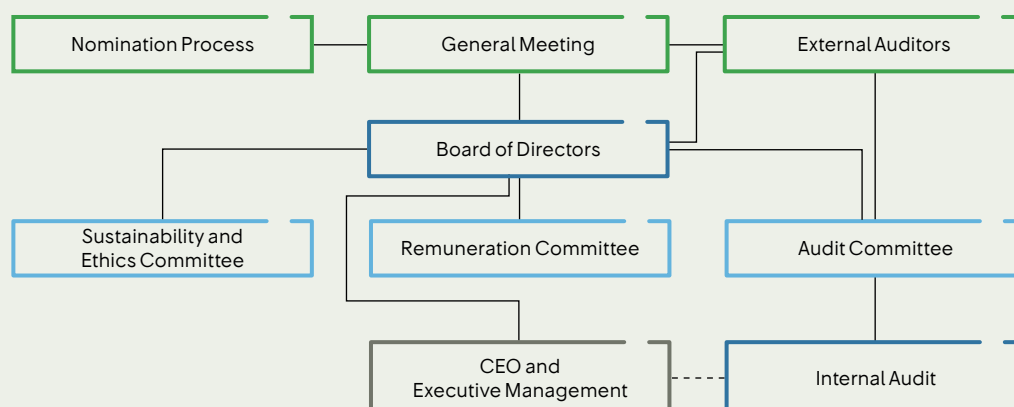
- Legislation and international accounting regulations
- Swedish State's ownership policy and Guidelines for State-Owned Enterprises in 2017
- Swedish Code of Corporate Governance (the Code)

### Major internal regulations:

- SJ AB's Articles of Association
- The Board's Rules of Procedure, CEO instructions and instructions for corporate sustainability reporting, including financial reporting
- Internal guidelines regarding the Group's operations and employees, including the SJ Group's Internal Code of Conduct, as well as policies on work environment, finance, data integrity, purchasing, IT, risk management, tax, traffic safety, communication, personal data and internal governance and controls
- SJ's scorecard, showing targets set and clearly defined follow-up procedures

The Company's Articles of Association, previous corporate governance reports, material from SJ's most recent general meetings, and so forth, are available in Swedish at [www.sj.se](http://www.sj.se), under "Bolagsstyrning" ("Corporate Governance").

## SJ AB, corporate governance



## Owner's governance

The owner exercises its rights as shareholder at the AGM and has adopted SJ's Articles of Association and financial targets. The Company's Articles of Association require SJ, on a commercial basis, to provide passenger transport services and to contribute towards Sweden's transport policy objectives and thereby deliver long-term sustainable transport provision throughout the country. The owner's long-term financial targets for SJ are a minimum average return of no less than 7 per cent on operating capital and a long-term net debt/equity ratio of 0.5–1.0. Long-term dividends shall amount to 30–50 percent of the Group's profit for the year. In addition to following up the financial targets, the owner also monitors a number of long-term sustainability targets.

During 2018, the meetings involving owner, SJ Board Chair and CEO dealt with matters including, for example, operational issues during disruptions, SJ's organisation, succession planning and procurement of new rolling stock. In addition to these meetings, SJ maintains regular dialogue with its owner.

### Long-term sustainability targets

The Swedish government requires all State-owned companies to define objectives for corporate sustainability. These objectives are to be relevant to the business conducted. They must also be measurable and sufficiently ambitious. SJ's Board of Directors has established four long-term targets for sustainability: Punctuality, SJ Volunteer, Absence due to illness and Diversity.

### Board of Directors, Board functions and attendance during 2018

Name	Board function	Attendance at meetings				Changes during 2018
		Board of Directors	Audit Committee	Sustainability and Ethics Committee	Remuneration Committee	
Total		10	8	3	2	Prior to the AGM on 24 April 2018, three Board meetings, three Audit Committee meetings, one Sustainability and Ethics Committee meeting and one Remuneration Committee meeting had been held.
Siv Svensson	Board Chair, Chair of Remuneration Committee	9	6	1	1	Appointed as Chair of SJ's Board of Directors and Remuneration Committee and member of SJ's Sustainability and Ethics Committee and Audit Committee on 24 April 2018.
Ulrika Dellby	Board member	10	4	1	-	Appointed as member of SJ's Audit Committee on 24 April 2018
Lennart Käll	Board member	6	-	2	1	Appointed as member of SJ's Board of Directors, Remuneration Committee and Sustainability and Ethics Committee on 24 April 2018.
Per Matses	Board member, Chair of Audit Committee	7	5	-	-	Appointed as member of SJ's Board of Directors and Chair of SJ's Audit Committee on 24 April 2018
Ulrika Nordström	Board member	7	5	-	1	Appointed as member of SJ's Board of Directors, Audit Committee and Remuneration Committee on 24 April 2018
Kersti Strandqvist	Member, Chair of Sustainability and Ethics Committee.	10	-	3	-	Appointed as Chair of SJ's Sustainability and Ethics Committee on 24 April 2018.
Mikael Stöhr	Board member	7	-	-	2	Appointed as member of SJ's Remuneration Committee on 24 April 2018
Mikael Staffas	Board member	3	3	-	-	Resigned from SJ's Board of Directors on 24 April 2018.
Jan Sundling	Chair of SJ's Board of Directors	3	-	1	1	Resigned from SJ's Board of Directors on 24 April 2018.
Michael Thorén	Board member	3	3	-	1	Resigned from SJ's Board of Directors on 24 April 2018.
Stefan Zetterlund	Employee representative	10	-	-	-	
Per Hammarqvist	Employee representative	8	-	-	-	
Hans Pilgaard	Employee representative	6	-	-	-	

## General Meeting

The Annual General Meeting (AGM) is held in Stockholm. SJ publishes details of venue and time for its next AGM, as well as notice convening the meeting, minutes and other AGM-related material on sj.se.

### 2018 Annual General Meeting

The 2018 AGM for SJ AB was held on 24 April 2018. The meeting was open to the public and those in attendance had the opportunity to put questions to management.

The AGM resolved to adopt the income statements and balance sheets for the Group and the Parent Company, and to approve the Board's proposed dividend of SEK 269 million. The dividend was paid on 8 May 2018. The AGM also discharged the Board and the CEO from liability.

The AGM resolved that the Company is to apply the Guidelines on conditions of employment for senior executives at State-owned enterprises, as proposed by the Board. The AGM also resolved to amend the Articles of Association in the form of a clarification of the Company's mandate as stated in Article 3.

In accordance with the owner's proposals, the AGM approved the re-election of Siv Svensson, Ulrika Dellby, Mikael Stöhr and Kersti Strandqvist until the next AGM and the election of Lennart Käll, Per Matses and Ulrika Nordström as members of the Board. Siv Svensson was elected as Chair of the Board. The AGM approved Board fees and separate fees for work within the committees established.



## Annual General Meeting 2019

SJ AB's 2019 AGM will be held in Stockholm on 25 April 2019.

## Board of Directors

The Board has overall responsibility for the management and administration of the Company. Under the State's ownership policy, the Board is also responsible for ensuring that the Company is managed in an exemplary manner in compliance with applicable legislation, the State's ownership policy, the Articles of Association and the owner's instructions. Moreover, the Board is required to strive to ensure that SJ acts in an exemplary way in sustainable enterprise, in such areas as the environment, ethics, working conditions, human rights, equal opportunity and diversity.

## Appointment of the Board

The nomination process for Board members at State-owned enterprises is overseen and coordinated by the Ministry of Enterprise and Innovation. In accordance with the State's ownership policy, the Board shall have a high level of expertise that is well-suited to the Company's operations, circumstances and future challenges. Board members must be able to contribute via a high level of expertise in the Company's business activities, business development, industry knowledge, financial issues, sustainable enterprise and other relevant areas. Under the ownership policy, which includes the diversity policy that SJ applies, the Board must be balanced in terms of areas of expertise, gender, background and age.

A working party at the Division for State-Owned Enterprises at the Ministry of Enterprise and Innovation analyses the qualification requirements on the basis of the composition of SJ's Board and the Company's operations and circumstances.

The Ministry's proposal for Board members is presented in the notice convening the AGM and on sj.se in ample time prior to the AGM. Board members are appointed by the AGM for one year at a time.

## Composition of the Board

Under the Articles of Association, SJ's Board of Directors is to comprise no less than three and no more than eight members, without deputies. Since the AGM held in April 2018, SJ's Board of Directors has consisted of seven elected members, none of whom are members of Executive Management. Of the Board members, four (57 percent) are women and three (43 percent) men.

The ownership unit at the Ministry of Enterprise and Innovation takes the view that the SJ Board as a whole has the relevant expertise, experience and background. Moreover, with regard to SJ's operations, stage of development and other conditions, the Board is considered to be appropriately composed in terms of being multi-faceted and broadly based with regard to the expertise, experience and background of its members. The Board also meets the government's objective of an equal gender distribution in accordance with the State's ownership policy and Guidelines for State-owned enterprises.

The employee organisations have appointed three employee representatives, plus deputies, to the Board.

## Board fees and fees for work on Board committees

Under the State's ownership policy, Board fees and other fees are for approval by the AGM and must be competitive, but not market-leading. Fees are not paid to any Board member employed by the Swedish Government Offices, nor to any employee representative, as stated in the Swedish State's ownership policy and Guidelines for State-Owned Enterprises in 2017.

Remuneration approved for SJ's Board of Directors<sup>1</sup>

SEK	2018	2017
Board chair	410,000	400,000
Board members	170,000	160,000
Chairman of the Audit Committee	55,000	55,000
Other members of the Audit Committee	43,000	43,000

<sup>1</sup> Fees are not paid to Board members employed by the Swedish Government Offices, nor to any employee representative.

## Work of the Board

The Board has adopted Rules of Procedure defining the division of responsibilities between Board, Board committees and the CEO. These Rules are agreed annually and, alongside mandatory provisions of the Swedish Companies Act, the Swedish State's ownership policy and the government's Guidelines for State-Owned Enterprises ("the Ownership Policy"), together with the financial targets established by the AGM, govern the rules of procedure, for example, on the Chair's duties, information to the Board, the format of Board meetings and assessments of the work of the CEO and the Board. The Rules stipulate *inter alia* that the following agenda items shall be addressed each year:

- Adoption of business plan and budget for the financial year ahead.
- Adoption of financial reports for external consumption, including annual and sustainability report and quarterly reports.
- Strategic issues, including assessment and, where appropriate, adoption of strategic goals for sustainable enterprise.
- Assessment of rule compliance and risk management, in particular the results from annual risk analyses.
- Adoption of policy documents.

The Board also decides on matters of principle or major financial significance. The Board Chair oversees the work of the Board and is responsible for ensuring that other members receive the information required, that the Board's work is conducted efficiently and that the Board fulfils its duties.

The CEO and CFO participate in Board meetings; other members of Executive Management participate as necessary. SJ's General Counsel serves as secretary to the Board.

## Work of the Board in 2018

In 2018, ten Board meetings were held. The Board carried out ongoing follow-ups in due order of financial and non-financial outcomes, including in the form of monthly presentations on strategic key metrics on SJ's scorecard. Based on that information, the Board was also able to continuously evaluate SJ's performance in terms of sustainable enterprise. In February 2018, the Board met the Company's auditors without any members of Executive Management being present, in accordance with the requirements of the Code. Other members of SJ's Executive Management also attended the Board meeting held in June 2018 to discuss issues of strategic significance.

## Work of the Board in committees

SJ's Board of Directors has established an Audit Committee, a Remuneration Committee and a Sustainability and Ethics Committee. The Board has also agreed rules of procedure for all committees. The committees prepare items for decision by the Board. For specific matters, the Board may delegate decision-making rights to the respective committee.

## Audit Committee

The Audit Committee shall serve as the preparatory body for the Board on issues relating to financial accounting and reporting, as well as with the Company's internal controls.

## Directors' Report

The Committee is charged with overseeing both internal and external auditing processes.

The duties of the Audit Committee include:

- Preparing the work of the Board by quality assuring SJ's financial statements, so that the statements provide a true and fair view of SJ's financial and non-financial position, and by providing recommendations and proposals to ensure the reliability of reports
- Managing significant risk areas and changes in estimates and assessments, and ensuring that the risk assessments are reflected in the financial statements
- Managing issues of internal controls
- Meeting external auditors to keep updated on the planning, focus and scope of the audit
- Ensuring that the reports and reported observations from SJ's external and internal auditors are actioned and communicated to the CEO
- Developing dialogue with SJ's auditors for greater clarity in observations regarding the Company's governance, accounting and control
- Keeping updated on the auditing of the annual accounts and the consolidated accounts, and on the conclusions from the Swedish Inspectorate of Auditors' quality control.
- Participating in the procurement of auditors and preparing proposals for election of auditors

At the Statutory Board meeting in 2018, Per Matses was elected Chair of the Audit Committee. Ulrika Dellby, Siv Svensson and Ulrika Nordström were appointed members of the Committee. SJ's CFO serves in a reporting capacity to the Audit Committee. SJ's auditors take part in the meetings of the Committee. Eight minuted meetings were held during the year, one by telephone. During the year, SJ's auditors reported on significant accounting and auditing issues, as well as on items related to internal controls and processes. The Committee's Chair continuously informed the Board about the work of the committee.

### Remuneration Committee

The Remuneration Committee shall serve as the preparatory body for the Board on issues relating to remuneration and other terms of employment for the CEO and other senior executives of the Company.

The duties of the Remuneration Committee include:

- Ensuring implementation of, and compliance with, the AGM-adopted guidelines on terms of employment for senior executives
- Preparing the Board's proposals for policies on remuneration and other terms of employment for the CEO and other senior executives, for decision by the AGM
- Preparing the Board's proposals for updated guidelines, should the need arise. Preparing issues on an ongoing basis regarding remuneration and other terms of employment for the CEO for decision by the Board, and serving in a consultative function regarding the CEO's proposals on remuneration and other terms of employment for other senior executives.

At the Statutory Board meeting in 2018, Siv Svensson was elected Chair of the Audit Committee. Lennart Käll, Ulrika Nordström and Mikael Stöhr were appointed members of the Committee. SJ's CEO serves in a reporting capacity to the Remuneration Committee. During the year, two minuted meetings were held and the Committee's Chair submitted regular reports on the Committee's work to the Board.

### Sustainability and Ethics Committee

The Sustainability and Ethics Committee's role is to examine and proactively contribute to the SJ Group's internal and external work on sustainability. The work of the Sustainability and Ethics Committee shall be guided by the State's ownership policy and the principles that follow from the UN Global Compact initiative and its ten international principles, together with the OECD Guidelines for Multinational Enterprises.

At the Statutory Board meeting in 2018, Kersti Strandqvist was elected Chair of the Sustainability and Ethics Committee. Siv Svensson and Lennart Käll were appointed members of the Committee. SJ's Senior Vice President of Quality and Envi-

## Work of the Board in 2018

### February

- Review by external auditors of the 2017 financial statements
- Report on fourth quarter and full year 2017
- Appropriation of profit for financial year 2017
- The auditors met with the Board of Directors without the presence of Executive Management
- Offer for tendered services
- Employee survey 2017
- Report on activities performed on the basis of the 2016 assessment by Board of Directors and CEO

### March

- Year-end, Annual and Sustainability Report plus 2017 Auditors' Report
- Offer for tendered services
- Rolling stock resource
- Status of investments in new and upgraded rolling stock
- Review of Risk Report
- GDPR

### April

- Report on first quarter
- Annual General Meeting
- Statutory Board meeting

### June

- Offer for tendered services
- Adoption of policy documents
- Review of Risk Report
- Status of investments in new and upgraded rolling stock
- Adoption of strategic plan 2019-2040

### July

- Report on second quarter

### September

- Offer for tendered services
- Traffic Safety

### October

- Report on third quarter
- Adoption of business plan 2019-2023
- Offer for tendered services

### November

- Offer for tendered services

### December

- Adoption of budget for 2019
- Offer for tendered services

ronment/Sustainability serves in a reporting capacity to the Committee and SJ's CEO takes part in its work. Three minuted meetings were held during the year. The Committee's Chair continuously informed the Board about the work of the committee.

**Evaluation of the work of the Board and the CEO**

The Chair is responsible for ensuring that the work of the CEO and the Board is assessed via a systematic and structured process. The assessment of the Board, on both a collective and individual basis, was conducted by an external party. The assessment takes place via interviews and sessions where the Chair, Board members and the CEO are asked and answer questions in a web-based process.

The assessment is summarised and analysed with a special focus on agreed areas for development. The results of the assessment are reported to the Ministry of Enterprise and Innovation. A follow-up meeting is then held with the Chair. The aim of the assessment is to continuously improve efficiency in the work of the Board and to provide a basis for the appointment of new members. The findings were presented to the Board at the Board meeting held in February 2019.

**Auditors**

SJ's owner is responsible for appointment of auditors, and appointments are submitted to the AGM for approval. Under the EU's Audit Regulation, proposals for appointment of auditors and for auditor's fees in State-owned enterprises are to be presented by the Board and produced by the Company subject to the rules on procurement and election of auditors for companies with shares quoted for trading in a regulated market. The notice convening the AGM includes a proposal for the appointment of auditors, as well as information about any conditions that may be relevant in evaluating the experience and independence of the auditors proposed. The auditors proposed are required to attend the AGM.

**Auditors in 2018**

The AGM held on 24 April 2018 appointed accountants Deloitte AB, represented by Authorised Public Accountant Hans Warén as Auditor-in-Charge, as the external auditor for the Company until the 2019 AGM. The auditors presented

their audit of the financial statements for 2018, to the entire Board at a Board meeting held on 13 February 2019. During the 2018 financial year, the Audit Committee and auditors discussed the Company's financial statements, accounting, administration and risk management. In February, the auditors met the Board, without the presence of any members of Executive Management. The auditors also maintained regular contact and had meetings with the Board's Audit Committee. Every year, the auditors perform, within the scope of their audit, a review of internal controls regarding the IT environment and financial reporting.

Fees to auditors and the reimbursement of their expenses are paid on an open account basis and detailed in Note 6 to the Financial Statements.

**Executive Management**

SJ's Executive Management comprises the Company's CEO and ten directors of SJ's divisions, staff units and operating subsidiaries. The members of Executive Management are appointed by the CEO following consultation with the Board.

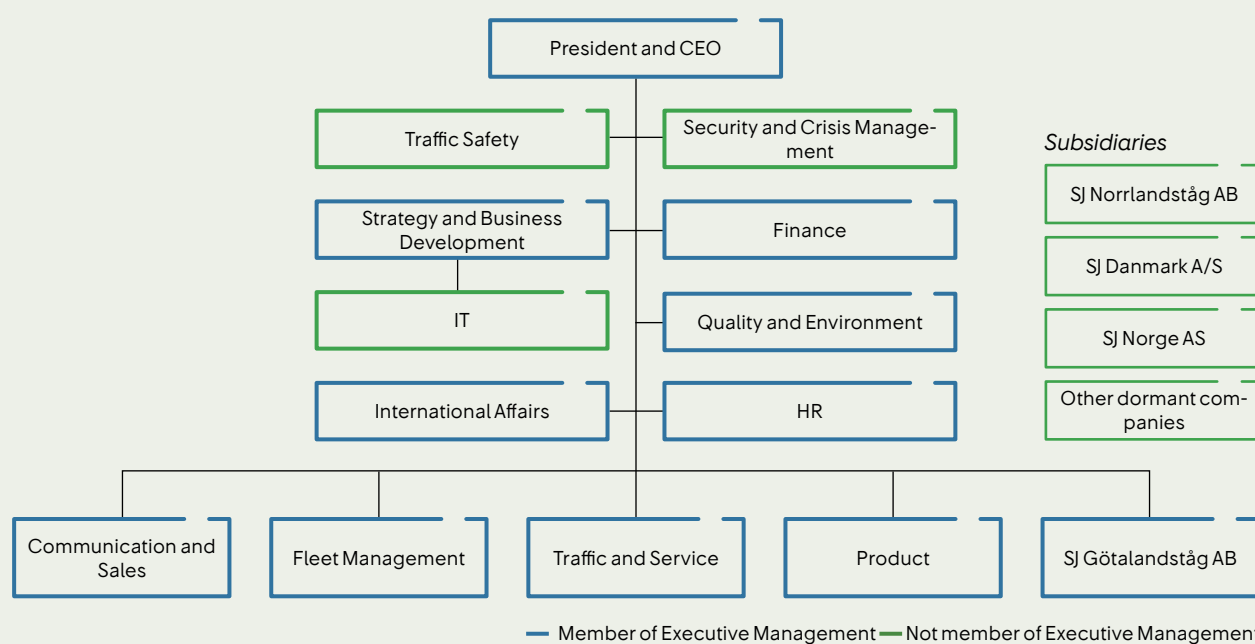
SJ's CEO is responsible for SJ's day-to-day management and, under the Swedish Companies Act and the Board of Directors' guidelines and instructions, is authorised to decide all issues affecting day-to-day management. The CEO oversees operations and makes decisions on behalf of the SJ Group in consultation with Executive Management, which meets on a regular basis. The duties of Executive Management include:

- Developing and executing SJ's strategic plan, in consultation with the Board
- Ensuring that SJ draws up and follows business plans, operational plans and budget, via regular business reviews
- Deciding on and overseeing tactical operational activities within the framework of business plans adopted

All divisions, subsidiaries and staff units are headed by a senior vice president (SVP) together with a management team, who meet on a regular basis. The SVPs are responsible for planning, managing, following up and improving the activities of each division, subsidiary or staff unit, so that:

- The division, subsidiary or staff unit fulfils its role and is operated in accordance with SJ's vision, mission and business plan

**SJ Group – organisation**



## Directors' Report

- Operations are conducted in accordance with applicable legislation and the instructions of government agencies, and otherwise adhere to SJ's governing documents
- Operational plans, including budgets, are established on the basis of the SJ Group's overarching business plan, with clearly defined activities for the division, subsidiary and staff unit, and the operational plan is communicated internally, implemented and followed up.

### Changes in the organisation

On 16 August, Henrik Rättzén took up the position of CFO.

On 1 October, the Communication staff unit and the Marketing and Sales Division merged to form the Communication and Sales Division. On that occasion, Malou Sjörin resigned from her position as Senior Vice President Communication.

On 15 February, Thomas Silbersky took up his new role as Senior Vice President International Affairs. Until 31 January 2019, Thomas Silbersky, Senior Vice President International Affairs and formerly Senior Vice President Sales, headed the new division. From 1 February to 31 March 2019, the division is headed by Monica Berglund as Acting Senior Vice President Communication and Sales.

On 1 April 2019, Mats Almgren will take over as new Senior Vice President Communication and Sales and member of SJ's Executive Management.

### Decision-making forums and councils

Executive Management decides which decision-making forums are to operate within the SJ Group. Executive Management also decides on each forum's objectives, standing agenda and participants. The CEO delegates his/her decision-making mandate to each forum, which is authorised to take unanimous decisions within the framework of the current business plan and budget. If consensus cannot be reached within a forum, the matter is referred to Executive Management for decision.

SJ currently has four forums alongside Executive Management: The Strategy Forum, Marketing Forum, Production Forum and Risk and Safety Forum. Each decision-making forum has three principle tasks:

- To widen the scope of and expedite decision-making in the SJ Group
- To regularly coordinate, prioritise and decide on issues concerning more than one division, staff unit or subsidiary
- To ensure that work progresses within the organisation and to assure a high tempo in implementation

Complementing the decision-making forums, Executive Management can take decisions to establish councils. The purpose of a council is to ensure cross-functional treatment of current and/or prioritised issues in, for example, purchasing, IT, training or branding. A council has no additional mandates outside the regular mandates of its participants.

### Guidelines for terms of employment for senior executives

Decisions on terms of employment for the CEO are prepared by the Remuneration Committee and submitted to the Board for decision. Decisions on terms of employment for other senior executives are taken by the CEO after due consultation with the Remuneration Committee. SJ complies with the government's guidelines on terms of employment for senior executives in State-owned companies, issued on 22 December 2016.

The total remuneration paid shall be reasonable and well-balanced. It shall be competitive, capped and appropriate. Remuneration shall not be market-leading relative to similar companies, but shall be characterised by moderation. "Appropriate" shall be understood to mean that the remuneration corresponds to the requirements set, in terms of qualifications and experience. Remuneration shall be competitive

such that it makes SJ better able to recruit skilled employees with qualifications that fit with SJ's requirements for return on capital and professionalism.

Variable salary and variable salary components shall not be paid to the senior executives. Senior executives may be offered a company car and personal illness insurance. Furthermore, senior executives will be covered by benefits that originate in collective pay agreements, or that are unilaterally decided by SJ and are also enjoyed by other employees.

Pension benefits shall be of the defined-contribution type and the contribution shall not exceed 30% of the fixed salary, unless complying with an appropriate collective agreement pension plan. On that basis, where SJ agrees a defined-benefit pension plan, it shall be aligned with the appropriate collective agreement pension plan. Any increases in the collective agreement pension plan for salary components above the income levels covered by the plan shall be of the defined-contribution type and borne during the employee's period of active service. No pension premiums relating to additional pension costs shall be paid by SJ after the employee has retired. The pensionable age shall not be less than 65 years.

On termination of employment by SJ, the notice period may not exceed six months and any severance compensation may not be paid for longer than the equivalent of twelve months. Severance compensation shall be paid monthly and shall comprise the fixed monthly salary alone, without allowances or benefits. Any other income from employment, paid assignments or business activity shall be deducted from the severance compensation. On termination of employment by the employee, severance compensation is not paid. Severance compensation shall be paid until no later than the agreed pensionable age, and never longer than to the age of 65 years.

Remuneration to senior executives is described in more detail in Note 4.

### Sustainable control of operations

SJ's business model and control system is based on a value-creation, holistic approach in which social, environmental and financial sustainability are attributed equal weight. The organisation is controlled and followed up day-to-day via a balanced scorecard with six control areas: Employee, Partnership & Resources, Society, Customer, Process and Finance.

The scorecard is based on the expectations of SJ's stakeholders and SJ's own ambitions to control operations in a sustainable way. One condition for living up to the requirements and expectations placed on SJ is an understanding of which issues are material to stakeholders. Dialogue with our stakeholders is a source of valuable knowledge, which helps SJ in continuously being able to develop its offering and business. Read more about SJ's stakeholder dialogue and materiality analysis on pages 8-9.

Of the UN's 17 global sustainability goals, SJ has identified three where the Group is most able over the next five years to contribute and be part of the solution:

- Goal 7: Affordable and clean energy for all
- Goal 10: Reduced inequalities
- Goal 11: Sustainable cities and communities

Read more about how SJ is contributing to these goals on page 22.

### Sustainable strategic, business and operational plans

SJ's strategic plan, which is subject to approval by the Board, sets out the long-term and overarching targets for the business. Executive Management and Board together conduct an annual review of progress relative to SJ's strategic targets. Strategies and strategic targets are also reviewed every three years.

SJ's strategic plan is complemented by a five-year business plan under which strategic decisions are implemented.

SJ's six control areas, with associated key metrics and targets, form a central element of the business plan. The plan is produced by Executive Management and submitted to the Board for formal approval. A five-year plan for services and rolling stock is integrated into the business plan and describes how SJ aims to develop its offering on each rail line. The services and rolling stock plan forms the basis for evaluating ticket income and calculating the variable production expenses per year and per line.

Every year, each division, subsidiary and staff unit produces an operational plan, including budget, for the year ahead, through which business objectives are translated into concrete activities.

#### *Continuous follow-up via key metrics*

Every key metric on SJ's scorecard has annually set goals with clear ownership in Executive Management and clear responsibility for reporting within the organisation. Every key metric at overall business plan level (level one) is broken down into relevant key metrics in subordinate operational plans (levels two and three). Every level one key metric has a manual detailing definitions, methods and quality assurance. These manuals are updated at least annually and play an important role in establishing reliable decision support information.

Key metrics are followed up on a monthly, quarterly and annual basis, which makes the scorecard a valuable tool for continuous improvements in a number of business-critical areas. Continuous monitoring also allows for deviations to be detected at an early stage, so that appropriate actions can be taken quickly.

The outcomes for most level one key metrics are reported for external consumption every quarter. The Board of Directors is informed every month as to the outcomes for all level one key metrics and for a selection at levels two and three. Read more about goals and outcomes for the scorecard's level one on page 23.

Based on the areas identified in the materiality analysis, SJ also monitors the annual outcome for a number of disclosures in accordance with GRI Standards. Most of these disclosures are also included on level one or two on the scorecard. The disclosures monitored annually are those where SJ has little influence but where watching developments is nevertheless worthwhile. One example is energy consumption, which to a very high degree is determined by the number of kilometres covered, train speed and outdoor temperature (energy is needed to heat or cool trains). Read more on the disclosures that are monitored in SJ's GRI Index on pages 94-97.

#### *Management system*

The management system is management's means of controlling, following up and developing SJ's work on quality, environmental and work environment issues, as well as for its systematic focus on constant improvements. The management system is based on the requirements and expectations of SJ's stakeholders. To lay down clearly how SJ is to meet these requirements, it has produced vision, mission, core values, strategies, policies and other control documents.

SJ has an integrated and certified management system for quality management (ISO 9001) and environment (ISO 14001).

The system is externally audited, and SJ uses the EFQM (European Foundation of Quality Management) model to evaluate and monitor the system's efficiency. The model is a tool to measure SJ's position relative to its vision and adopted targets in a structured and systematic manner.

#### *Policies and Codes of Conduct*

SJ's policies and Codes of Conduct are based on its vision, mission and strategies. The policies are adopted by the Board annually. Every policy has an owner who is responsible for implementation and annual follow-up.

The SJ Group's Internal Code of Conduct provides guidance to employees, Board members and independent contractors on how they are expected to act and interact with each other, customers, passengers and other stakeholders, on the basis of SJ's core values: Reliable, Simple, Caring and Joyful. The Code is based on the internationally agreed regulations, above all the ten principles of the UN's Global Compact. It also incorporates several of SJ's policies and guidelines, including Quality and Environmental Policies. Read more on page 24.

All SJ suppliers are required to comply with the SJ Group's Supplier Code of Conduct, read more on page 28. A selection of SJ's policies is listed on page 45.

#### *Focus on quality*

Quality is about satisfying and if possible exceeding customers' requirements and expectations. At SJ, this means operating safe, reliable and comfortable passenger train services, based on customer needs and in accordance with legal requirements.

SJ's internal Code of Conduct incorporates a quality policy. It describes how the right quality is assured by applying four basic principles:

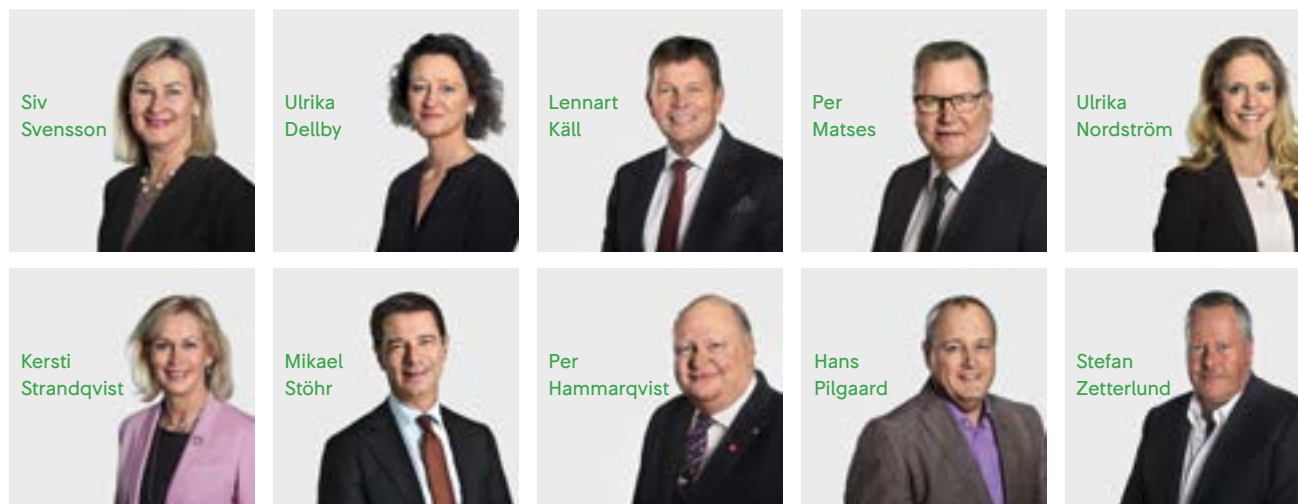
- Take responsibility for delivering the right quality at every stage
- Apply the best known working practices every time
- Identify and react to deviations
- Develop and constantly improve the organisation and employees by working towards clear goals

A major aspect of SJ's constant focus on improvement is to collate quality deviations and suggestions for improvement, to identify the root cause and to engage appropriate actions for a long-term solution to the problem. On-board personnel can report observations, near-accidents, incidents and suggestions for improvement via a mobile app, while other employees can report online. A clearly defined organisation exists for recording, analysing and managing deviations.

#### *Whistle-blower function*

Since 2014, SJ has had a whistle-blower function in place for employees to report serious irregularities, including deviations from the internal Code of Conduct. The system guarantees the whistle-blower's anonymity, and reports are handled by a group consisting of the Heads of Legal Affairs, Security and Crisis Management, HR and Sustainability. In 2018, the Group dealt with two cases.

Board of Directors



**Siv Svensson**

Chair of Board of Directors of SJ AB since 2018, Board member since 2012  
 Chair of Remuneration Committee, member of Audit Committee and Sustainability and Ethics Committee  
*Born:* 1957  
*Education:* Degree in International Economics  
*Positions and Board assignments:* Board member, Swedbank and Allba AB.  
*Previous positions and Board assignments:* President of Sefina Finance AB, Executive Vice President and regional bank manager at Nordea. Board member, Karolinska University Hospital, Inlandsinnovation AB and Forum Syd.

**Ulrika Dellby**

Board member, SJ AB, since 2014  
 Member of the Audit Committee  
*Born:* 1966  
*Education:* M.Sc. in Economics  
*Positions and Board assignments:* Board member, Lifco AB, Kavli Holding AS, Cybercom Holding AB; Chair of the Hello World! Not-for-profit association. Partner Fagerberg & Dellby Fond I AB.  
*Previous positions and Board assignments:* Deputy Chair, Fastighetsaktiebolaget Norrporten; partner, The Boston Consulting Group. Board member, Big Bag AB, Yrkesakademien AB, Via Travel Group AS, OSM Group AB. President, Brand Union AB.

**Lennart Käll**

Board member, SJ AB, since 2018  
 Member of Remuneration Committee and Sustainability and Ethics Committee  
*Born:* 1958  
*Education:* M.Sc. in Economics, Diploma in Programming  
*Positions and Board assignments:* Chair, Sveriges Radio. Deputy Chair, Länsförsäkringar Stockholm. Board member, Grönklittsgruppen AB and Swedish Ski Association, co-opted Board member, Grant Thornton.  
*Previous positions and Board assignments:* President and CEO, Svenska Spel, President of Wasa Kredit, President and CEO of Ticket Travel Group, President of Ica-banken, President of SEB Finans. Board member, LF Bank, Euromaint, UC, Möller bilfinans (Norway) and Unibanka (Latvia).

**Per Matses**

Board member, SJ AB, since 2018  
 Chair of Audit Committee  
*Born:* 1958  
*Education:* M.Sc. in Economics  
*Positions and Board assignments:* Senior Vice President and CFO of Sveaskog. Board member, Setra Group AB and Praktiker-tjänst AB.  
*Previous positions and Board assignments:* CFO, Senior Vice President Administration at Apoteket AB, CFO at Postgirot Bank AB, CFO at Posten AB.

**Ulrika Nordström**

Board member, SJ AB, since 2018  
 Member of Audit Committee and Remuneration Committee  
*Born:* 1982  
*Education:* M.Sc. in Economics  
*Positions and Board assignments:* Deputy Director at the Ministry of Enterprise and Innovation. Board member, Saminvest AB.  
*Previous positions and Board assignments:* Consult at Boston Consulting Group, Investment Manager in the Swedish Government Offices.

**Kersti Strandqvist**

Board member, SJ AB, since 2016  
 Chair of Sustainability and Ethics Committee.  
*Born:* 1963  
*Education:* M.Sc. in Engineering (licentiate degree), Master of Marketing HEC  
*Positions and Board assignments:* Head of Digital Transformation, Essity.  
*Previous positions and Board assignments:* Board member, TeliaSonera AB and Swedish Match AB, SCA - Head of Business Area Feminine Care, SCA - Head of Business Area Baby Care, Senior Vice President Sustainability at Svenska Cellulosa AB and Senior Vice President Sustainability at Essity.

**Mikael Stöhr**

Board member, SJ AB, since 2014  
 Member of Remuneration Committee  
*Born:* 1970  
*Education:* B.Sc. in Law and Economics.  
*Positions and Board assignments:* President and CEO, Coor Service Management AB, and Board member, Ambea AB.  
*Previous positions and Board assignments:* President and CEO of Green Cargo AB, President and CEO of AxIndustries AB.

**Per Hammarqvist**

Employee representative at SJ AB since 2011  
*Born:* 1958  
*Positions and Board assignments:* Traffic Planner, Chair of SACO (Confederation of Professional Associations) branch at SJ and of T&J (SACO Association for Traffic & Railways) branch at SJ, Board member of T&J branch in SRAT (Association of Professional Employees).

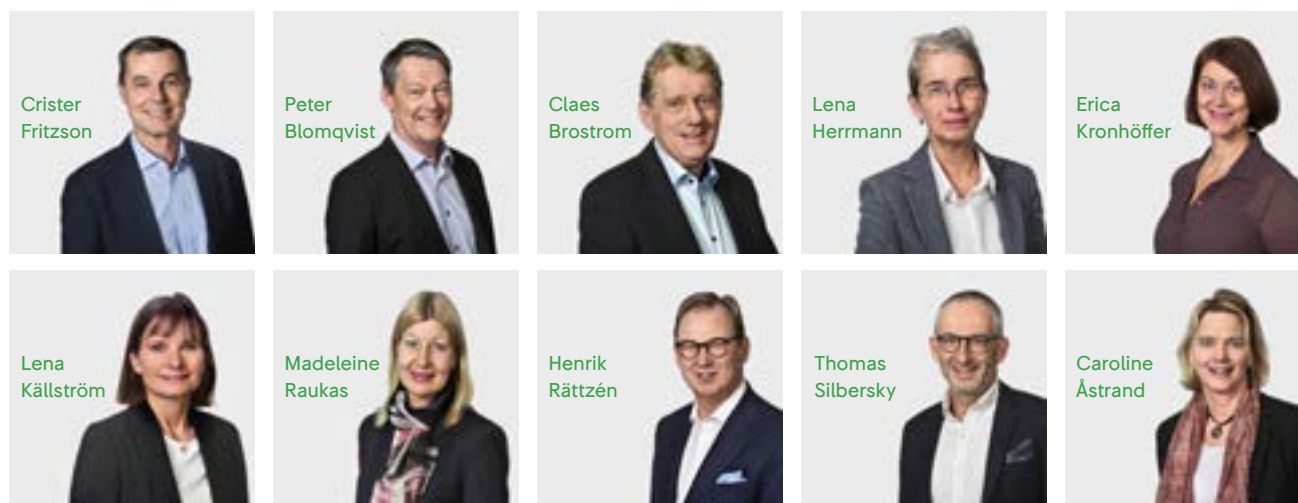
**Hans Pilgaard**

Employee representative at SJ AB since 2012  
*Born:* 1963  
*Positions and Board assignments:* Train driver, Chair of ST Spårtrafik (Rail Transport) at SJ AB and member of the Departmental Board of ST Spårtrafik.

**Stefan Zetterlund**

Employee representative at SJ AB since 2016  
*Born:* 1963  
*Positions and Board assignments:* Train conductor, Chair and Head of Contracts for the Negotiation Council of Seko at SJ, Chair of the Seko Branch at Hallsberg and Chair of Seko Auditors' Union.

## Executive Management

**Crister Fritzson**

President/CEO since 2012

*Born:* 1961

*Education:* Degree in Marketing

*Board assignments:* Board member of Systembolaget AB, Net Insight AB, the Confederation of Swedish Enterprise and Almega Service Associations. Chair of CER, Community of European Railway and Infrastructure Companies, the Association of Swedish Train Operating Companies and Samtrafiken i Sverige AB

*Previous positions:* President and CEO of Teracom, President of Boxer

**Peter Blomqvist**

Senior Vice President Human Resources since 2009

*Born:* 1954

*Education:* B.Sc. in Sociology

*Board assignments:* Board member of sector board of Spårtrafik (Rail Traffic) section of the Almega employers' organisation, Chair of SJS Holiday Home Association

*Previous positions:* HR Manager at Passenger Services Division and HR manager for the Sales business area at Statens Järnvägar

**Claes Broström**

Senior Vice President Fleet Management since 2006

*Born:* 1954

*Education:* Mechanical Engineer and Market Economist

*Previous positions:* Senior Vice President SAS AB, Vice President Ericsson AB

**Lena Herrmann**

Senior Vice President Strategy and Business Development since 2015

*Born:* 1962

*Education:* M.Sc. in Engineering

*Board assignments:* Board member, Eskilstuna-Kuriren Aktiebolag, Skandia Mutual Life Insurance Company

*Previous positions:* President of Dagens Nyheter, Vice President of Bonnier Newspapers.

Peter Blomqvist

Claes Broström

Lena Herrmann

Erica Kronhoffer

Lena Källström

Madeleine Raukas

Henrik Rättzén

Thomas Silbersky

Caroline Åstrand

**Erica Kronhoffer**

Senior Vice President Quality, Environment/Sustainability since 2013

*Born:* 1971

*Education:* Master of Laws

*Board assignments:* Board member CSR Sweden.

*Previous positions:* Senior Vice President Sustainability at PostNord AB, Director Sustainable Affairs at Green Cargo AB.

**Lena Källström**

President of SJ Götalandståg AB since 2012.

Member of SJ AB's Executive Management since 2017.

*Born:* 1965

*Education:* M.Sc. in Economics

*Previous positions:* Head of Regional Services at SJ AB, District Manager at Sodexo.

**Madeleine Raukas**

Senior Vice President Traffic and Service since 2012, President of SJ Norrlandståg AB since 2017

*Born:* 1967

*Education:* B.A.

*Board assignments:* Board member, the Association of Swedish Train Operating Companies and Sveriges kommunikationer AB.

*Previous positions:* Vice President and Acting CEO of SL, President of SAS Ground Services in Sweden

**Henrik Rättzén**

CFO since August 2018.

*Born:* 1965

*Education:* M.Sc. in Economics

*Board assignments:* Member, Folke Bernadottes Minnesfond foundation.

*Previous positions:* CFO, Carnegie Investment Bank, CFO PostNord, CFO Codan/Trygg-Hansa, Partner KPMG.

**Thomas Silbersky**

Senior Vice President Communications & Sales since 2013 and International Affairs since 2018.

*Born:* 1965

*Education:* Master of Business Administration

*Previous positions:* Senior Vice President Marketing and Sales at SJ, Commercial Director of Rynkeby Foods AB (Arla), General Manager of Tivall Scandinavia (Nestlé), Marketing Director at Carlsberg

**Caroline Åstrand**

Senior Vice President Product since 2014

*Born:* 1970

*Education:* M.Sc. in Economics

*Board assignments:* Chair of the Board of Vänertåg AB

*Previous positions:* Head of Strategic Product and Service Development/Manager of the SJ Regional and SJ InterCity divisions at SJ AB, Principal of The Boston Consulting Group

On 16 August, Henrik Rättzén took up the position of CFO. Until 16 August, Ulf Bertilsson served as Acting CFO.

On 1 October, the Communication staff unit and the Marketing and Sales Division merged to form the Communication and Sales Division. On that occasion, Malou Sjörin resigned from her position as Senior Vice President Communication.

On 15 February, Thomas Silbersky took up his new role as Senior Vice President International Affairs and formerly Senior Vice President Sales, headed the new division. From 1 February to 31 March 2019, the division is headed by Monica Berglund as Acting Senior Vice President Communication and Sales.

On 1 April 2019, Mats Almgren will take over as new Senior Vice President Communication and Sales and member of SJ's Executive Management.

### Board's Statement on Internal Controls

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board is responsible for the Company's internal controls. SJ's external financial and non-financing reporting consists of quarterly reports, the year-end report and most of the annual and sustainability report. The work of the Audit Committee is one aspect of control by the Board. In 2018, any observations made by external and/or internal auditors were presented at all Audit Committee meetings.

#### Risks

SJ works systematically on assessments of risk. Structured risk assessment makes it possible to identify material risks of significance in terms of internal controls. The Risk Council and the Risk and Safety Forum are responsible for an established process to identify financial and non-financial risk areas with reference to the scorecard. The aim is, for every risk, to be able to take action to limit undesired effects or to maximise opportunities identified. The process of identifying risks involves all divisions, subsidiaries and staff units, enabling support to be embedded and awareness heightened throughout the organisation, and risk to be identified effectively. Every risk identified has a designated owner.

SJ's Executive Management is informed on a four-monthly basis as to risk assessments performed, in order to determine whether there is a need for further action, or whether new risk areas are to be assessed. The Board is informed about risks identified and measures implemented. Read more on page 42.

#### 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 feed through into actions and improvement programmes. SJ's Internal Audit function conducts an annual independent risk analysis that provides the basis for the function's annual audit plan, which is submitted to the Board for approval. During planning for the annual audit, the external and internal audit functions discuss SJ's risk profile with the Responsible of Risk and Internal Controls.

During 2018, an external supplier was procured to conduct internal auditing at SJ. The aim was to gain access to specialist knowledge within specific areas. An audit programme was approved in late 2018.

#### Control environment

The internal controls framework consists of the control environment including organisation, processes, instructions, authorisations and responsibilities documented and communicated in governing documents, together with the core values upon which the Board and Executive Management communicate and operate. Responsibilities and authorisations are defined in policies, processes, instructions and procedures. Examples include:

- Written rules of procedure for Board, Audit Committee, Remuneration Committee and Sustainability and Ethics Committees
- Board's instructions to the CEO
- Policies adopted, SJ's Internal Code of Conduct and Governance in the SJ Group
- SJ's organisational chart and processes
- Instructions, such as authorisation rules, aimed at ensuring effective control of financial transactions to prevent intentional or unintentional errors
- Manuals describing definition, method and quality assurance for financial and non-financial key metrics

Read more about sustainable control of the organisation on pages 50–51.

#### Control activities

SJ's control activities are designed for systematic management of significant risks related to financial and non-financial reporting, including key accounting issues identified during the risk assessment. The objective of the control activities is to prevent, or enable early detection of, errors in reporting, and thereby to minimise any adverse impact. The Finance staff unit is responsible for analysing the financial results and preparing the financial statements.

To ensure that SJ has control activities in place for high-risk areas, SJ has established process charts for every process identified in the SJ Group. Examples of control activities:

- Strategic business review meetings organised by the Controller function, at which members of Executive Management and CEOs of service-operating subsidiaries report on their activities and planning to SJ's CEO and CFO.
- Follow-up on financial and non-financial key metrics on SJ's scorecard monthly, quarterly and annually.
- Monthly review meetings, together with account reconciliation for all balance sheet accounts to ensure accurate financial result, cash flow and assets total.

#### Information and communication

Effective information and communication channels enable reporting and feedback from the organisation to the Board and Executive Management. The right people must have the information needed to understand the implications of internal policies and guidelines, and the consequences of deviations. SJ focuses constantly on improving its internal communications and explaining the decision-making processes clearly, to increase the reliability and effectiveness of the Company's financial and non-financial reporting.

SJ's decision-making processes, authorisations and areas of responsibility are documented and available on the SJ intranet. Meetings that enable dialogues between managers and employees are held regularly, with great emphasis being placed on regular workplace meetings where SJ's overarching issues are naturally linked to the responsibilities of each individual employee.

Four dialogue meetings, representing a forum for employees from all parts of SJ, were held during the year. In addition, an employee survey is conducted annually. Survey responses are followed up both by Executive Management and analysed within specific groups.

#### Monitoring

Monitoring is conducted on an ongoing basis to ensure that risks have been taken into account. SJ has formalised processes aimed at ensuring that the Company is moving in the right direction in line with the targets and guidelines set by the Board and Executive Management. The Board determines the reporting requirements necessary to obtain appropriate information on the financial and non-financial results, on the Group's operational risks, and on how these risks and outcomes are affected by changes in external factors, such as competition and legislation.

SJ's internal and external reporting includes the outcomes and analysis of financial and non-financial key metrics on the scorecard, and aims to regularly report on the Company's performance, such as in relation to its corporate sustainability targets. Relevant and accurate monitoring and reporting of operations in relation to the business plan adopted, budget and forecast are provided monthly to Board, CEO and Executive Management.

Reporting complies with applicable laws and regulations, as well as the requirements of SJ's owner.

Compliance with internal policies, guidelines and manuals, as well as the appropriateness and functionality of established control activities, such as supplier assessments, is monitored continuously. Other examples include quarterly follow-up of the financial policy, the whistle-blowing system through which employees can report serious irregularities, and continuous assessments of safety-related work.

Internal Audit follows the audit plan adopted by the Board and reports the findings of its audit to SJ's Audit Committee.



## Group

# Income statement and statement of comprehensive income

SEK million	Note	2018	2017
Net sales	1	7,874	7,780
Other operating income	2	49	27
<b>Total operating income</b>		<b>7,923</b>	<b>7,806</b>
Personnel expenses	4	-2,546	-2,423
Depreciation/amortisation and impairment	3	-754	-791
Other expenses	5, 6	-4,175	-3,964
<b>Total expenses</b>		<b>-7,475</b>	<b>-7,178</b>
Profit from participations in associated companies	13	21	38
<b>Operating profit</b>		<b>468</b>	<b>666</b>
Interest income and similar items	8	4	17
Interest expense and similar items	8	-15	-20
<b>Profit before tax</b>		<b>457</b>	<b>664</b>
Income tax expense	9	-68	-140
<b>Profit for the year</b>		<b>389</b>	<b>523</b>
<i>Attributable to:</i>			
Parent Company shareholder <sup>1</sup>		389	523
<b>Earnings per share</b>			
Earnings per share (basic and diluted), SEK		97	131
Number of shares at year-end, thousands		4,000	4,000
Average number of shares during the year, thousands		4,000	4,000
<b>Other comprehensive income</b>			
<i>Items to be reclassified to profit or loss</i>			
Cash-flow hedges	8	4	8
Currency forwards	8	4	11
Deferred tax	9	-2	-4
<b>Other comprehensive income for the year</b>	18	<b>6</b>	<b>15</b>
<b>Total comprehensive income for the year</b>		<b>394</b>	<b>538</b>
<i>Attributable to:</i>			
Parent Company shareholder <sup>1</sup>		394	538

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

### Earnings per share

Earnings per share are calculated as the average number of shares in the Parent Company during the period, relative to consolidated profit after deduction of the owner's holdings of non-controlling participations.

## Comments on the Income statement and Statement of comprehensive income

### Income

SJ's net sales totalled SEK 7,874 million (7,780), an increase of SEK 94 million from the preceding year and representing growth of around 1 percent. The increase was driven by a strong last quarter for independent commercial services and higher income from tendered services. However, the growth was offset by considerable service-related disruptions in both winter and summer months, resulting in cancelled departures (including both late-cancelled departures and scheduled service reductions) and extensive maintenance works on the rail network. All-in-all, despite major disruptions, growth in SJ travel<sup>1</sup> (measured as passenger kilometres) was 2 percent higher than a year earlier. Although more departures were offered to SJ customers, service reductions meant that the service offering was 1 percent lower than in the preceding year. The yield (ticket price per passenger kilometre) was on a par with that of the preceding year.

The proportion of passengers opting to buy flexible ticket arrangements rose by nearly 1 percent as a result of new functionality added to the SJ mobile app.

Higher other income for the SJ Group consisted mostly of an insurance claim payment of SEK 43 million in connection with damage to rolling stock incurred earlier, which was also reflected on the cost side.

### Expenses

In all, SJ's expenses were SEK 297 million, or nearly 4 percent, higher than in the preceding year. The higher outcome for costs was due in part to a rise in production-related costs, overwhelmingly caused by service disruptions during the winter and summer, and in part to maintenance works on the rail network by STA mainly during the summer months. These factors brought higher production costs primarily for maintenance, unscheduled replaced services and personnel costs. Personnel costs also increased as a result of the annual pay review and having more full-time equivalents.

Other costs rose also as a result of damage to rolling stock, amounting to SEK 41 million, attributable to an earlier period and cost-neutral and reflected on the income side, and partly as a result of internal investments in digitisation projects, the entry into force of the EU's new General Data Protection Regulation (GDPR) and establishment of operations elsewhere in Scandinavia.

### Operating profit

Disruptions during the year and extensive maintenance works in the rail network carried out by STA resulted in higher costs and lower income than anticipated for SJ. Internal investments also drove up costs. However, this was offset by a very strong last quarter with increased travel and higher income from tendered services. In addition, share of profit from associated companies was SEK 17 million lower, in that income for the year before included earnings of SEK 20 million from now-discontinued operations. Operating profit totalled SEK 468 million (666), with an operating margin of 5.9 percent (8.5).

Without the extensive maintenance works and disruptions, over and above normal levels, during the year, SJ is of the view that the operating profit for the year would have been on a level with that of the preceding year.

### Consolidated profit and tax

Consolidated profit before tax amounted to SEK 457 million (664). Tax for the period was SEK -68 million (-140). The effective rate was -14 percent (-21). The difference between the actual tax rate, 22 percent, and the effective tax rate for the period is for the most part attributable to a change in tax rate following a government decision to lower corporation tax effective 1 January 2019. The impact on deferred tax is to be recognised in 2018 and SJ has decided to recognise the whole of the positive effect of SEK 31 million in the second quarter. Net profit for the year was SEK 389 million (523).

<sup>1</sup> Volume of travel includes travel with SJ tickets on SJ's independent commercial services and tendered services, excluding season ticket travel on tendered services. However, all travel on season tickets within the scope of the Møvingo agreement is included.

## Group

## Statement of changes in financial position

SEK million	Note	31/12/18	31/12/17
<b>ASSETS</b>			
<b>Non-current assets</b>			
Buildings	10	18	21
Rolling stock	10	3,862	4,218
Machinery and equipment	10	59	82
Construction in progress	10	1,247	1,020
Intangible assets	11	218	254
Financial assets	13	69	60
Non-current receivable		72	-
<b>Total non-current assets</b>		<b>5,544</b>	<b>5,655</b>
<b>Current assets</b>			
Inventories		9	5
Accounts receivable	14	263	230
Other receivables	15	288	365
Prepaid expenses and accrued income	16	222	139
Short-term investments	17	1,518	1,614
Cash and cash equivalents	17	191	70
<b>Total current assets</b>		<b>2,491</b>	<b>2,423</b>
<b>TOTAL ASSETS</b>		<b>8,035</b>	<b>8,078</b>

SEK million	Note	31/12/18	31/12/17
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		400	400
Other contributed capital		2,819	2,819
Reserves		12	6
Retained earnings		1,509	1,389
<b>Total equity attributable to shareholder in Parent Company<sup>1)</sup></b>		<b>4,740</b>	<b>4,615</b>
<b>Total equity</b>	18	<b>4,740</b>	<b>4,615</b>
<b>Non-current liabilities</b>			
Provisions	22	191	201
Interest-bearing liabilities	17, 23	864	962
Deferred tax liabilities	9	465	480
<b>Current liabilities</b>			
Provisions	22	174	195
Interest-bearing liabilities	23	98	98
Accounts payable		459	448
Accrued expenses and deferred income	24	867	842
Liabilities to associates		34	37
Tax liabilities		2	69
Other current liabilities		140	131
<b>Total liabilities</b>		<b>3,295</b>	<b>3,464</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,035</b>	<b>8,078</b>

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

## Comments on the Statement of financial position

## Assets

*Property, plant and equipment*

On 31 December, the Group's property, plant and equipment amounted to SEK 5,185 million (5,341), mainly consisting of rolling stock. SJ's train fleet comprises SJ 3000 trains, X 2000 trains, double-decker trains, locomotives and carriages. Investments for the year in property, plant and equipment totalled SEK 508 million (529). The investments consisted for the most part of X 2000s and double-decker trains.

*Intangible assets*

The Group's intangible assets totalled SEK 218 million (254), comprising capitalised development expenditure relating primarily to development costs for business-related IT systems. The largest IT systems are a new maintenance system and a new timetable/planning system. Investments in intangible assets, totalling SEK 58 million (67), during the year were expended on the development of a new planning system.

*Financial assets*

Financial assets amounted to SEK 69 million (60) and consisted of investments in associates and other financial assets. The non-current receivable refers to investment of SEK 70 million (0) in a property fund. The investment concerns management of cash and cash equivalents intended to cover future payments of annuities.

*Current assets*

Current receivables totalled SEK 773 million (734). Short-term investments totalled SEK 1,518 million (1,614) and show a decrease of SEK 96 million.

## Equity

The Group's equity totalled SEK 4,740 million (4,615). The increase takes into account comprehensive income for the period totalling SEK 394 million and a shareholder dividend of SEK -269 million.

## Liabilities

*Interest-bearing liabilities*

The Group's interest-bearing liabilities amounted to SEK 962 million (1,060), mainly comprising outstanding payment commitments for loans raised in 2012 to finance SJ 3000s, and loans raised in September 2015 to modernise X 2000s. The loans have a term to maturity of 4 to 7 years.

Of the interest-bearing liabilities, SEK 864 million (962) were non-current and SEK 98 million (98) current, that is, loans maturing within one year. SJ amortised SEK 98 million (343), as planned, of its interest-bearing liabilities in 2018. The change compared with the preceding year was that SJ in the preceding year made an early repayment of a loan of SEK 243 million.

The average term to maturity for outstanding liabilities was 46 months (50). The average fixed-interest term was 6 months (10).

## Group

Statement of changes in equity<sup>1</sup>

SEK million	Note 18	Share capital	contributed capital	Other capital	Hedging reserve	Retained earnings	Total equity <sup>1</sup>
<b>01/01/2017</b>		400		2,819	-9	1,126	4,337
Profit for the year						523	523
Other comprehensive income					15		15
<b>Total comprehensive income for the year</b>					<b>15</b>	<b>523</b>	<b>538</b>
Dividend to shareholder						-260	-260
<b>31/12/2017</b>		<b>400</b>		<b>2,819</b>	<b>6</b>	<b>1,389</b>	<b>4,615</b>
<b>Change during year</b>							
Profit for the year						389	389
Other comprehensive income					6		6
<b>Total comprehensive income for the year</b>					<b>6</b>	<b>389</b>	<b>394</b>
Dividend to shareholder						-269	-269
<b>31/12/2018</b>		<b>400</b>		<b>2,819</b>	<b>12</b>	<b>1,509</b>	<b>4,740</b>

<sup>1</sup>Total equity is attributable to the owner of the Parent Company. There are no non-controlling interests in the SJ Group.

## Comments on the Statement of changes in equity

The Group's equity totalled SEK 4,740 million (4,615). The increase takes into account net profit for the year totalling SEK 394 million and a shareholder dividend of SEK -269 million.

Hedging reserve includes a change in realised cash-flow hedges less deferred tax.

## Financial targets

The owner's financial targets and directives for SJ's operating activities are based on return on operating capital, net debt/equity ratio and dividend. These measures are not defined in accordance with IFRS. For more information on SJ's alternative key metrics, see definitions on page 99.

	2018	Target	2017
Return on operating capital, %	11.4	7	16.4
Net debt/equity ratio, multiple	-0.14	0.5-1.0	-0.10
Dividend paid, SEK million	269	30-50%	260
The Board's proposed dividend as per appropriation of profit, %	50	30-50	50

## Reconciliation of operating capital and return on operating capital

SEK million	31/12/18	31/12/17
Average equity, R12	4,612	4,456
Average non-current financial liabilities (interest-bearing), R12	908	1,019
Average current financial liabilities (interest-bearing), R12	106	101
Average non-current provisions (interest-bearing), R12	150	153
Average current provisions (interest-bearing), R12	7	7
Average non-current financial assets (interest-bearing), R12	-60	-
Average current financial assets (interest-bearing), R12	-1,448	-1,502
Average cash (interest-bearing), R12	-161	-161
<b>Average operating capital, R12</b>	<b>4,114</b>	<b>4,073</b>
Operating profit	468	666
<b>Return on operating capital, %</b>	<b>11.4</b>	<b>16.4</b>

Return on operating capital is one of SJ's alternative financial key metrics. It is defined as average operating profit in relation to the net of

average equity and the average net of property fund investment classified under financial assets, together with average interest-bearing provisions (provisions for accident annuities), and average interest-bearing liabilities less average interest-bearing assets (long- and short-term investments and cash/cash equivalents).

In 2018, the return on operating capital was 11.4 percent (16.4), again exceeding the target for the year. The decline from the previous year is attributable to a lower profit this year.

## Reconciliation of net debt and net debt/equity ratio

SEK million	31/12/18	31/12/17
Non-current financial liabilities (interest-bearing)	864	962
Current financial liabilities (interest-bearing)	97	97
Non-current provisions (interest-bearing)	152	152
Current provisions (interest-bearing)	7	7
Non-current financial assets (interest-bearing)	-71	-
Current financial assets (interest-bearing)	-1,518	-1,614
Cash and cash equivalents (interest-bearing)	-191	-70
<b>Net debt(+)/net cash(-)</b>	<b>-659</b>	<b>-465</b>
Total equity	4,740	4,615
<b>Adjusted equity</b>	<b>4,746</b>	<b>4,629</b>
Net debt/equity ratio, multiple	-0.14	-0.10

Net debt is another of SJ's alternative financial key metrics. It is defined as the net of property fund investment classified under financial assets together with interest-bearing provisions (provisions for accident annuities), and interest-bearing liabilities less interest-bearing assets (long- and short-term investments and cash/cash equivalents). The Group's net cash on 31 December was therefore SEK 659 million (465).

On 31 December, the Group's net debt/equity ratio was -0.14 (-0.10). On that basis, SJ's capital structure is stronger than defined in the owner's long-term target.

Dividend of SEK 269 million, as per the 2017 appropriation of profit, was paid out on 8 May and represented 50 percent of the 2017 profit after tax for the SJ Group.

## Group

## Statement of cash flows

SEK million	Note 20	2018	2017
<b>Operating activities</b>			
Profit before tax		457	664
<b>Adjustments for non-cash items</b>			
Depreciation/amortisation and impairment	3	754	791
Changes in provisions	22	-31	51
Capital gain/loss		1	1
Share of profit of associates	13	-21	-32
Tax paid		-85	-152
Other changes		9	-6
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,085</b>	<b>1,316</b>
Cash flow from changes in working capital		-61	-78
<b>Cash flow from operating activities</b>		<b>1,023</b>	<b>1,238</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	10	-508	-529
Acquisition of intangible assets	11	-58	-67
Sale of property, plant and equipment	10	4	78
Acquisition of other non-current interest-bearing receivables		-70	-
Dividends received from associates		11	7
Acquisition of short-term investments		-383	-583
Divestment of short-term investments		469	455
<b>Cash flow from investing activities</b>		<b>-536</b>	<b>-639</b>
<b>Cash flow before financing activities</b>		<b>488</b>	<b>599</b>
<b>Financing activities</b>			
Repayment of borrowings		-98	-343
Dividends paid to the owner of the Company	19	-269	-260
<b>Cash flow from financing activities</b>		<b>-367</b>	<b>-603</b>
<b>Cash flow for the year</b>		<b>121</b>	<b>-4</b>
<b>Cash and cash equivalents at start of year</b>		<b>70</b>	<b>74</b>
<b>Cash and cash equivalents at year-end</b>	17	<b>191</b>	<b>70</b>

## Comments on the Statement of cash flows

## Cash flow from operating activities

Cash flow from operating activities was lower than a year earlier, at SEK 1,023 million (1,238). The change was for the most part attributable to a lower profit than in the same period in the preceding year.

Cash flow from operating activities before changes in working capital was SEK 1,085 million (1,316).

## Cash flow from investing activities

Investments in property, plant and equipment for the year totalled SEK -508 million (-529), including SEK -502 million (-524) for rolling stock. Other investments in property, plant and equipment amounted to SEK -6 million (-5). In the preceding year, rolling stock was sold for a total of SEK 76 million.

Investments in intangible assets, totalling SEK -58 million (-67), were expended mainly on the development of a new planning system.

Acquisition of other non-current interest-bearing receivables totalled SEK -70 million (-) and pertained to investment in a property fund. The investment concerns management of funds intended to cover future payments of annuities. Dividends received from associated companies totalled SEK 11 million (7).

The acquisition of short-term investments during the year amounted to SEK -383 million (-583). Divestments of short-term investments totalled SEK 469 million (455). Cash flow from investing activities totalled SEK -536 million (-639).

## Cash flow from financing activities

By resolution of the AGM, a shareholder dividend of SEK -269 million (-260) was paid on 8 May 2018. Repayment of an existing loan was made as planned in the amount of SEK -98 million (-343). In the preceding year, an early repayment of a loan of SEK 243 million was made by agreement.

Cash flow from financing activities totalled SEK -367 million (-603). Cash and cash equivalents on 31 December 2018 totalled SEK 191 million (70). Cash flow during the year totalled SEK 121 million (-4).

## Parent Company

## Income statement and statement of comprehensive income

SEK million	Note	2018	2017
Net sales	1	6,969	6,969
Other operating income	2	50	27
<b>Total operating income</b>		<b>7,019</b>	<b>6,996</b>
Personnel expenses	4	-2,152	-1,909
Depreciation/amortisation and impairment	3	-754	-790
Other expenses	5	-3,785	-3,739
<b>Total operating expenses</b>		<b>-6,691</b>	<b>-6,439</b>
<b>Operating profit</b>		<b>328</b>	<b>557</b>
Result from participations in Group companies	7	23	301
Share of profit of associates	13	11	11
Income from securities and receivables	8	3	18
Interest expense and similar items	8	-15	-20
<b>Profit after financial items</b>		<b>350</b>	<b>868</b>
Group contributions paid		-	-2
Group contributions received		118	-
Provision for tax allocation reserve		-133	-
<b>Total appropriations</b>		<b>-16</b>	<b>-2</b>
<b>Profit before tax</b>		<b>334</b>	<b>866</b>
Income tax expense	9	-39	-129
<b>Profit for the year</b>		<b>295</b>	<b>737</b>
<b>Other comprehensive income</b>		<b>295</b>	<b>737</b>
<i>Items that may be reclassified to profit or loss</i>			
Cash-flow hedges	8	4	8
Currency forwards	8	4	11
Deferred tax	9	-2	-4
<b>Other comprehensive income for the year</b>	18	<b>6</b>	<b>15</b>
<b>Total comprehensive income for the year</b>		<b>301</b>	<b>751</b>

## Comments on the Income statement

## Income

SJ AB's net sales totalled SEK 6,969 million (6 969) and was thus on a level with the preceding year. Sales for 2018 were driven by a strong last quarter for commercial services and higher income from tendered services. Growth was offset by considerable service-related disruptions in both winter and summer months, resulting in cancelled departures (including both late-cancelled departures and scheduled service reductions) and extensive maintenance works on the rail network. All-in-all, despite major disruptions, growth in travel<sup>1</sup> (measured as passenger kilometres) was 2 percent higher than a year earlier. Although more departures were offered to SJ AB's customers, service reductions meant that the service offering was 1 percent lower than last year. The yield (ticket price per passenger kilometre) was on a par with that of the preceding year.

The proportion of passengers opting to buy flexible ticket arrangements rose by nearly 1 percent as a result of new functionality added to the SJ mobile app.

Higher other income for SJ AB consisted mostly of an insurance claim payment of SEK 43 million in connection with damage to rolling stock incurred earlier, which was also reflected on the cost side.

## Expenses

In all, SJ AB's expenses were SEK 252 million, or nearly 4 percent, higher than in the preceding year. The higher outcome for costs was due in part to a rise in production-related costs, overwhelmingly caused by service disruptions during the winter and summer, and in part to maintenance works on the rail network by STA mainly during the summer months. These factors brought higher production costs primarily for maintenance, unscheduled replaced services and personnel costs. Personnel costs also increased as a result of the annual pay review and having more full-time equivalents.

Indirect costs rose in part due to damage to rolling stock costing SEK 41 million and attributable to an earlier period, which is income-neutral and is reflected on the income side, and in part due to the cost of internal investments in digitisation projects, the introduction of the EU's new General Data Protection Regulation (GDPR) and establishment of operations elsewhere in Scandinavia.

## Operating profit

Disruptions during the year and extensive maintenance works in the rail network carried out by STA resulted in higher costs and lower income than anticipated for SJ. Internal investments also drove up costs. However, this was offset by a very strong last quarter with increased travel and higher income from tendered services. Operating profit totalled SEK 328 million (557), with an operating margin of 4.7 percent (8.0).

Without the extensive maintenance works and disruptions, over and above normal levels, during the year, SJ AB is of the view that the operating profit for the year would have been on a level with that of the preceding year.

## Consolidated profit and tax

Consolidated profit before tax amounted to SEK 334 million (866). Tax for the period was SEK -39 million (-129). The effective rate was -12 percent (-15). The difference between the actual tax rate, 22 percent, and the effective tax rate for the period is for the most part attributable to a change in tax rate following a government decision to lower corporation tax effective 1 January 2019. The impact on deferred tax is to be recognised in 2018 and SJ has decided to recognise the whole of the positive effect of SEK 31 million in the second quarter. Net profit for the year was SEK 295 million (737).

<sup>1</sup> Volume of travel includes travel with SJ tickets on SJ's independent commercial services and tendered services, excluding season ticket travel on tendered services. However, all travel on season tickets within the scope of the Movingo agreement is included.

## Parent Company

## Balance sheet

SEK million	Note	31/12/18	31/12/17
<b>ASSETS</b>			
<b>Non-current assets</b>			
<b>Property, plant and equipment</b>			
Buildings	10	18	21
Rolling stock	10	3,862	4,218
Machinery and equipment	10	57	80
Construction in progress	10	1,247	1,020
<b>Total property, plant and equipment</b>		<b>5,183</b>	<b>5,339</b>
<b>Intangible assets</b>			
Capitalised development expenditure	11	218	254
Trademark	11	0	0
<b>Total intangible assets</b>		<b>218</b>	<b>254</b>
<b>Financial assets</b>			
Shares in subsidiaries	12	93	93
Participations in associated companies	13	13	13
Non-current receivable		72	-
<b>Total non-current financial assets</b>		<b>178</b>	<b>106</b>
<b>Total non-current assets</b>		<b>5,579</b>	<b>5,699</b>
<b>Current assets</b>			
Inventories		9	5
Accounts receivable	14	174	143
Receivables from Group companies		153	26
Other receivables	15	271	356
Prepaid expenses and accrued income	16	184	135
<b>Total receivables</b>		<b>791</b>	<b>666</b>
Short-term investments	17	1,518	1,614
<b>Total short-term investments</b>		<b>1,518</b>	<b>1,614</b>
Cash and cash equivalents	17	190	69
<b>Total current assets</b>		<b>2,499</b>	<b>2,349</b>
<b>TOTAL ASSETS</b>		<b>8,077</b>	<b>8,048</b>

SEK million	Note	31/12/18	31/12/17
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Restricted equity</b>			
Share capital		400	400
Statutory reserve		200	200
Capitalised development reserve		137	113
<b>Unrestricted equity</b>			
Fair value reserve		12	6
Retained earnings		3,469	3,025
Profit for the year		295	737
<b>Total equity</b>	18, 19	<b>4,513</b>	<b>4,480</b>
<b>Untaxed reserves</b>			
Tax allocation reserve		133	-
<b>Total untaxed reserves</b>		<b>133</b>	<b>-</b>
<b>Liabilities</b>			
<b>Provisions</b>			
Non-current provisions	22	191	201
Current provisions	22	174	194
Deferred tax liability	9	436	480
<b>Total provisions</b>		<b>801</b>	<b>874</b>
<b>Non-current liabilities</b>			
Interest-bearing liabilities	17, 23	864	962
<b>Total non-current liabilities</b>		<b>864</b>	<b>962</b>
<b>Current liabilities</b>			
Interest-bearing liabilities	23	98	98
Accounts payable		433	415
Liabilities to Group companies		326	264
Liabilities to associates		34	37
Other current liabilities		103	148
Accrued expenses and deferred income	24	774	769
<b>Total current liabilities</b>		<b>1,767</b>	<b>1,732</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>8,077</b>	<b>8,048</b>

## Comments on the Balance sheet

*Property, plant and equipment*

On 31 December, SJ AB's property, plant and equipment amounted to SEK 5,183 million (5,339) and mainly consisted of rolling stock. SJ's train fleet comprises SJ 3000 trains, X 2000 trains, double-decker trains, locomotives and carriages. Investments for the year in property, plant and equipment totalled SEK 508 million (528). The investments consisted for the most part of X 2000s and double-decker trains.

*Intangible assets*

Intangible assets totalled SEK 218 million (254), comprising capitalised development expenditure relating primarily to development costs for business-related IT systems. The largest IT systems are a new maintenance system and a new timetable/planning system. Investments in intangible assets, totalling SEK 58 million (67), during the year were expended on the development of a new planning system.

*Financial assets*

Financial assets amounted to SEK 178 million (106), consisting of shares in subsidiaries and associates. The non-current receivables concern management of cash and cash equivalents intended to cover future payments of annuities.

*Current assets*

Short-term receivables totalled SEK 791 million (666). Short-term investments totalled SEK 1,518 million (1,614) and show a decrease of SEK 96 million.

*Equity*

On 31 December 2018, SJ AB's equity amounted to SEK 4,513 million (4,480). The change of SEK 33 million reflected comprehensive income of SEK 301 million for the year and the SEK -269 million dividend payment in line with the 2017 appropriation of profits.

*Interest-bearing liabilities*

Interest-bearing liabilities amounted to SEK 962 million (1,060), mainly comprising outstanding payment commitments for loans raised in 2012 to finance SJ 3000s, and loans raised in September 2015 to modernise X 2000s. The loans have a term to maturity of 4 to 7 years.

Of the interest-bearing liabilities, SEK 864 million (962) were non-current and SEK 98 million (98) current, that is, loans maturing within one year. SJ amortised SEK 98 million (343), as planned, of its interest-bearing liabilities in 2018. The change compared with the preceding year was that SJ in the preceding year made an early repayment of a loan of SEK 243 million.

The average term to maturity for outstanding liabilities was 46 months (50). The average fixed-interest term was 6 months (10).

## Parent Company

## Statement of changes in equity

SEK million	Restricted equity			Unrestricted equity				Total equity
	Share capital	Statutory reserve	Capitalised development reserve	Fair value reserve		Retained earnings	Profit for the year	
				Hedging reserve				
<b>01/01/2017</b>	<b>400</b>	<b>200</b>	<b>68</b>	<b>-9</b>		<b>2,843</b>	<b>487</b>	<b>3,989</b>
Profit for the year							737	737
Other comprehensive income				15				15
<b>Total comprehensive income for the year</b>				<b>15</b>			<b>737</b>	<b>751</b>
Capitalised development reserve			45			-45		0
Appropriation of Profit						487	-487	0
Dividend to shareholder						-260		-260
<b>31/12/2017</b>	<b>400</b>	<b>200</b>	<b>113</b>	<b>6</b>		<b>3,025</b>	<b>737</b>	<b>4,480</b>
<b>Change during year</b>								
Profit for the year							295	295
Other comprehensive income				6				6
<b>Total comprehensive income for the year</b>				<b>6</b>			<b>295</b>	<b>301</b>
Capitalised development reserve			24			-24		0
Appropriation of Profit						737	-737	0
Dividend to shareholder						-269		-269
<b>31/12/2018</b>	<b>400</b>	<b>200</b>	<b>137</b>	<b>12</b>		<b>3,469</b>	<b>295</b>	<b>4,513</b>

## Comments on the Statement of changes in equity

On 31 December 2018, SJ AB's equity amounted to SEK 4,513 million (4,480). The change of SEK 33 million reflects comprehensive income of SEK 301 million for the year and the SEK -269 million dividend payment in line with the 2017 appropriation of profits.

In restricted equity, SEK 24 million (45) has been transferred to the capitalised development reserve. In addition to profit/loss for the year and retained earnings, unrestricted equity includes a change of SEK 6 million (15) in unrealised cash flow hedges including deferred tax.

## Parent Company

## Statement of cash flows

SEK million	Note 20	2018	2017
<b>Operating activities</b>			
Profit before tax		334	866
<b>Adjustments for non-cash items</b>			
- Depreciation/amortisation and impairment	3	754	790
- Changes in provisions		-30	52
- Capital gain/loss		1	1
- Untaxed reserves		133	1
Tax paid		-85	-140
Other changes		-1	-8
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,106</b>	<b>1,703</b>
Cash flow from changes in working capital		-82	-315
<b>Cash flow from operating activities</b>		<b>1,024</b>	<b>1,247</b>
<b>Investing activities</b>			
	10, 11		
Acquisition of property, plant and equipment		-508	-528
Sale of property, plant and equipment		4	78
Acquisition of intangible assets		-58	-67
Change in shares and participations		0	-
Share of profit of associates		10	-
Investment in non-current receivable		-70	-
Acquisition of short-term investments		-383	-583
Divestment of short-term investments		469	455
<b>Cash flow from investing activities</b>		<b>-536</b>	<b>-646</b>
<b>Cash flow before financing activities</b>		<b>488</b>	<b>602</b>
<b>Financing activities</b>			
Repayment of borrowings		-98	-343
Dividends paid to the owner		-269	-260
<b>Cash flow from financing activities</b>		<b>-367</b>	<b>-603</b>
<b>Cash flow for the year</b>		<b>122</b>	<b>-1</b>
<b>Cash and cash equivalents at start of year</b>		<b>69</b>	<b>70</b>
<b>Cash and cash equivalents at year-end</b>	17	<b>190</b>	<b>69</b>

## Comments on the Statement of cash flows

*Cash flow from operating activities*

Cash flow from operating activities was somewhat lower than a year earlier, at SEK 1,024 million (1,247). The change was for the most part attributable to a lower profit than in the same period in the preceding year.

Cash flow from operating activities before changes in working capital was SEK 1,106 million (1,703).

*Cash flow from investing activities*

Investments in property, plant and equipment for the year totalled SEK -508 million (-528), including SEK -502 million (-524) for rolling stock. Other investments in property, plant and equipment amounted to SEK -6 million (-4). In the preceding year, rolling stock was sold for a total of SEK 76 million.

Investments in intangible assets, totalling SEK -58 million (-67), were expended mainly on the development of a new planning system.

Acquisition of other non-current interest-bearing receivables totalled SEK -70 million (-) and pertained to investment in a property fund. The investment concerns management of funds intended to cover future payments of annuities. Dividends received from associated companies totalled SEK 10 million (-).

The acquisition of short-term investments during the year amounted to SEK -383 million (-583). Divestments of short-term investments totalled SEK 469 million (455). Cash flow from investing activities totalled SEK -536 million (-646).

*Cash flow from financing activities*

By resolution of the AGM, a shareholder dividend of SEK -269 million (-260) was paid on 8 May 2018. Repayment of an existing loan was made as planned in the amount of SEK -98 million (-343). In the preceding year, an early repayment of a loan of SEK 243 million was made by agreement.

Cash flow from financing activities totalled SEK -367 million (-603). Cash and cash equivalents on 31 December 2018 totalled SEK 190 million (69). Cash flow during the year totalled SEK 122 million (-1).



# Accounting policies

## Accounting policies applied

The accounting policies applied in the preparation of the financial statements for the Group and Parent Company are described below and in the notes concerned.

### Compliance with regulations and standards

The consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRIC), as endorsed by the European Union. The consolidated accounts have been prepared in accordance with Swedish law, by application of Recommendation RFR 1 Supplementary Accounting Rules for Groups. The Parent Company's financial statements have been prepared in accordance with Swedish law and by application of 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 the exemptions that arise 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 notes and sections below.

The presentation of the income statements and balance sheets, including terminology, differs for the Group and the Parent Company, 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 corresponding references to the Swedish Annual Accounts Act.

### Basis of recognition

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

### New and amended standards and interpretations for 2018

New and amended standards and interpretations from the IASB and IFRIC had no material impact on the consolidated financial statements, other than with regard to increased disclosure requirements.

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments: Recognition and measurement. IFRS 9 states new principles on how financial assets are to be classified and measured. The new standard also includes new rules on testing for impairment of financial assets, among which the former "incurred loss method" has been replaced by a new "expected loss method". The standard entered into force on 1 January 2018. Figures in years shown for comparison have not been restated.

Financial assets are classified on the basis of the business model it is managed in and its cash flow characteristics. The new classification method does not represent any difference as far as the Group and Parent Company are concerned. Financial assets (bonds, bank deposits and commercial paper) will continue to be measured at fair value. It is considered that accounts receivable and other receivables still meet the criteria for recognition at amortised cost. Interest rate swaps and currency forwards are as before recognised at fair value via equity.

As of 1 January 2018, the Group recognises a reserve for expected credit losses. The standard provides simplifications for accounts receivable and contract assets according to which the Group recognises expected credit losses for the remaining life of the asset. The expected credit losses for such financial assets are calculated using a provision matrix based on previous events, present conditions and forecasts of future economic conditions. These receivables generally have a short lifetime. The change has no material impact and no transitional impact is recognised.

IFRS 15 Revenue from Contracts with Customers has replaced IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13. According to IFRS 15, revenue is recognised when control is passed to a buyer, as against the present method which is based on risks and rewards. SJ's analysis of the adoption of IFRS 15 is based on a detailed review of the revenue streams for the Group and Parent Company and the conclusion is that there are two major revenue streams, from independent commercial services and from tendered services.

The Group and Parent Company have elected to apply modified retroactivity in adopting IFRS 15. According to IFRS 15, this means that the Group and Parent Company recognise the accumulated effect of the first adopted of this standard as an adjustment to the opening balance for retained profit for the financial year including the first day of adoption, 1 January 2018.

IFRS 15 introduces a new model for revenue recognition (5-step model) based on when control of goods or services is transferred to the customer. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled in exchange for those goods or services. IFRS 15 does not represent any change regarding recognition of SJ's income streams, excluding SJ's loyalty programme. The liability of the Group and Parent Company arising from SJ's loyalty programme, SJ Prio, will be valued lower compared to recognition in accordance with IFRIC 13. The transitional effect was SEK 6 million and was recognised in entirety on 31 December 2017, with a positive impact on other operating income for the Group and Parent Company.

### New and amended standards and interpretations effective on or after 1 January 2019

IFRS 16 Leases will replace IAS 17 Leases. It applies to financial years beginning on 1 January 2019. The standard has been endorsed by the EU. IFRS 16 introduces a right-of-use model, requiring lessees to recognise essentially all leases on the balance sheet. Classification into operating or financial leases is therefore not required. Depreciation of the asset and interest expenses is recognised in the income statement. The standard sets out more extensive disclosure requirements than the current standard.

Analysis of leases in the SJ Group was concluded in 2018. The Group intends to apply the simplified transition approach, modified retroactivity, and will not restate figures presented for comparison. Rights-of-use are measured as the amount of the lease liability (adjusted for prepaid and accrued lease fees). In addition to the above, the following transitional rules have been applied during the analysis of leases under IFRS 16: Short-Term Leases - Leases that expire within 12 months of the date of adoption, and assets of low-value (less than SEK 50,000) are exempt from leasing. Direct purchase costs for rights-of-use have been excluded at adoption and historical information has been used in determining the length of a lease in cases where options exist to extend or cancel a lease.

In view of SJ's high credit-worthiness, the security to which the loan relates has no material impact. The marginal borrowing rate is therefore considered to be equivalent for the SJ Group's leases of rolling stock and properties. SJ's view is on that basis that the interest that SJ would have had to pay on a loan over the same period with the same security on the amount that would be required to buy a similar asset in a similar economic environment would be 1 percent for all underlying assets. In determining impact on the income statement and balance sheet, the marginal borrowing interest rate has therefore been set at 1 percent. In the SJ Group, the following agreements have been included in the analysis: right-of-use agreements for rolling stock used in tendered services, leases on premises and outsourcing agreements.

SJ has concluded that all leases in the SJ Group are to be recognised as leases within the scope of IFRS 16. Right-of-use agreements for rolling stock used in tendered services have been assessed on a case-by-case basis. The review indicates that a small number of the agreements are regarded as leases within the scope of IFRS 16. The difference mainly consists of determining who has the right to control the asset. In cases where right-of-use agreements for tendered services are to be regarded as leases, the customer (SJ) is entitled to control the use of the identified asset throughout the period of transfer.

Outsourcing agreements, such as on customer service and data storage in the SJ Group, are not to be recognised as a leased asset under IFRS 16. This is because SJ has no influence over how the activity is conducted and how resources within the activity are planned and located.

In cases where leases on properties in the SJ Group incorporate an option to extend, a determination is made, agreement by agreement, as whether it is reasonably safe to assume that the option will be exercised. The determination takes into account all facts and conditions that create economic incentives in aspects such as

## Accounting policies

the agreement terms and conditions for extension periods compared with market interest rates, material improvements made (or expected to be made) to a leased property during the lease term, costs arising when the lease is terminated, such as negotiating costs and relocation costs and the importance of the underlying asset in SJ's operations.

The full-year impact of the adoption of IFRS 16 are considered to be as follows:

- SJ's assets and liabilities are estimated to increase by nearly SEK 1.1 billion on 1 January 2019. Consequently, SJ's operating capital and net debt are also impacted in the amount of nearly SEK 1.1 billion.
- SJ's operating profit is estimated to increase by around SEK 25 million and profit after tax by around SEK 14 million.
- Return on operating capital is estimated to increase by around 2 percentage points in 2019, and the net debt/equity ratio by around 0.2 times.
- SJ's cash flow from operating activities is estimated to be impacted positively by SEK 329 million in 2019, while the cash flow from financing activities is estimated to decrease during 2019 by around SEK 329 million, as amortisation of the lease liability is classified as cash flow from financing activities.

Reconciliation of operating leases on 31 December 2018 and lease liability on 1 January 2019:

SEK million	Total	Of which, rolling stock	Of which, premises
Undertaking, operating leases, 31 December 2018	1,219	268	951
Discount by Group's marginal borrowing interest rate	-32	-7	-25
Less, short-term leases	-41	-	-41
Less, leases in which the underlying asset is low-value	-1	-	-1
Lease liability, 1 January 2019	1,145	261	884
Of which, short-term lease liability	337	133	205
Of which, lease liability	808	128	608

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

### 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 Consolidated income statement and statement of comprehensive income, statement of financial position and statement of cash flows as of the date of acquisition. Companies disposed of are included up to the point in time when the Group no longer has control or a controlling interest over them.

The accounting policies applied in the preparation of the financial statements for the Group are described in the notes concerned.

### Segment reporting

The Group's operating segments are urban services, intercity services and tendered services. In all essential respects, operations are conducted in Sweden. The SJ Group has no external customers that contribute more than 10% of the Group's total sales.

The Swedish State's ownership policy and Guidelines for State-Owned Enterprises in 2017, Chapter 18, section 1, paragraph 2 requires State-owned companies to present annual reports and interim reports based on relevant international financial reporting standards (IFRS) in a similar way to companies with shares traded on a regulated market in Sweden. For State-owned companies not issuing shares or other transferrable securities traded on a regulated market, there is no requirement to draw up segment reporting in accordance with IFRS. On that basis, SJ does not present any segment reporting.

The consolidated financial statements comprise the Parent Company SJ AB and all subsidiaries.

### Assets and liabilities in foreign currency

Transactions in foreign currency are measured at the rate of exchange on the transaction date. On the balance sheet date, assets

and liabilities in foreign currency are revalued at the rate on the balance sheet date. 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.

### Accounting policies for the Parent Company

The Parent Company is SJ AB, corporate identity number 556196-1599. The accounting policies applied in the preparation of the financial statements for the Parent Company are described in the notes concerned.

### Appropriations

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.

### Critical judgements and estimates

During preparation of 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. In terms of SJ's financial position, estimates used in calculating the useful life of investments in rolling stock are especially important. In annual impairment tests, the entire SJ Group is treated as one cash-generating unit. In addition to estimates, assessments have also been made with regard to accounting matters of great importance to carrying amounts. The areas where SJ has made significant assessments and/or that are associated with uncertainty in estimates and assumptions, and impact on profit and loss, are described below.

### Useful lives

Useful lives are assessed according to plans over the estimated economic lives of the assets, which are tested continuously one month after the asset has been taken into service. Intangible assets are assessed as having an economic life of 3 years; however, this may be extended to better reflect the useful life of the asset. Rolling stock represents the major share of SJ's property, plant and equipment. It is divided into two main components – chassis and interiors. The useful lives of these components differ and are assessed entirely on the basis of the rolling stock plan for the estimated economic life of the assets. High-value components and additional investments have estimated useful lives based on the remaining economic life of the main unit.

### Additional expenses

Expenditure related to measures likely to bring future economic benefits is capitalised if the acquisition cost can be measured reliably. Future economic benefits arise when an action leads to potentially higher revenue or other benefits for SJ than would otherwise be obtained had the measure not been implemented. According to SJ's assessment, additional expenditure is capitalised if incurred through:

- measures that substantially increase the asset's level of performance in relation to the level obtained when the asset was originally acquired, and
- overhauls, when consisting of major, regularly recurring technical and refurbishment maintenance work on the rolling stock.

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

### Impairment testing of non-current assets

On each balance-sheet date, tests are carried out to assess whether there is any indication of impairment loss on property, plant and equipment and intangible assets. The recoverable amount of the asset or cash-generating unit is calculated as the net realisable value or value in use, whichever is the higher. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit at the end of the period of use. 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. The performed impairment testing is based on the budget, business and strategic plan adopted by the Board and on the year-end accounts for the SJ Group as per 31 December 2018. The Company's free cash flows are estimated for each year in the future and discounted to present values by application of a market-level WACC. In addition to profitability and the level of investment during the period, the WACC discount rate and perpetuity growth rate beyond the end of the forecast period have a considerable influence on the valuation. A sensitivity analysis is performed for important assumptions and in addition impairment testing is conducted for various alternative scenarios for the future operations of the SJ Group.

#### Loyalty programme

SJ's valuation of Prio points is based on their value to customers. To SJ, this means that a journey paid for with points is measured on the basis of the value to the member, that is, the average price for the journey. A reduction is then applied to the value. The reduction is based on the fact that the availability of goods and services purchasable with points is limited, in that:

- the validity of the points is limited
- the points are not as usable as money
- the availability of journeys that can be booked with points is restricted.

#### Disputes

SJ is involved in a number of disputes and legal proceedings within the scope of operating activities. Management is consulting with legal experts on issues relating to legal disputes and with other experts in and outside the Company on issues relating to ongoing business activities. In our best judgement, neither the Parent Company nor any subject is currently involved in any legal proceedings or arbitration proceedings that are anticipated to have any materially adverse impact on the business, its financial position or the results from operations.

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# Notes

## 1. Revenue from contracts with customers

### ■ Accounting policies

In 2018, IFRS 15 Revenue from Contracts with Customers replaced IAS 18 Revenue and IAS 11 Construction Contracts, together with IFRIC 13. According to IFRS 15, revenue is recognised when control is passed to a buyer, as against the former method, which was based on risks and rewards. The analysis of the adoption of IFRS 15 is based on a detailed examination of the revenue streams of the Group and Parent Company. The conclusion is that there are two significant revenue streams: Revenues from independent commercial services and from tendered services.

The Group and Parent Company have elected to apply modified retroactivity in adopting IFRS 15. According to IFRS 15, this means that the Group and Parent Company recognise the accumulated effect of the first adopted of this standard as an adjustment to the opening balance for retained profit for the financial year including the first day of adoption, 1 January 2018.

IFRS 15 introduces a new model for revenue recognition (5-step model) based on when control of goods or services is transferred to the customer. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled in exchange for those goods or services. IFRS 15 does not represent any change regarding recognition of SJ's income streams, excluding SJ's loyalty programme. The liability of the Group and Parent Company arising from SJ's loyalty programme, SJ Prio, will be valued lower compared to recognition in accordance with IFRIC 13. The transitional effect was SEK 6 million and was recognised in entirety on 31 December 2017, with a positive impact on other operating income for the Group and Parent Company. ■

### Categories of revenue from contracts with customers

SEK million	Group, 2018				
	Independent commercial services	Tendered services	Other categories	Eliminations	Total
Revenue from external customers <sup>1</sup>	5,657	1,795	470	–	7,923
Revenue from Group companies	–	–	192	-192	–
<b>Revenue from contracts with customers</b>	<b>5,657</b>	<b>1,795</b>	<b>662</b>	<b>-192</b>	<b>7,923</b>
<i>Time for fulfilment of performance obligation</i>					
At a point in time	5,657	1,795	662	-192	7,923
Over time	–	–	–	–	–
<b>Revenue from time for fulfilment of performance obligation</b>	<b>5,657</b>	<b>1,795</b>	<b>662</b>	<b>-192</b>	<b>7,923</b>

SEK million	Group, 2017				
	Independent commercial services	Tendered services	Other categories	Eliminations	Total
Revenue from external customers <sup>1</sup>	5,929	1,438	439	–	7,806
Revenue from Group companies	–	–	136	-136	–
<b>Revenue from contracts with customers</b>	<b>5,929</b>	<b>1,438</b>	<b>575</b>	<b>-136</b>	<b>7,806</b>
<i>Time for fulfilment of performance obligation</i>					
At a point in time	5,929	1,795	575	-136	7,806
Over time	–	–	–	–	–
<b>Revenue from time for fulfilment of performance obligation</b>	<b>5,929</b>	<b>1,795</b>	<b>575</b>	<b>-136</b>	<b>7,806</b>

SEK million	Parent Company 2018				
	Independent commercial services	Tendered services	Other categories	Internal sales	Total
Revenue from external customers <sup>1</sup>	5,657	863	471	–	6,991
Revenue from Group companies	–	–	–	27	27
<b>Revenue from contracts with customers</b>	<b>5,657</b>	<b>863</b>	<b>471</b>	<b>27</b>	<b>7,019</b>
<i>Time for fulfilment of performance obligation</i>					
At a point in time	5,657	863	471	27	7,019
Over time	–	–	–	–	–
<b>Revenue from time for fulfilment of performance obligation</b>	<b>5,657</b>	<b>863</b>	<b>471</b>	<b>27</b>	<b>7,019</b>

<sup>1</sup> Since the establishment of the Movingo agreement between SJ and Mälardalstrafiken, this revenue is classified as revenue from tendered services. In 2017, revenue from services in the Mälardalen region was classified as from independent commercial services.

SEK million	Parent Company 2017					Total
	Independent commercial services	Tendered services	Other categories	Eliminations		
Revenue from external customers <sup>1</sup>	5,929	602	439	-	6,970	
Revenue from Group companies	-	-	-	26	26	
<b>Revenue from contracts with customers</b>	<b>5,929</b>	<b>602</b>	<b>439</b>	<b>26</b>	<b>6,996</b>	
<i>Time for fulfilment of performance obligation</i>						
At a point in time	5,929	863	439	26	6,996	
Over time	-	-	-	-	-	
<b>Revenue from time for fulfilment of performance obligation</b>	<b>5,929</b>	<b>863</b>	<b>439</b>	<b>26</b>	<b>6,996</b>	

<sup>1</sup> Since the establishment of the Movingo agreement between SJ and Mälardalstrafiken, this revenue is classified as revenue from tendered services. In 2017, revenue from services in the Mälardalen region was classified as revenue from independent commercial services.

SJ classifies revenue from agreements with customers on the basis of SJ's business model. SJ operates commercial services independently and tendered services procured by regional public transport authorities or national transport tendering authorities. In addition to revenue from commercial and tendered services, SJ receives revenue from, for example, on-board sales including bistro sales, insurance claims etc. The performance obligation in independent commercial services is regarded as being fulfilled when the journey takes place. The performance obligation in tendered services is regarded as being fulfilled on an ongoing basis of the term of the agreement.

### Contract balances

SJ has the following contract balances relating to revenue from contracts with customers. Contract assets consist of season tickets sold but not yet expired. Contract liabilities consist of services invoiced but not yet performed, together with liability incurred under the SJ loyalty programme, SJ Prio.

	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Contract assets	8	1	8	1
<b>Total contract assets</b>	<b>8</b>	<b>1</b>	<b>8</b>	<b>1</b>
Reserve for onerous contracts	-46	-46	-46	-46
<b>Total reserve for losses</b>	<b>-46</b>	<b>-46</b>	<b>-46</b>	<b>-46</b>
Contract liabilities – tendered services	-6	-12	-6	-12
Contract liabilities – SJ Prio	-124	-123	-124	-123
Contract liabilities – Independent commercial services	-263	-243	-263	-243
<b>Total contract liabilities</b>	<b>-394</b>	<b>-379</b>	<b>-394</b>	<b>-379</b>

	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Opening balance, contract liabilities	-379	-382	-379	-382
Recognised revenue during period – tendered services	13	1	13	1
Unfulfilled performance obligation – tendered services	-8	-10	-8	-10
Recognised revenue during period – SJ Prio	17	83	17	83
Unfulfilled performance obligation – SJ Prio	-18	-87	-18	-87
Recognised revenue during the period – Independent commercial services	233	255	233	255
Unfulfilled performance obligation – Independent commercial services	-252	-239	-252	-239
<b>Closing balance, contract liabilities</b>	<b>-394</b>	<b>-379</b>	<b>-394</b>	<b>-379</b>

### As yet unfulfilled performance obligations

The table below shows contracts with customers where the performance obligation is as yet unfulfilled and where the contract term is longer than 12 months. Such contracts at SJ consist mostly of contracts in tendered services, where SJ conducts operations on behalf of a regional PTA.

Fulfilment of Performance obligation expected within:	Group		Parent Company	
	2018	2017	2018	2017
1 year	1,326	1,328	477	396
2 years	1,218	1,317	337	468
3 years	993	1,209	84	328
4 years	976	984	29	75
5 years	2,084	3,041	90	100
<b>Total unfulfilled performance obligation, tendered services</b>	<b>6,597</b>	<b>7,879</b>	<b>1,017</b>	<b>1,367</b>

## 2. Related-party transactions

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

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 engaged in commercial activities and over which the State has a controlling interest, and government agencies. In 2018, the three largest enterprises for purchases of products and services were: The Swedish Transport Administration (STA), SEK 827 million (842), Jernhusen AB, SEK 199 million (220) and SilverRail Technologies AB, SEK 168 million (177).

For information on the remuneration of senior executives and Board members, see Note 4, Personnel expenses.

### 3. Depreciation/amortisation and impairment

#### ■ Accounting policies

##### Depreciation and amortisation

Depreciation and amortisation according to plan is based on original values and estimated useful lives. Assets are depreciated and amortised on a straight-line basis over their estimated useful lives, which are tested on an ongoing basis after the asset has been taken into service. The amortisation period for intangible assets is normally three years (software). Longer amortisation periods are also applied if such periods better reflect the useful life of the asset. High-value spare parts - "high value components" - and additional investments are depreciated on the basis of the remaining useful life of the main unit. Rolling stock repairs are expensed as incurred, while major, less frequently recurring repairs are classified as overhauls and depreciated in line with a weighted depreciation period per type of rolling stock. Trains represent the major share of SJ's property, plant and equipment and are classified as two main components - chassis and interiors. The depreciation periods for these components differ.

The following depreciation periods are applied:

Capitalised development expenditure	3-10 years
Handheld computers	3 years
Rolling stock – chassis	20-25 years
Rolling stock – interiors	7-13 years
Machinery and equipment	5-10 years
Buildings – workshops	20 years
Building equipment	5-10 years
Leasehold improvements	according to length of lease

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Depreciation of property, plant and equipment	-656	-692	-656	-691
Amortisation of intangible assets	-93	-99	-93	-99
Impairments	-5	-	-5	-
<b>Total</b>	<b>-754</b>	<b>-791</b>	<b>-754</b>	<b>-790</b>

Impairments for the year refer to replacement of windscreens on all SJ 3000s.

### 4. Personnel expenses

#### ■ Accounting policies

##### Pensions

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", this is a defined-benefit plan. However, Alecta cannot make an exact allocation of assets and provisions to each employer, hence the conditions for recognising ITP 2 insurance with Alecta as a defined-benefit plan are not fulfilled. As a result, SJ has been unable to obtain the information needed to recognise its proportionate share of the plan's obligations, assets under management and costs. This means that it has not been possible to recognise the plan as a defined-benefit plan and so it is recognised as a defined-contribution plan. The premiums for defined-benefit retirement and family pensions are individually calculated and determined by factors such as salary, previously earned pension and anticipated remaining period of service. The Group's estimated fees for the next reporting period for ITP 2 insurance with Alecta are SEK 62 million. The number of active members is 1,834 (1,878).

The collective consolidation level is the market value of Alecta's assets as a percentage of its insurance obligations calculated according to Alecta's methods and assumptions, which are not consistent with IAS 19. The collective consolidation level is normally allowed to fluctuate within the range of 125-155 percent. If the level falls outside this range, measures must be taken to create the conditions enabling the consolidation level to be restored to within the normal range. In the event of low consolidation, one measure can be to raise the agreed price for contracting new, or extending existing, benefits. In the event of high consolidation, one measure can be to introduce premium reductions.

At the end of 2018, Alecta's provisional consolidation level was provisionally calculated at 142 percent (154). The Group's pension premiums (excluding special employer's contribution) for 2018 amounted to SEK 155 million (145), of which SEK 74 million (73) were defined-benefit premiums and SEK 81 million (72) 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 pension plans, are recognised as defined-contribution plans. ■

#### Personnel expenses

SEK million	Group		Parent Company	
	2018	2017	2018	2017
<b>Salaries and other remuneration</b>				
Board of Directors	-1	-1	-1	-1
CEO and senior executives	-27	-27	-26	-25
Other employees	-1,764	-1,675	-1,355	-1,287
<b>Total salaries and other remuneration:</b>	<b>-1,792</b>	<b>-1,703</b>	<b>-1,382</b>	<b>-1,313</b>
Social security expenses	-707	-669	-583	-550
<i>of which pension expenses, including special employer's contribution for CEO and senior executives</i>	-10	-10	-9	-9
<i>of which pension expenses, including special employer's contribution for other employees</i>	-179	-167	-146	-135
Other personnel-related expenses	-47	-51	-187	-46
<b>Total personnel expenses</b>	<b>-2,546</b>	<b>-2,423</b>	<b>-2,152</b>	<b>-1,909</b>

The increase in other personnel-related expenses in the Parent Company result from a change in classification of contract personnel from subsidiaries, amounting to SEK 151 million. In the preceding year, these expenses were recognised as other expenses.

## Note 4 (cont.)

## Average number of employees

	Group						Parent Company					
	2018			2017			2018			2017		
	Total	Men, %	Women, %	Total	Men, %	Women, %	Total	Men, %	Women, %	Total	Men, %	Women, %
Sweden	3,753	61	39	3,677	60	40	2,954	61	39	2,896	61	39
Nordic region	3	67	33	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>3,756</b>	<b>61</b>	<b>39</b>	<b>3,677</b>	<b>60</b>	<b>40</b>	<b>2,954</b>	<b>61</b>	<b>39</b>	<b>2,896</b>	<b>61</b>	<b>39</b>
<b>Breakdown of senior executives</b>												
Board members	9	56	44	7	57	43	8	62	38	7	57	43
Others members of Executive Management, incl. CEO	13	46	54	12	42	58	12	50	50	12	42	58
<b>Total</b>	<b>22</b>	<b>50</b>	<b>50</b>	<b>19</b>	<b>47</b>	<b>53</b>	<b>20</b>	<b>55</b>	<b>45</b>	<b>19</b>	<b>47</b>	<b>53</b>

## Remuneration to Board of Parent Company

SEK thousand	2018			2017		
	Board fee	Committee fee	Total	Board fee	Committee fee	Total
Chair Siv Svensson <sup>1</sup>	331	47	378	160	55	215
Board member Mikael Stöhr	167	-	167	160	-	160
Board member Kersti Strandqvist	167	-	167	160	-	160
Board member Ulrika Dellby	167	29	196	160	-	160
Board member Per Matses <sup>2</sup>	116	38	154	-	-	-
Board member Lennart Käll <sup>2</sup>	116	-	116	-	-	-
Board member Ulrika Nordström <sup>2,5</sup>	-	-	-	-	-	-
Chair Jan Sundling <sup>3</sup>	127	-	127	400	-	400
Board member Mikael Staffas <sup>4</sup>	51	14	64	160	43	203
Board member Michael Thorén <sup>4,5</sup>	-	-	-	-	-	-
Employee representatives	-	-	-	-	-	-
<b>Total</b>	<b>1,241</b>	<b>127</b>	<b>1,368</b>	<b>1,200</b>	<b>98</b>	<b>1,298</b>

<sup>1</sup> Chair of SJ's Board from 24 April 2018.

<sup>2</sup> Member of SJ's Board from 24 April 2018.

<sup>3</sup> Resigned as Chair of the SJ Board on 24 April 2018.

<sup>4</sup> Resigned from SJ's Board on 24 April 2018.

<sup>5</sup> Fees are not paid to Board members employed by the Swedish Government Offices.

## Remuneration, excluding social security contributions and special employer's contribution, to senior executives in the Group and Parent Company, 2018

SEK thousand		Basic salary		Total	Pension expense		Notice from employer + no. of months' severance pay	Severance pay and severance expense <sup>1</sup>
			Benefits			Total		
President/CEO, SJ AB	Crister Fritzson	5,257	43	5,300	1,545	6,845	6+18	
Senior Vice President Human Resources	Peter Blomqvist <sup>2</sup>	1,851	73	1,923	865	2,789	6+18	
Senior Vice President Traffic & Service	Madeleine Raukas	2,781	74	2,855	537	3,392	6+12	
Senior Vice President Communication	Malou Sjörin <sup>3</sup>	1,230	53	1,283	322	1,605	6+12	2,539
Acting Senior Vice President Communication and Sales	Thomas Silbersky <sup>4</sup>	2,862	69	2,931	861	3,791	6+12	
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,622	37	1,659	392	2,050	6+12	
Senior Vice President and Chief Financial Officer	Henrik Rättzén <sup>5</sup>	1,201	0	1,201	390	1,591	6+12	
Acting Senior Vice President and Chief Financial Officer	Ulf Bertilsson <sup>6</sup>	1,013	0	1,013	262	1,275	6+0	
Senior Vice President Fleet Management	Claes Broström	2,552	91	2,643	941	3,583	6+12	
Senior Vice President Product Division	Caroline Åstrand	2,279	75	2,354	447	2,801	6+12	
Senior Vice President Strategy and Business Development	Lena Herrmann	2,520	0	2,520	731	3,251	6+12	
President SJ Götalandståg	Lena Källström	1,664	51	1,715	609	2,324	6+12	
<b>Total</b>		<b>26,831</b>	<b>566</b>	<b>27,397</b>	<b>7,902</b>	<b>35,298</b>		<b>2,539</b>

<sup>1</sup> Including social security contributions and pension.

<sup>2</sup> Has an agreed period of notice that deviates from government guidelines. The contract was signed prior to April 2009, when the current guidelines came into force.

<sup>3</sup> Left SJ on 1 October. Basic salary, benefits and pensions are shown for the 1 January-31 October period.

<sup>4</sup> Senior Vice President Marketing and Sales to 30 September. On 1 October, the Communication staff unit and the Marketing & Sales Division merged to form the Communication and Sales Division. Thomas Silbersky served as Acting Senior Vice President Communication and Sales from 1 October 2018 until 31 January 2019.

<sup>5</sup> Started as Chief Financial Officer on 16 August. Basic salary, benefits and pensions are shown for the 16 August-31 December period.

<sup>6</sup> Started as Chief Financial Officer on 16 August. Basic salary, benefits and pensions are shown for the 1 January-16 August period.

## Financial statements

### Note 4 (cont.)

#### Remuneration, excluding social security contributions and special employer's contribution, to senior executives in the Group and Parent Company, 2017

SEK thousand		Basic salary	Benefits	Total	Pension expense	Total	Notice from employer + no. of months' severance pay	Severance pay and severance expense <sup>1</sup>
President/CEO, SJ AB	Crister Fritzson	5,101	40	5,140	1,500	6,640	6+18	
Senior Vice President Human Resources	Peter Blomqvist <sup>2</sup>	1,801	70	1,870	853	2,723	6+18	
Senior Vice President Traffic & Service	Madeleine Raukas	2,735	67	2,802	528	3,330	6+12	
Senior Vice President Communication	Malou Sjörin	1,528	67	1,595	423	2,018	6+12	
Senior Vice President Marketing and Sales	Thomas Silbersky	2,691	56	2,747	806	3,553	6+12	
Senior Vice President Quality, Environment & Sustainability	Erica Kronhöffer	1,553	35	1,588	385	1,973	6+12	
Senior Vice President and Chief Financial Officer	Carina Wång <sup>3</sup>	1,508	-	1,508	350	1,858	6+12	3,038
Acting Senior Vice President and Chief Financial Officer	Ulf Bertilsson <sup>4</sup>	374	-	374	97	471	6+0	
Senior Vice President Fleet Management	Claes Broström	2,496	64	2,560	916	3,477	6+12	
Senior Vice President Product Division	Caroline Åstrand	2,155	72	2,228	439	2,667	6+12	
Senior Vice President Strategy and Business Development	Lena Herrmann	2,472	-	2,472	718	3,190	6+12	
President SJ Götalandståg	Lena Källström	1,676	49	1,725	593	2,318	6+12	
<b>Total</b>		<b>26,090</b>	<b>519</b>	<b>26,609</b>	<b>7,608</b>	<b>34,217</b>		<b>3,038</b>

<sup>1</sup>Including social security contributions and pension.

<sup>2</sup>Has an agreed period of notice that deviates from government guidelines. The contract was signed prior to April 2009, when the current guidelines came into force.

<sup>3</sup>Left SJ on 1 October. Basic salary, benefits and pensions are shown for the January-September period.

<sup>4</sup>Started as Acting Senior Vice President and Chief Financial Officer on 1 October. Basic salary, benefits and pensions are shown for the October-December period.

#### Remuneration to senior executives

Senior executives refers to the President and Chief Executive Officer, heads of operations in SJ AB who are members of the Executive Management, and 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 at the 2018 AGM. The policies are based on guidelines issued by the government 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 subject to approval by the Board. Decisions as to terms and conditions of employment for other senior executives are subject to approval by the CEO, following a standard review with the Company's remuneration committee. The results of agreements reached are reported to the Board. Before any decision is taken with regard to individual remuneration, documentation in writing, showing the total cost to the Company, is produced as a basis for decision. 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. The Board presents proposed policies for remuneration and other terms of employment for the CEO and other senior executives for approval by the AGM. The Remuneration Committee prepares *inter alia* the Board's proposed policies for salary and other remuneration. The members of the Remuneration Committee are Siv Svensson, Ulrika Nordström, Mikael Stöhr and Lennart Käll.

#### Remuneration

##### Board of Directors

Under a resolution passed at SJ AB's 2018 Annual General Meeting, annual fees payable to Board members are SEK 410,000 to the Chair, and SEK 170,000 to each of the other AGM-elected members. Moreover, annual fees payable to members of the Board's Audit Committee are SEK 55,000 to the Chair and SEK 43,000 to each of the other members. No fee is payable for other Board committee work. Fees are not paid to members employed by the Swedish Government Offices. No pension benefit commitments exist for external Board members.

##### Executive Management

The overall principle is that remuneration and other terms of employment for senior executives shall be market-level, 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 basic salary, taxable benefits, medical insurance and pen-

sion. The basic salary is set individually, and shall be in line with salary levels in the market in which the particular executive is employed. The CEO and 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.

##### Pensions

Pensions are paid to senior executives under the ITP plan.

##### Terminations and severance pay

In the event that the Company terminates the employment contract, the notice periods and severance pay amounts are as shown in the table on page 69. If the employee takes up new employment or receives income from other business activity, 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.

## 5. Other expenses

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Maintenance and inspection of trains	-1,236	-1,148	-1,021	-958
Electricity costs for train operations	-366	-341	-302	-281
Infrastructure charges	-485	-518	-493	-521
Other production-related expenses	-830	-794	-715	-700
Indirect costs	-1,258	-1,163	-1,254	-1,279
<b>Total</b>	<b>-4,175</b>	<b>-3,964</b>	<b>-3,785</b>	<b>-3,739</b>

In all, the Group's other costs increased by SEK 211 million, in part due to a rise in production-related costs overwhelmingly caused by service disruptions during the winter and summer and in part to maintenance works on the rail network by STA mainly during the summer months. These events led to higher production and maintenance costs. Unscheduled replacement services also increased.

Indirect costs rose in part due to damage to rolling stock costing SEK 41 million and attributable to an earlier period, which is income-neutral and is reflected on the income side, and in part due to the cost of internal investments in digitisation projects, the introduction of the EU's new General Data Protection Regulation (GDPR) and establishment of operations elsewhere in Scandinavia.



## 6. Auditors' fees

SEK million	Group		Parent Company	
	2018	2017	2018	2017
<b>Deloitte AB</b>				
Statutory audit	-2	-2	-1	-2
Audit-related assurance services	-2	0	-2	0
Tax advice	0	0	0	0
Other services	0	0	0	0
<b>Total</b>	<b>-4</b>	<b>-2</b>	<b>-3</b>	<b>-2</b>

Statutory audit refers to the audit of the annual accounts and accounting records, and of the administration by the Board and the Chief Executive Officer. During an ongoing audit, it may emerge that a more in-depth review is required, with any associated costs being recognised in Audit-related assurance services. In 2018, Audit-related assurance services consists mainly of advice on accounting and tax issues regarding projects in other countries. Other non-audit services refer for example to interpretation of IFRSs and other accounting rules.

## 8. Interest income, interest expense and similar items

### Interest income and similar items

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Interest income, current receivables <sup>1</sup>	4	17	3	18
<b>Total</b>	<b>4</b>	<b>17</b>	<b>3</b>	<b>18</b>

<sup>1</sup> Mainly income from bonds.

## 7. Result from participations in subsidiaries

SEK million	Parent Company	
	2018	2017
Dividend	23	301
<b>Total</b>	<b>23</b>	<b>301</b>

Dividend of SEK 23 million (301) refers to a dividend from subsidiary Stockholmståg KB. The company is in the process of being wound up.

### Interest expense and similar items

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Interest expenses on loans	-6	-7	-6	-7
Interest-rate hedging instruments	-6	-7	-6	-7
Interest expenses to subsidiaries	-	-	-	0
Exchange rate differences	-1	0	-1	0
Other financial expenses <sup>1</sup>	-2	-5	-2	-5
<b>Total</b>	<b>-15</b>	<b>-20</b>	<b>-15</b>	<b>-20</b>

<sup>1</sup> Annuities, fees to banks and other financial expenses.

### Classification of net financial items

SEK million	Group, 2018				Gain/Loss Other comprehensive income
	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	
Fair value via Income statement					
Bonds	9		-9	0	
Amortised cost					
Cash and cash equivalents					
Receivables	4			4	
<b>Financial income</b>	<b>13</b>	<b>-</b>	<b>-9</b>	<b>4</b>	<b>-</b>
Derivatives					
Derivative instruments <sup>1</sup>		-6		-6	8
Financial liabilities measured at amortised cost					
Lease liabilities		-2		-2	
Other liabilities		-7		-7	
<b>Financial expense</b>	<b>-</b>	<b>-15</b>	<b>-</b>	<b>-15</b>	<b>8</b>

<sup>1</sup> Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 8 million before tax. SEK 6 million was transferred to net interest income from cash flow hedges.

## Financial statements

### Note 8 (cont.)

SEK million	Group, 2017				Gain/Loss Other comprehensive income
	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	
Financial assets measured at fair value via income via Income statement					
Bonds	6		11	17	
Loan receivables and accounts receivable					
Cash and cash equivalents	0				
Receivables	1			1	
<b>Financial income</b>	<b>7</b>	<b>-</b>	<b>11</b>	<b>17</b>	<b>-</b>
Derivatives					
Derivative instruments <sup>1</sup>		-7		-7	18
Financial liabilities measured at amortised cost					
Lease liabilities		-2		-2	
Other liabilities		-10		-10	
<b>Financial expense</b>	<b>-</b>	<b>-20</b>	<b>-</b>	<b>-20</b>	<b>18</b>

<sup>1</sup>Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 18 million before tax. SEK 7 million was transferred to net interest income from cash flow hedges.

SEK million	Parent Company, 2018				Gain/Loss Other comprehensive income
	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	
Fair value via Income statement					
Bonds	9		-9	0	
Amortised cost					
Receivables	4			4	
<b>Financial income</b>	<b>13</b>	<b>-</b>	<b>-9</b>	<b>4</b>	<b>-</b>
Derivatives					
Derivative instruments <sup>1</sup>		-6		-6	8
Financial liabilities measured at amortised cost					
Lease liabilities		-2		-2	
Other liabilities		-7		-7	
<b>Financial expense</b>	<b>-</b>	<b>-15</b>	<b>-</b>	<b>-15</b>	<b>8</b>

<sup>1</sup>Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 8 million before tax. SEK 6 million was transferred to net interest income from cash flow hedges.

SEK million	Parent Company, 2017				Gain/Loss Other comprehensive income
	Financial income	Financial expenses	Gain/Loss Profit	Net financial items	
Financial assets measured at fair value via income via Income statement					
Bonds	6		11	17	
Loan receivables and accounts receivable					
Receivables	1			1	
<b>Financial income</b>	<b>7</b>	<b>-</b>	<b>11</b>	<b>18</b>	<b>-</b>
Derivatives					
Derivative instruments <sup>1</sup>		-7		-7	18
Financial liabilities measured at amortised cost					
Lease liabilities		-2		-2	
Other liabilities		-10		-10	
<b>Financial expense</b>	<b>-</b>	<b>-20</b>	<b>-</b>	<b>-20</b>	<b>18</b>

<sup>1</sup>Total effect of derivative instruments recognised via other comprehensive income amounted to SEK 18 million before tax. SEK 7 million was transferred to net interest income from cash flow hedges.

## 9. Tax

### ■ Accounting policies

#### Income taxes

Recognised tax expense comprises current and deferred tax. Current tax is based on profit for the year and is calculated using the effective rate on the balance-sheet date. Tax paid or received during the current year is classified as current tax and includes the adjustment of current tax attributable to prior periods. Taxes are recognised in profit or loss except when the underlying transaction is recognised in equity, in which case the tax is also recognised in equity. Deferred tax is recognised for differences between the carrying amount and tax base of assets and liabilities, known as temporary differences. Deferred tax is measured at the tax rates that have been enacted or substantively enacted by the balance-sheet date and that are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled. Deferred tax assets arising from temporary differences and tax loss-carry forwards 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 the receivable reduced to the extent that it is no longer probable that sufficient taxable profit will be available. ■

#### Income tax expense

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax income	16	11	45	11
Current tax	-84	-151	-84	-140
<b>Tax recognised</b>	<b>-68</b>	<b>-140</b>	<b>-39</b>	<b>-129</b>

#### Deferred tax liabilities

SEK million	Group							
	Depreciation on residual value <sup>1</sup>		Leasehold improvements		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Opening balance, 1 January</b>	<b>-493</b>	<b>-492</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>	<b>-3</b>	<b>-499</b>	<b>-498</b>
Change attributable to previous years	-3	-2	-	-	0	2	-3	0
Recognised in other comprehensive income	-	-	-	-	-2	-1	-2	-1
Recognised in net profit for the year	46	1	1	0	-27	-2	20	-1
<b>Closing balance, 31 December</b>	<b>-450</b>	<b>-493</b>	<b>-2</b>	<b>-3</b>	<b>-32</b>	<b>-3</b>	<b>-484</b>	<b>-499</b>
<b>Recognised deferred tax asset/liability, net</b>							<b>-465</b>	<b>-480</b>

<sup>1</sup> Depreciation on residual value for fiscal depreciation of property, plant and equipment.

SEK million	Parent Company							
	Depreciation on residual value <sup>1</sup>		Leasehold improvements		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Opening balance, 1 January</b>	<b>-493</b>	<b>-492</b>	<b>-3</b>	<b>-4</b>	<b>-3</b>	<b>-2</b>	<b>-499</b>	<b>-498</b>
Change attributable to previous years	-3	-2	-	-	0	2	-3	0
Recognised in other comprehensive income	-	-	-	-	-2	-1	-2	-1
Recognised in net profit for the year	46	1	1	0	2	-2	49	-1
<b>Closing balance, 31 December</b>	<b>-450</b>	<b>-493</b>	<b>-2</b>	<b>-3</b>	<b>-3</b>	<b>-3</b>	<b>-455</b>	<b>-499</b>
<b>Recognised deferred tax asset/liability, net</b>							<b>-436</b>	<b>-480</b>

<sup>1</sup> Depreciation on residual value for fiscal depreciation of property, plant and equipment.

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

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Deferred tax	-1	-2	-1	-2
currency forwards				
Deferred tax on cash-flow hedges	-1	-2	-1	-2
<b>Total</b>	<b>-2</b>	<b>-4</b>	<b>-2</b>	<b>-4</b>

#### Deferred tax assets

SEK million	Group / Parent Company					
	Endowment insurance		Other		Total	
	2018	2017	2018	2017	2018	2017
<b>Opening balance, 1 January</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>3</b>	<b>19</b>	<b>11</b>
Recognised in other comprehensive income	-	-	-	-3	-	-3
Recognised in net profit for the year	-	1	0	10	0	11
<b>Closing balance, 31 December 2017</b>	<b>9</b>	<b>9</b>	<b>10</b>	<b>10</b>	<b>19</b>	<b>19</b>

## Financial statements

### Note 9 (cont.)

Reconciliation of recognised tax and the effective tax rate is explained as follows:

	Group			
	2018		2017	
	Income taxes, SEK m	Tax rate, %	Income taxes, SEK m	Tax rate, %
Tax according to applicable Swedish tax rate	-101	-22	-146	-22
Non-deductible expenses	-2	0	-1	0
Tax effect arising from tax returns for previous years	3	1	-2	0
Result from shares and participations	3	1	8	1
Deferred tax attributable to previous years	-3	-1	-	-
Tax effect from change in tax rate	29	6	0	0
Other differences	2	0	-	-
<b>Recognised tax affecting profit for the year</b>	<b>-68</b>	<b>-15</b>	<b>-140</b>	<b>-21</b>

Tax for the period was SEK -68 million (-140) in the Group. The effective rate was -15 percent (-21). The difference between the actual tax rate, 22 percent, and the effective tax rate for the period is for the most part attributable to a change in tax rate following a gov-

ernment decision to lower corporation tax effective 1 January 2019. The impact on deferred tax is to be recognised in 2018 and SJ has decided to recognise the whole of the positive effect of SEK 31 million in the second quarter.

	Parent Company			
	2018		2017	
	Income taxes, SEK m	Tax rate, %	Income taxes, SEK m	Tax rate, %
Tax according to applicable Swedish tax rate	-74	-22	-191	-22
Dividend from limited partnerships	5	1	66	8
Non-deductible expenses	-1	0	-1	0
Tax attributable to profit/loss in limited partnerships	-	-	-4	0
Tax effect arising from tax returns for previous years	3	1	-2	0
Result from shares and participations	2	1	1	0
Impairment and reversal of impairment of participations	-	-	1	0
Deferred tax attributable to previous years	-3	-1	-	-
Tax effect from change in tax rate	29	9	-	-
<b>Tax expense recognised in income statement</b>	<b>-39</b>	<b>-12</b>	<b>-129</b>	<b>-15</b>

The effective rate was -12 percent (-15) in SJ AB. The difference between the actual tax rate, 22 percent, and the effective tax rate for the period is for the most part attributable to a change in tax rate following a government decision to lower corporation tax

effective 1 January 2019. The impact on deferred tax is to be recognised in 2018 and SJ has decided to recognise the whole of the positive effect of SEK 31 million in the second quarter.

## 10. Property, plant and equipment

### ■ Accounting policies

#### *Property, plant and equipment*

Recognised at cost less accumulated depreciation and any accumulated impairment losses. The amount is reassessed annually.

#### *Rolling stock, machinery and equipment*

The cost is made up of the purchase price plus any expenses directly attributable to the asset in order to bring it to a location such that it can be used in accordance with the purpose of the purchase. These expenses relate above all to project planning and interest payments

during the construction period. Additional expenses are recognised as an asset only when it is probable that the future economic benefits will flow to SJ and that the cost of the asset can be measured reliably. All other forms of repair and maintenance are recognised as costs in the income statement in the period in which they incurred.

#### *Construction in progress*

Non-current assets that are delivered but not yet in use are recognised as construction in progress. For example, rolling stock that is not yet in service due to pending inspection, testing or modification is recognised as construction in progress. ■

## Note 10 (cont.)

SEK million	Group, 2018				
	Leased building	Rolling stock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	14,109	247	1,020	15,435
Investments	-	144	4	360	508
Sales/disposals	-	-1,249	-8	-	-1,257
Reclassifications	-	132	1	-133	0
<b>Accumulated cost, 31 December</b>	<b>59</b>	<b>13,136</b>	<b>244</b>	<b>1,247</b>	<b>14,686</b>
Accumulated depreciation, 1 January	-38	-8,226	-165	-	-8,429
Depreciation for the year	-3	-628	-24	-	-656
Sales/disposals	-	29	5	-	34
<b>Accumulated depreciation, 31 December</b>	<b>-42</b>	<b>-8,825</b>	<b>-184</b>	<b>-</b>	<b>-9,051</b>
Accumulated impairment, 1 January	-	-1,665	-	-	-1,665
Impairment losses for the year	-	-4	-	-	-4
Sales/disposals	-	1,219	-	-	1,219
<b>Accumulated impairment, 31 December</b>	<b>-</b>	<b>-449</b>	<b>-</b>	<b>-</b>	<b>-449</b>
<b>Carrying amount, 31 December</b>	<b>18</b>	<b>3,862</b>	<b>59</b>	<b>1,247</b>	<b>5,185</b>

Investments in the year related mainly to the upgrade and modernisation of all of SJ's X 2000s. The total investment in both comfort and technology is estimated at SEK 3.5 billion, of which the technical upgrade is calculated at around SEK 1.4 billion. The upgrade is expected to continue until 2020 and the train sets will be deployed as completed. The Group and Parent Company have future investment undertakings of SEK 2,102 million (2,102) regarding upgrading of all SJ's X 2000s.

Construction in progress relate to property, plant and equipment not yet placed in service, consisting of investments primarily for upgrading all of SJ's X 2000s, as well as a number of major rolling stock overhauls.

Impairments for the year refer to replacement of windscreens on all SJ 3000s.

SEK million	Group, 2017				
	Leased building	Rolling stock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	13,931	244	710	14,944
Investments	-	77	4	447	528
Sales/disposals	-	-32	-5	-	-37
Reclassifications	-	133	4	-137	0
<b>Accumulated cost, 31 December</b>	<b>59</b>	<b>14,109</b>	<b>247</b>	<b>1,020</b>	<b>15,435</b>
Accumulated depreciation, 1 January	35	-7,597	-142	-	-7,774
Depreciation for the year	-3	-661	-28	-	-692
Sales/disposals	-	32	5	-	37
<b>Accumulated depreciation, 31 December</b>	<b>-38</b>	<b>-8,226</b>	<b>-165</b>	<b>-</b>	<b>-8,429</b>
Accumulated impairment, 1 January	-	-1,665	-	-	-1,665
<b>Accumulated impairment, 31 December</b>	<b>-</b>	<b>-1,665</b>	<b>-</b>	<b>-</b>	<b>-1,665</b>
<b>Carrying amount, 31 December</b>	<b>21</b>	<b>4,218</b>	<b>82</b>	<b>1,020</b>	<b>5,341</b>

SEK million	Parent Company, 2018				
	Leased building	Rolling stock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	14,108	243	1,020	15,430
Investments	-	144	4	360	508
Sales/disposals	-	-1,248	-7	-	-1,255
Reclassifications	-	132	1	-133	0
<b>Accumulated cost, 31 December</b>	<b>59</b>	<b>13,136</b>	<b>241</b>	<b>1,247</b>	<b>14,683</b>
Accumulated depreciation, 1 January	-38	-8,225	-162	-	-8,425
Depreciation for the year	-3	-628	-25	-	-656
Sales/disposals	-	28	3	-	31
<b>Accumulated depreciation, 31 December</b>	<b>-42</b>	<b>-8,825</b>	<b>-184</b>	<b>-</b>	<b>-9,051</b>
Accumulated impairment, 1 January	-	-1,665	-	-	-1,665
Impairment losses for the year	-	-4	-	-	-4
Sales/disposals	-	1,219	-	-	1,219
<b>Accumulated impairment, 31 December</b>	<b>-</b>	<b>-449</b>	<b>-</b>	<b>-</b>	<b>-449</b>
<b>Carrying amount, 31 December</b>	<b>18</b>	<b>3,862</b>	<b>57</b>	<b>1,247</b>	<b>5,183</b>

## Financial statements

Note 10 (cont.)

SEK million	Parent Company, 2017				
	Leased building	Rolling stock	Machinery and equipment	Construction in progress	Total property, plant and equipment
Accumulated cost, 1 January	59	14,014	235	710	15,018
Investments	-	77	4	447	528
Sales/disposals	-	-116	-	-	-116
Reclassifications	-	133	4	-137	0
<b>Accumulated cost, 31 December</b>	<b>59</b>	<b>14,108</b>	<b>243</b>	<b>1,020</b>	<b>15,430</b>
Accumulated depreciation, 1 January	35	-7,596	-135	-	-7,766
Depreciation for the year	-3	-661	-27	-	-691
Sales/disposals	-	32	-	-	32
Reclassifications	-	-	-	-	0
<b>Accumulated depreciation, 31 December</b>	<b>-38</b>	<b>-8,225</b>	<b>-162</b>	<b>-</b>	<b>-8,425</b>
Accumulated impairment, 1 January	-	-1,671	-	-	-1,671
Reclassifications	-	6	-	-	6
<b>Accumulated impairment, 31 December</b>	<b>-</b>	<b>-1,665</b>	<b>-</b>	<b>-</b>	<b>-1,665</b>
<b>Carrying amount, 31 December</b>	<b>21</b>	<b>4,218</b>	<b>80</b>	<b>1,020</b>	<b>5,339</b>

## 11. Intangible assets

### ■ Accounting policies

#### Intangible assets

Under the main rule, 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 benefit will flow to the Group,
- the Group can measure the cost in a reliable way.

#### Capitalised development expenditure

Recognised at cost less accumulated depreciation and any accumulated impairment losses. Identifiable development expenditures 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 expenditures for systems are recognised as construction in progress under intangible assets, until the date the systems are placed in service by the Group. ■

Group, SEK m	2018			2017		
	Trademark	Capitalised development expenditure	Total	Trademark	Capitalised development expenditure	Total
Accumulated cost, 1 January	240	990	1,230	240	940	1,180
Investments	-	58	58	-	67	67
Sale/disposal	-	-	-	-	-17	-17
<b>Accumulated cost, 31 December</b>	<b>240</b>	<b>1,048</b>	<b>1,288</b>	<b>240</b>	<b>990</b>	<b>1,230</b>
Accumulated depreciation, 1 January	-240	-736	-976	-240	-654	-894
Depreciation for the year	-	-93	-93	-	-99	-99
Impairment losses for the year	-	-1	-1	-	-	-
Sale/disposal	-	-	-	-	17	17
<b>Accumulated depreciation, 31 December</b>	<b>-240</b>	<b>-830</b>	<b>-1,070</b>	<b>-240</b>	<b>-736</b>	<b>-976</b>
<b>Carrying amount, 31 December</b>	<b>0</b>	<b>218</b>	<b>218</b>	<b>0</b>	<b>254</b>	<b>254</b>

Parent Company, SEK m	2018			2017		
	Trademark	Capitalised development expenditure	Total	Trademark	Capitalised development expenditure	Total
Accumulated cost, 1 January	240	990	1,230	240	923	1,163
Investments	-	58	58	-	67	67
Sales/disposals	-	-	-	-	-	0
<b>Accumulated cost, 31 December</b>	<b>240</b>	<b>1,048</b>	<b>1,288</b>	<b>240</b>	<b>990</b>	<b>1,230</b>
Accumulated depreciation, 1 January	-240	-736	-976	-240	-637	-877
Depreciation for the year	-	-93	-93	-	-99	-99
Impairment losses for the year	-	-1	-1	-	-	-
<b>Accumulated depreciation, 31 December</b>	<b>-240</b>	<b>-830</b>	<b>-1,070</b>	<b>-240</b>	<b>-736</b>	<b>-976</b>
<b>Carrying amount, 31 December</b>	<b>0</b>	<b>218</b>	<b>218</b>	<b>0</b>	<b>254</b>	<b>254</b>

SJ's intangible assets are classified into trademark and capitalised development expenditure. The trademark arose when SJ took over passenger services from Statens Järnvägar (the Swedish State Railways) at conversion to limited liability company status in 2001. The

amortisation period was 10 years, and thus the item was fully amortised as of 31 December 2018. Capitalised development expenditure refers primarily to development expenses for business-related IT systems.

## 12. Shares in subsidiaries

### Accounting policies

#### Subsidiaries

Subsidiaries are the companies for which SJ AB, directly or indirectly, has a controlling interest in the subsidiary. A controlling interest exists if SJ AB has influence over the subsidiary, is exposed to or has a right to variable returns from its involvement and is able to use its influence to affect these returns.

#### The acquisition method

The consolidated financial statements are prepared using the acquisition method. In this method, the assets, liabilities and contingent liabilities of subsidiaries acquired are recognised at fair value based on an acquisition analysis drawn up. 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.

#### Recognition of participations in subsidiaries

SJ AB recognises participations in subsidiaries at cost. Dividends received are recognised in profit or loss. Values are tested at least once a year for impairment. ■

### Shares in subsidiaries

SEK million	Parent Company	
	2018	2017
Accumulated cost, 1 January	93	93
Acquisitions and capital contributions	-	-
Liquidation	-	-
Impairment	-	-
<b>Accumulated cost 31 December</b>	<b>93</b>	<b>93</b>

### Specification of Parent Company holdings of shares and participations in subsidiaries, with carrying amounts at year-end

Company	Corp. Reg. No.	Reg. office	No. of participations	Stakeholding, %	Carrying amount, 31/12/18, SEK m	Carrying amount, 31/12/17, SEK m
SJ Event AB	556577-3008	Stockholm	1,000	100	0	0
SJ Invest AB	556022-1755	Stockholm	700,000	100	85	85
SJ Götalandståg AB	556083-2098	Stockholm	5,000	100	1	1
SJ Adventure AB	556064-8692	Stockholm	5,000	100	1	1
Enterertainment AB	556034-4235	Malmö	1,605	100	0	0
SJ Norrlandståg AB	556196-5418	Stockholm	1,000	100	0	0
SJ Service Academy AB	556596-9630	Stockholm	1,000	100	0	0
Stockholmståg KB <sup>1</sup>	969704-4239	Stockholm	1,000	100	0	0
FlyRail AB	556773-5252	Stockholm	100,000	100	0	0
SJ Danmark A/S	33 372 477	Copenhagen	500	100	4	4
SJ Norge AS	917 587 728	Oslo	1,030,000	100	3	3
<b>Total</b>					<b>93</b>	<b>93</b>

<sup>1</sup> SJ is a full partner and SJ Invest a general partner in Stockholmståg. Participations are divided in the Group between SJ AB (68 percent) and SJ Invest (32 percent).

The equity share corresponds to the share of voting rights.

## 13. Participations in associated companies

### Accounting policies

#### Associated companies

Associated companies are companies over which SJ AB has significant influence. If SJ AB holds no less than 20 percent of the voting rights in the associated company, directly or indirectly, the owner is considered to have a significant influence, unless otherwise clearly demonstrated.

#### Recognition of participations in associated companies

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

Associated companies are consolidated using the equity method, whereby participations in associated companies are recognised at cost on the acquisition date and subsequently adjusted according to SJ AB's share of the change in net assets. SJ AB's profit includes the owner company's share of the associated company's profits. ■

### Share of profit of associated companies

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Share in earnings from associated companies for the year	21	32	-	0
Dividend	-	-	10	11
Gain/loss on liquidation	-	-	1	-
Dissolved reserve or reversal of reserve for future losses in associates	-	6	-	-
<b>Total</b>	<b>21</b>	<b>38</b>	<b>11</b>	<b>11</b>

The equity share corresponds to the share of voting rights. The share of earnings from associated companies for the year pertains for the most part to SilverRail Technologies AB.

## Financial statements

### Note 13 (cont.)

SEK million	Group		Parent Company	
	2018	2017	2018	2017
Cost, 1 January	35	35	22	22
<b>Accumulated cost, 31 December</b>	<b>35</b>	<b>35</b>	<b>22</b>	<b>22</b>
Accumulated share of earnings, 1 January	33	7	-	-
Dividend received	-10	-7	-	-
Share of earnings in associated companies for the year	21	32	-	-
Disposals of associated companies during the year	-1	-	0	-
<b>Accumulated share in earnings, 31 December</b>	<b>43</b>	<b>33</b>	<b>0</b>	<b>0</b>
Accumulated impairment, 1 January	-8	-8	-8	-8
<b>Accumulated impairment, 31 December</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>	<b>-8</b>
<b>Carrying amount, 31 December</b>	<b>69</b>	<b>60</b>	<b>13</b>	<b>13</b>

### Specification of Group and Parent Company holdings of shares in associated companies and carrying amount

	Corp. Reg. No.	Reg. office	No. of shares	Equity share, %	Group		Parent Company	
					31/12/18	31/12/17	31/12/18	31/12/17
Sveriges Kommunikationer AB	556005-5955	Stockholm	1,400	50	2	2	1	1
Kust till Kust AB	556481-7822	Karlskrona	60	25	-	0	0	0
Trafik i Mälardalen AB <sup>1</sup>	556083-1959	Stockholm	400	50	-	1	-	0
Botnietåg AB	556801-1828	Stockholm	40,000	40	29	20	0	0
Vänertåg AB	556848-9016	Stockholm	250	50	0	0	0	0
SilverRail Technologies AB	556577-2984	Stockholm	125,250	25	38	37	13	13
<b>Total participations in associated companies, SEK m</b>					<b>69</b>	<b>60</b>	<b>13</b>	<b>13</b>

<sup>1</sup>The company was liquidated in 2018.

### Specification of associated companies' assets, liabilities, income and earnings

SEK million	Corp. Reg. No.	Reg. office	2018				2017			
			Assets	Liabilities	Income	Earnings	Assets	Liabilities	Income	Earnings
Sveriges Kommunikationer AB	556005-5955	Stockholm	5	2	-	0	5	2	0	0
Kust till Kust AB	556481-7822	Karlskrona	0	0	0	0	0	0	0	0
Trafik i Mälardalen AB <sup>1</sup>	556083-1959	Stockholm	-	-	-	-	3	1	5	0
Botnietåg AB	556801-1828	Stockholm	74	1	3	4	79	10	118	51
Vänertåg AB	556848-9016	Stockholm	0	0	-	-	0	0	-	-
SilverRail Technologies AB	556577-2984	Stockholm	227	113	259	45	282	186	222	36
<b>Total, associated companies</b>			<b>306</b>	<b>116</b>	<b>262</b>	<b>49</b>	<b>369</b>	<b>199</b>	<b>345</b>	<b>87</b>

<sup>1</sup>The company was liquidated in 2018.

## 14. Accounts receivable

### Default

SJ prevents credit risk by obtaining credit information on customers in the private invoicing and other receivables segment. SJ frames rules on providing credit that enable a balanced level of risk. Around 7 percent of SJ's ticket revenue is made up of payment by invoicing or instalments. In private invoicing, receivables are written off in consultation with SJ's provider of debt collection services. Cases may be sent to the Enforcement Authority based on an assessment of the possibilities for resolution. Receivables that are long overdue may be sold, as a result of which SJ has a certain amount of its loss covered. Regarding receivables from companies, credit reports are obtained including a detailed assessment of ability to pay. In general, a receivable is regarded as being in default if due within 90 days. When one or more of the following criteria are fulfilled, SJ judges whether a receivable on a private invoice is a confirmed bad debt loss.

- SJ's provider of debt collection services or the Enforcement Authority has not succeeded in resolving the case.
- It is judged not commercially justifiable to pursue the case to an order for payment.
- The receivable is time-barred.

When the following criteria are fulfilled, SJ judges whether a receivable in the category of other receivables is a confirmed bad debt loss.

- SJ's provider of debt collection services or the Enforcement Authority has not succeeded in resolving the case.
- The receivable is time-barred.
- The company has filed for bankruptcy.

### Accounts receivable, incl. age distribution

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
<30 days	161	212	72	124
30-60 days	-	3	-	3
60-90 days	-1	1	-1	1
> 90 days	30	17	30	16
Settlement accounts	73	-3	72	-2
<b>Total</b>	<b>263</b>	<b>230</b>	<b>174</b>	<b>143</b>
<i>Of which, bad debts:</i>				
Bad debts, 1 January	13	12	13	12
Provision for anticipated losses	-2	2	-2	2
Confirmed losses	-5	-1	-5	-1
<b>Bad debts, 31 December</b>	<b>5</b>	<b>13</b>	<b>5</b>	<b>13</b>

### Impairment

SJ uses the simplified approach described in IFRS 9 and categorises accounts receivable in three groups based on SJ's activities, that is, independent commercial services and tendered services. Tendered services represent a very low risk, as the services are procured by regional public transport authorities (PTAs) consisting of various county transport corporations. Private invoicing is aimed



## Note 14 (cont.)

at Swedish private individuals, where the risk is considered higher. Other invoicing refers to corporate sales.

- Private invoicing
- PTA invoicing
- Other invoicing

The model comprises a matrix based on historical information on credit losses within the different categories. In each category, accounts receivable are apportioned over a matrix based on how many days that the receivables are overdue. The expected credit loss for invoices not yet overdue is based on a historical average and increases accordingly based on the number of days that the receivable is overdue.

SJ applies two macro variables in assessment of the anticipated credit loss, GDP growth and the trend of unemployment, which are considered to have major influence on the ability to pay, both for private customers and businesses. Assumptions are obtained from several different banking institutions and are weighed up. The transitional impact from the change to IFRS 9 was SEK 0 million.

## 15. Other receivables

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
VAT and tax assets	129	97	129	97
Claim, insurance compensation	9	44	8	44
Tax account	133	205	120	204
Other receivables	16	18	14	12
<b>Total</b>	<b>288</b>	<b>365</b>	<b>271</b>	<b>356</b>

The lower receivable from insurance claims pertains to settlement of a claim for compensation for damage.

## 16. Prepaid expenses and accrued income

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Prepaid rolling stock costs	47	29	42	29
Prepaid leasing costs	54	47	53	46
Licences and other IT costs	28	27	28	27
Other prepaid expenses	16	20	16	17
Accrued interest income	3	2	3	2
Other accrued income	73	14	40	14
<b>Total</b>	<b>222</b>	<b>139</b>	<b>184</b>	<b>135</b>

On 1 July 2018, new railway legislation entered into force. The law gives carriers the right to compensation from infrastructure managers for costs arising from the carrier's binding obligations towards passengers, known as the right of recourse. Under the new law, the carrier may demand compensation for costs in connection with, for example, replacement services and delay compensation payments in cases where the delay is attributable to STA or other infrastructure manager.

Other accrued income consists, for example, of right of recourse claims on STA. Other prepaid expenses refer for the most part to future insurance premiums.

## 17. Financial instruments and financial risk management

### Accounting policies

#### Recognition and measurement

A financial instrument is any type of contract that gives rise to a financial asset, a financial liability or an equity instrument in another company. At initial recognition, financial instruments are measured at fair value including directly attributable transaction expenses, except for financial assets measured at fair value in profit or loss. Subsequent measurements are made at fair value or amortised cost using the effective interest method, depending on which business model the financial instrument is classified in, hold to collect, hold to col-

lect and sell or hold to sell. The value change is recognised in other comprehensive income or in profit or loss.

#### Fair value

There are three levels of valuation. Level 1 is used when there is an active market in the financial instruments. In such cases, the fair value corresponds to the prices quoted in active markets for identical assets or liabilities. If there is no active market according to Level 1, input data other than quoted prices as in Level 1 are used. Such input data represent 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 by comparison with similar instruments, or by observing the interest rate projection 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. In such cases, fair value is measured at 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, since discounting does not have any material effect.

#### 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 cash flows associated with the financial instrument through to maturity.

#### Recognition on the balance sheet

A financial asset is recognised on the balance sheet either on the day of the transaction, that is when the Group becomes party to the conditions, or on the settlement date, at cost.

#### Derecognition from the balance sheet

A financial asset is wholly or partly derecognised from the balance sheet when the contractual rights to the cash flows from the asset cease, or when the Group transfers such contractual rights to receive the cash flows. A financial liability is partially or fully derecognised from the balance sheet when the contractual obligation is discharged, cancelled or expired.

#### Classification

In the Group, financial assets are classified into three distinct business categories:

- Amortised cost
- Fair value via other comprehensive income
- Fair value via Income statement

Financial liabilities classified as financial liabilities measured at amortised cost. Derivatives are also held. If a derivative has a negative value, it constitutes a financial liability. All SJ's derivatives are recognised at fair value via other comprehensive income based on hedge accounting.

This note describes all of SJ's financial instruments according to their classification category, valuation principle and valuation method (level).

#### Fair value via Income statement

Includes financial assets held to generate value via sale or value growth. The proportion of the Group's derivative instruments that are not identified as hedges is recognised at fair value in profit or loss. Holdings of non-current securities, shares, participations and bonds are included in this category. Settlement date accounting is used for this category of asset, except for derivatives, which are recognised on the transaction date.

#### Amortised cost

Includes financial instruments held to accumulate contractual cash flows. Settlement-date accounting is used for this category of financial assets, which are measured at amortised cost using the effective interest method.

This includes, for example, accounts receivable, loan receivables, other receivables and cash and bank deposits. These are included in current assets, except for items with maturities greater than 12 months after the balance-sheet date. Transaction-day accounting is applied to financial assets in this category.

## Financial statements

### Note 17 (cont.)

#### *Fair value via other comprehensive income*

Includes financial assets held to accumulate contractual cash flows and via certain sales. Assets that are not derivatives or have not been classified at amortised cost or fair value via the income statement. Changes in value are recognised via other comprehensive income. SJ does not hold any instruments in accordance with this business model.

#### *Financial liabilities measured at amortised cost*

This category includes loans and trade accounts payable, among others. Liabilities in this category are measured at amortised cost using the effective interest method. Transaction-date accounting is applied to accounts payable.

#### *Derivatives*

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, any change in value of a 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 floating interest-rate risk, SJ uses interest-rate derivatives, which are measured at fair value, and any change in value is also recognised directly in other comprehensive income in the hedging reserve. If the hedging relationship is terminated on 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 duration in the debt portfolio, the surplus or deficit is recognised as accrued in profit or loss up to the date when the interest rate derivative would have matured. 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.

#### *Assets and liabilities in foreign currency*

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

### Financial assets

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

Securities held as non-current assets are measured at fair value via the income statement. SJ's holdings consist mainly of shares in unlisted companies, over which the Group does not have significant influence. Surplus liquidity is invested on non-current holdings of securities, with the aim of earning interest income, minimising interest expense and improving net financial items.

### Management of financial risks

SJ's operations give rise to a substantial financing requirement that entails financial risk. SJ also conducts financial operations on a major scale, in the form of payment transactions, cash receipts, credits, investments and currency transactions. To minimise financial risks, the Board has adopted a financial policy that provides directives for day-to-day financial management. The financial policy lays down limits regarding, for example, loan maturity, interest-rate maturity and permitted currency exposure, as well as investment guidelines with rating requirements and thresholds. The financial policy delegates responsibility to the CFO. The purpose of the financial policy is to determine:

- the goals for financial operations in the SJ Group,
- frameworks for how financial management is to be organised,
- identified financial risks and appropriate mandates for such risks, and
- frameworks for reporting and following up financial operations.

#### *Market risk*

Refers to a company's exposure to changes in the financial markets. SJ's operations are capital-intensive and some of the Company's property, plant and equipment are debt-financed through bank

loans. The following risks are ranked on the basis of SJ's assessment of which risk is most material to SJ.

#### *Credit and counterparty risk*

The risk that the counterparty to a transaction is unable to fulfil its obligations, as a result of which SJ incurs a loss. SJ is exposed to this risk above all when liquidity is invested in financial assets, but also in financial derivatives, in guarantees and in the granting of commercial loans. SJ's financial policy prescribes how liquid funds may be invested. Counterparties to short-term investments are required to have a credit rating of K-1 or higher. 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 no less than A-rating and in Nordic companies with BBB-rating. In order to limit concentration risk, limits apply to amounts per counterparty.

On the balance-sheet date, 31 December 2018, total counterparty exposure in investments amounted to SEK 1,589 million (1 614). Of the total counterparty exposure, financial assets measured at fair value totalled SEK 1,589 million (1 614). On 31 December 2018, the market value of SJ's bonds with a maturity exceeding 1 year amounted to SEK 1,127 million (1 575).

All SJ's balances are measured at fair value and can be measured on the basis of prices in active markets. They are therefore included in either hierarchy level 1 or hierarchy level 2, with future cash flows discounted at the market rates on the balance sheet date.

#### *Financing and liquidity risk*

The risk represented by loan rescheduling, fulfilment of payment obligations, limited funding opportunities or a substantial change in the price situation. SJ's financing sources primarily consist of cash flow from operating activities, and borrowing.

Interest-bearing borrowing consists of long-term covered bank loans with Nordiska Investeringsbanken at floating interest rates. SJ also has a lease with Jernhusen AB on a maintenance workshop which, in view of the long fixed-interest 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 when needed, the financial policy prescribes that SJ must at all times be able to assure a liquidity reserve of at least SEK 500 million. It must be possible to draw on this reserve within three business days. The reserve includes cash, market-listed financial investments that can be converted within three business days, and unused confirmed credit lines. On the balance-sheet date, funds available for operations within three days totalled SEK 1,658 million (1,635). These funds can be converted to cash funds in the case of planned and unplanned needs. In addition, unutilised credit facilities amounted to SEK 100 million (100) on the balance-sheet date.

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

#### *Interest-rate risk*

Refers to the risk that the Group's financing costs and return on cash and cash equivalents are 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 maintained within the range of 1-3 years. Settlement is permitted for cash and floating-rate investments.

On the balance-sheet date, the average fixed-interest term for the Group's interest-bearing borrowings was 0.7 years (0.7). After settlement for cash and floating-rate investments, the interest-rate duration is calculated in 2.4 years (2.5) net.

The value of the interest-rate swaps held by SJ to extend the average fixed-interest term is instantly affected when market rates change. On the balance-sheet date, the market value of SJ's outstanding interest-rate derivatives was SEK -4 million (-8). See also, Sensitivity analysis, below.

#### *Currency risk*

SJ's currency exposure consists for the most part of transaction exposure, that is, payments in foreign currency in connection with investments, and purchase or sale of goods and/or services. SJ's maximum net exposure in foreign currencies for purposes other than hedging must, according to its financial policy, not exceed the

## Note 17 (cont.)

equivalent of SEK 100 million. Major investments are continuously hedged through the foreign exchange market.

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

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

On the balance-sheet date, SJ had outstanding currency derivatives in zloty regarding major investments with a nominal value of SEK 142 million (103). The fair value of these positions was SEK -1 million (0). These currency derivatives and the result of roll-overs are subject to hedge accounting. On the balance sheet date, unhedged foreign currency exposure totalled SEK 5 million (11). A change of 10 percent in exchange rates would have an impact of 1 percent (1) on income. ■

## Analysis of maturities of financial liabilities outstanding

SEK million	Group / Parent Company			
	31/12/18		31/12/17	
	Interest and repayments	Cash flow	Interest and repayments	Cash flow
<b>Financial liabilities</b>				
Within 1 year	707	707	687	687
1-2 years	109	109	110	110
2-3 years	110	110	110	110
3-4 years	361	361	110	110
4 years	79	79	361	361
5 years or more	263	263	336	336
<b>Total</b>	<b>1,629</b>	<b>1,629</b>	<b>1,714</b>	<b>1,714</b>
Less current portion	-707	-707	-687	-687
<b>Total, non-current portion</b>	<b>922</b>	<b>922</b>	<b>1,027</b>	<b>1,027</b>

Financial liabilities consist of current liabilities, bank loans and workshop rental, which are treated as lease liabilities.

## Financial derivative instruments

SEK million	Group / Parent Company			
	31/12/18		31/12/17	
	Nominal value	Fair value	Nominal value	Fair value
Interest-rate swaps	200	-4	300	-8
Currency forward contracts, positive	142	-1	103	0
<b>Total</b>	<b>342</b>	<b>-5</b>	<b>403</b>	<b>-8</b>

At the end of 2018, the total market value of derivatives held for hedging purposes, including financial hedging, was SEK -5 million (-8). Of these, the market value of derivatives that qualified for hedge accounting was negative, SEK -5 million (-8).

## Maturity structure of derivatives

SEK million	Group / Parent Company			
	31/12/18	31/12/17	31/12/18	31/12/17
	Interest rate swaps	Interest rate swaps	Currency forward contracts	Currency forward contracts
Within 1 year	100	100	142	103
1-2 years	-	100	-	-
2-3 years	-	-	-	-
3-4 years	100	-	-	-
4 years	-	100	-	-
5 years or more	-	-	-	-
<b>Total</b>	<b>200</b>	<b>300</b>	<b>142</b>	<b>103</b>

## Sensitivity analysis

SJ's borrowings consist mainly of bank loans at floating interest rates based on three or six-month STIBOR.

To manage interest-rate exposure and achieve the desired fixed-interest term, interest-rate swaps are used, which changes the floating rate to a fixed rate. SJ's interest-bearing borrowings on 31 December 2018 totalled SEK 962 million (1,058).

Because two interest-rate swaps with a total nominal value of SEK 200 million (300) have been entered into, SJ's variable liability on 31 December 2018 totalled SEK 762 million (758). Accordingly, SJ's direct exposure at change of +1 percent in interest rates would amount to around SEK -8 million annually. SJ's interest rate swaps of SEK 200 million have an average term to maturity of 2.4 years, which at a +1 percent shift in the yield curve results in an increase of around SEK 5 million in value, which is recognised in other comprehensive income.

Of SJ's available liquidity of SEK 1,658 million, SEK 1,110 million has been invested with maturities of less than one year, or in FRN bonds. These investments cover SJ's direct transaction exposure arising from its debt portfolio. A +1 percent shift in the interest-rate curve would have a positive earnings impact of SEK 4 million for SJ annually.

## Sensitivity analysis

SEK million	Volume	Change in value	Impact on income over a year
<b>Change in interest rates, +1%</b>			
Interest-bearing borrowings	962		-8
Interest-rate hedging instruments	200	5	3
<b>Transaction exposure in debt portfolio</b>			
	<b>762</b>		<b>-8</b>
Short-term investments and FRN bonds	1,140		4
<b>Total exposure</b>	<b>-378</b>		<b>4</b>
Fixed-rate bond portfolio	518	9	4

On the balance-sheet date, SJ had funds of SEK 5 million (4) in foreign currencies for purposes other than hedging, resulting in an impact of SEK 1 million (0) on earnings, given a 10 percent change in the value of SEK against other currencies.

## Financial statements

Note 17 (cont.)

### Business category financial instruments

SEK million	Category according to IFRS 9	Category according to IAS 39	Note	Group			
				31/12/18, IFRS 9		31/12/17, IAS 39	
				Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current assets</b>							
Other non-current receivables	Amortised cost	Loan receivables and accounts receivable		71	71	-	-
<b>Current assets</b>							
Accounts receivable and other receivables	Amortised cost	Loan receivables and accounts receivable	14, 15	551	551	595	595
<b>Short-term investments</b>							
Bonds	Fair value via Income statement	Financial assets measured at fair value via the income statement		1,518	1,518	1,614	1,614
<b>Total current assets</b>				<b>2,141</b>	<b>2,141</b>	<b>2,209</b>	<b>2,209</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	Amortised cost	Loan receivables and accounts receivable		191	191	70	70
<b>Total cash and cash equivalents</b>				<b>191</b>	<b>191</b>	<b>70</b>	<b>70</b>
<b>Derivatives</b>							
Interest rate swaps	Derivatives/hedge accounting	Derivatives identified as hedging instruments		-4	-4	-8	-8
<b>Total derivatives</b>				<b>-4</b>	<b>-4</b>	<b>-8</b>	<b>-8</b>
<b>Financial liabilities</b>							
Bank loans	Amortised cost	Financial liabilities measured at amortised cost	23	945	945	1,040	1,040
Accounts payable and other liabilities	Amortised cost	Financial liabilities measured at amortised cost		599	599	579	579
<b>Total financial liabilities</b>				<b>1,544</b>	<b>1,544</b>	<b>1,619</b>	<b>1,619</b>

SEK million	Category according to IFRS 9	Category according to IAS 39	Note	Parent Company			
				31/12/18, IFRS 9		31/12/17, IAS 39	
				Carrying amount	Fair value	Carrying amount	Fair value
<b>Non-current assets</b>							
Other non-current receivables	Amortised cost	Loan receivables and accounts receivable		71	71	-	-
<b>Current assets</b>							
Accounts receivable and other receivables	Amortised cost	Loan receivables and accounts receivable	14, 15	445	445	500	500
<b>Short-term investments</b>							
Bonds	Fair value via Income statement	Financial assets measured at fair value via the income statement		1,518	1,518	1,614	1,614
<b>Total current assets</b>				<b>2,034</b>	<b>2,034</b>	<b>2,114</b>	<b>2,114</b>
<b>Cash and cash equivalents</b>							
Cash and cash equivalents	Amortised cost	Loan receivables and accounts receivable		190	190	69	69
<b>Total cash and cash equivalents</b>				<b>190</b>	<b>190</b>	<b>69</b>	<b>69</b>
<b>Derivatives</b>							
Interest rate swaps	Derivatives/hedge accounting	Derivatives identified as hedging instruments		-4	-4	-8	-8
<b>Total derivatives</b>				<b>-4</b>	<b>-4</b>	<b>-8</b>	<b>-8</b>
<b>Financial liabilities</b>							
Bank loans	Amortised cost	Financial liabilities measured at amortised cost	23	945	945	1,040	1,040
Accounts payable and other liabilities	Amortised cost	Financial liabilities measured at amortised cost		536	536	525	525
<b>Total financial liabilities</b>				<b>1,481</b>	<b>1,481</b>	<b>1,565</b>	<b>1,565</b>

## Note 17 (cont.)

## Hierarchy Level 2 for financial instruments measured at fair value.

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Hierarchy 2	1,584	1,606	1,584	1,606
<b>Total financial instruments measured at fair value</b>	<b>1,584</b>	<b>1,606</b>	<b>1,584</b>	<b>1,606</b>

Level 2 – Financial instruments whose fair value is determined using valuation techniques based on observable data for the asset or liability other than quoted prices included within Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). In SJ's case, these relate to quotations in information systems or valuation data from banks, which are in their turn based on information systems.

## Current assets

Trade receivables are carried at the amounts in which they are expected to be received. The total amount has been adjusted for anticipated credit losses in the loan portfolio.

Short-term investments included in the category of current assets are investments with a term to maturity of more than three months. Bonds are held for the purpose of enhancing the return from SJ's financial assets. The bond portfolio is categorised as available for sale and is continuously measured at fair value in profit or loss.

## Short-term investments

The Group's short-term investments comprise financial instruments with a maturity of 91 days to one year, together with 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 bank balances, together with short-term, high-liquidity investments such as commercial paper with a maximum maturity of 90 days from the date of acquisition that are readily convertible to a known amount of cash and subject only to an insignificant risk of changes in value.

The Parent Company's cash and cash equivalents comprise cash on hand and demand deposits at banks and similar institutions. These subject to an insignificant credit reserve in view of the high creditworthiness of the counterparties and the short interest term.

Commercial paper is classified as cash and cash equivalents if its maturity is less than three months.

## Derivatives

Derivatives comprise derivatives outstanding at the balance-sheet date, which were valued at SEK -4 million (-8).

## Financial liabilities

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

SJ's credit terms for bank loans are assumed according to an approximate estimate to be in line with the market, and since the liabilities carry variable STIBOR-based interest rates, including credit margin, the carrying amount for 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 in the amounts expected to be settled.

## Interest-rate fixing and borrowings

On 31 December 2018, the average interest rate for total outstanding long-term, interest-bearing liabilities was 0.5 percent (0.5) excluding interest rate derivatives, and 0.8 percent (1.0) including fixed-income derivatives.

SJ also has an unutilised credit line of SEK 100 million (100) with Handelsbanken AB.

On the balance-sheet date, the Group's total loan commitments granted had an average maturity of 3.8 years (4.2).

## 18. Equity

## Group

## Hedging reserves

For certain derivatives, interest-rate swaps and currency forwards, hedge accounting is used, which means that any change in value and the result of any extension of currency forward contracts is taken to equity in the balance sheet via other comprehensive income. At the balance-sheet date, derivatives totalled SEK 12 million (-6).

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

Any change in the value of derivatives, that is, gains and losses attributable to non-settled cash flow hedges, is recognised against reserves within equity in order later to be taken to the income statement as a hedged transaction.

## Deferred tax on cash-flow hedges

Deferred tax is recognised in other comprehensive income.

## Specification of reserves, other comprehensive income

SEK million	Group	
	Hedging reserves	
	2018	2017
Opening balance, 1 January	6	-9
Change in value, extension of currency forward contracts	4	11
Change in value of cash-flow hedges	-2	0
To the income statement	6	8
Tax effect	-2	-4
<b>Closing balance, 31 December</b>	<b>12</b>	<b>6</b>

## Retained earnings, including profit for the year

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

## Parent Company

Following an amendment to the Swedish Annual Accounts Act, in the event of capitalisation of own development expenditure made after 1 January 2016, an amount of equal size must be set aside in a capitalised development reserve under equity to limit the ability to pay dividend. Accordingly, SEK 24 million (45) was transferred to the capitalised development reserve for 2018.

## Share capital

According to the Articles of Association for SJ AB, the share capital is to amount to no less than SEK 400 million (400) and no more than SEK 1,600 million (1,600). All shares are fully paid. No shares are held by the Company itself or its subsidiaries. SJ AB has no Class A shares, Class B shares or preference shares. The number of shares is 4,000,000 and the quotient value is SEK 100 per share.

## Restricted and unrestricted reserves

Equity is divided into restricted equity and unrestricted equity.

The distributable amount is subject to both amount limitation and the prudence concept. The amount limitation means that no dividends may be paid unless there is full coverage for the restricted equity immediately after the distribution. According to the prudence concept dividends may only be paid when justified with regard to the risks posed by the nature and extent of the operations in terms of the equity of the Parent Company and Group.

Restricted equity comprises share capital of SEK 400 million (400), a statutory reserve of SEK 200 million (200) and a capitalised development reserve of SEK 137 million (113).

## Specification of reserves, other comprehensive income

SEK million	Parent Company	
	Hedging reserves	
	2018	2017
Opening balance, 1 January	6	-9
Change in value of currency rollover	4	11
Change in value of cash-flow hedges	-2	0
To the income statement	6	8
Tax effect	-2	-4
<b>Closing balance, 31 December</b>	<b>12</b>	<b>6</b>

## 19. Appropriation of Profit

The proposed dividend is based on the 2018 annual accounts. The proposed appropriation of profits, income statement and balance sheet for the Parent Company, together with the statements of income and other comprehensive income and the statement of financial position for the Group, will be presented to the Annual General Meeting for approval on 25 April 2019.

SJ AB will pay a dividend of SEK 48.60 per share for the 2018 financial year. The Board of Directors proposes a total dividend of SEK 194 million, corresponding to approximately 50 percent of the SJ Group's profit for the year. The Board also proposes that the shareholder at the AGM determine the payment date as 9 May 2019.

### Unappropriated profit available for appropriation by the Annual General Meeting:

Retained earnings	SEK 3,480,421,744
Profit for the year	SEK 295,088,686
<b>Total</b>	<b>SEK 3,775,510,430</b>

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

Dividend to shareholder (SEK 48.60 per share)	SEK 194,400,000
To be carried forward	SEK 3,581,110,430
<b>Total</b>	<b>SEK 3,775,510,430</b>

## 20. Cash flow

### Accounting policies

#### Statement of cash flows

The Statement of cash flows shows the Group's receipts and payments during the period, classified according to operating, investing and financing activities. The Statement of cash flows thus indicates the Group's ability to generate cash.

The Statement of cash flows is prepared using the indirect method, which means that earnings are adjusted for:

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

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

Group/Parent Company	Opening balance, 1 January 2018	Cash flows Repayment of borrowings	Non-cash items Reclassification	Change in fair value	Closing balance, 31 December 2018
SEK million					
Long-term loans	945		-95		850
Short-term loans	98	-98	98		98
Lease liabilities	17		-3		14
Assets as collateral for long-term loans	1,302			-101	1,201
<b>Total liabilities, financing activities</b>	<b>2,362</b>	<b>-98</b>	<b>0</b>	<b>-101</b>	<b>2,163</b>

Group/Parent Company	Opening balance, 1 January 2017	Cash flows Repayment of borrowings	Non-cash items Reclassification	Change in fair value	Closing balance, 31 December 2017
SEK million					
Long-term loans	1,040		-95		945
Short-term loans	343	-343	98		98
Lease liabilities	20		-3		17
Assets as collateral for long-term loans	1,655			-353	1,302
<b>Total liabilities, financing activities</b>	<b>3,058</b>	<b>343</b>	<b>0</b>	<b>-353</b>	<b>2,362</b>

## 21. Leasing

### Accounting policies

#### Lessee

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 fees are classified under either finance leases or operating leases. In a finance lease, the economic risks and benefits associated with ownership of an object are essentially transferred to the lessee. Any lease not classified as a finance lease is classified as an operating lease. In an operating lease, lease fees are expensed on a straight-line basis over the lease term.

#### Finance leases

Significant assets acquired under finance leases are recognised in the consolidated financial statements, and in the financial 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 start of the lease term, the leased asset and leased liability are measured at either the leasing object's fair value or the present value of the minimum lease fees, whichever is the lower. 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 fees are divided between financial expenses and debt amortisations. ■

Estimated present value of future minimum lease fees	Group		Parent Company	
SEK million	31/12/18	31/12/17	31/12/18	31/12/17
Future minimum lease fees	21	25	21	25
Interest	-3	-4	-3	-4
<b>Present value of future minimum lease fees</b>	<b>19</b>	<b>21</b>	<b>19</b>	<b>21</b>

## Note 21 (cont.)

## Maturity structure of leases

SEK million	Group / Parent Company			
	31/12/18		31/12/17	
	Future minimum lease fees	Present value of future lease fees	Future minimum lease fees	Present value of future lease fees
Within 1 year	4	4	4	4
<b>Total current lease liabilities</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>
Within more than 1 year, but less than 5 years	14	13	15	12
More than 5 years	3	2	6	4
<b>Total non-current lease liabilities</b>	<b>17</b>	<b>15</b>	<b>21</b>	<b>17</b>
<b>Total lease liabilities</b>	<b>21</b>	<b>19</b>	<b>25</b>	<b>21</b>

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

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

## Operating leases

SEK million	Group						Parent Company					
	31/12/18			31/12/17			31/12/18			31/12/17		
	Rolling Stock	Prem-ises	Total	Rolling Stock	Prem-ises	Total	Rolling Stock	Prem-ises	Total	Rolling Stock	Prem-ises	Total
<b>Nominal value of future payment commitments</b>												
Within 1 year	134	248	382	99	230	329	134	203	337	99	186	285
1-2 years	134	190	324	99	213	312	134	146	280	99	163	262
2-3 years	-	172	172	99	190	289	-	130	130	99	146	245
3-4 years	-	153	153	-	174	174	-	112	112	-	128	128
4 years	-	46	46	-	172	172	-	20	20	-	109	109
5 years or more	-	143	143	-	266	266	-	20	20	-	35	35
<b>Total</b>	<b>268</b>	<b>951</b>	<b>1,219</b>	<b>296</b>	<b>1,245</b>	<b>1,541</b>	<b>268</b>	<b>631</b>	<b>899</b>	<b>296</b>	<b>767</b>	<b>1,064</b>

The Group's operating leases relate for the most part to rolling stock and premises. The contract period varies between 0 and 5 years.

The leases are contracted at standard market terms and conditions. In 2018, rent paid by the Parent Company amounted to SEK 318 million (266) and by the Group SEK 369 million (316).

## 22. Provisions

### Accounting policies

#### Provisions

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

#### Annuities

Annuities are adjusted annually using an index linked to changes in the price base amount. Every year, Finansinspektionen (the Swedish Financial Inspectorate) determines the percentage by which accident annuities are to be adjusted. The provision is also revalued annually on the basis of assumptions for life expectancy, the discount rate and the index by which the index-linked annuities are updated. In conjunction with this process, all assumptions used are subjected to review.

#### Revenue, SJ Prio points

Revenue arising from SJ's customer loyalty programme SJ Prio is recognised in accordance with IFRS 15 from 2017. ■

SEK million	Group											
	Annuities		Restructuring		Claims		Loyalty programme		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Provisions, 1 January	159	161	13	4	39	41	123	119	62	20	396	345
Provisions	0	2	9	22	2	17	116	110	59	90	186	242
Estimated interest	1	1	-	-	-	-	-	-	-	-	1	1
Dissolution/revaluation	6	1	-	-	0	-3	-33	-32	-	-	-27	-34
Utilised	-7	-7	-16	-14	-25	-15	-82	-74	-60	-48	-190	-158
<b>Provisions, 31 December</b>	<b>159</b>	<b>159</b>	<b>6</b>	<b>13</b>	<b>16</b>	<b>39</b>	<b>124</b>	<b>123</b>	<b>60</b>	<b>62</b>	<b>365</b>	<b>396</b>
<b>Distribution in balance sheet, 31 December</b>												
Non-current provisions	152	152	1	2	9	9	9	17	21	21	191	201
Current provisions <sup>1</sup>	7	7	5	11	7	30	115	106	39	41	174	195
<b>Total</b>	<b>159</b>	<b>159</b>	<b>6</b>	<b>13</b>	<b>16</b>	<b>39</b>	<b>124</b>	<b>123</b>	<b>60</b>	<b>62</b>	<b>365</b>	<b>396</b>

<sup>1</sup> It is estimated that the provisions classified as current provisions will lead to an outflow of resources within twelve months of the balance sheet date.

## Financial statements

### Note 22 (cont.)

SEK million	Parent Company											
	Annuities		Restructuring		Claims		Loyalty programme		Other		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Provisions, 1 January	159	161	13	4	39	40	123	119	61	20	395	344
Provisions	0	2	9	22	2	17	116	110	59	90	186	242
Estimated interest	1	1	-	-	-	-	-	-	-	-	1	1
Dissolution/revaluation	6	1	-	-	0	-3	-33	-32	-	-	-27	-34
Utilised	-7	-7	-16	-14	-25	-15	-82	-74	-60	-48	-190	-158
<b>Provisions, 31 December</b>	<b>159</b>	<b>159</b>	<b>6</b>	<b>13</b>	<b>16</b>	<b>39</b>	<b>124</b>	<b>123</b>	<b>60</b>	<b>61</b>	<b>365</b>	<b>395</b>
<b>Distribution in balance sheet, 31 December</b>												
Non-current provisions	152	152	1	2	9	9	9	17	21	21	191	201
Current provisions <sup>1</sup>	7	7	5	11	7	30	115	106	39	40	174	194
<b>Total</b>	<b>159</b>	<b>159</b>	<b>6</b>	<b>13</b>	<b>16</b>	<b>39</b>	<b>124</b>	<b>123</b>	<b>60</b>	<b>61</b>	<b>365</b>	<b>395</b>

<sup>1</sup>It is estimated that the provisions classified as current provisions will lead to an outflow of resources within twelve months of the balance sheet date.

#### Annuities

Accident annuities consist of indemnities for third-party injuries arising from an accident. Just over 50 people who sustained injuries arising from SJ's railway operations are receiving such indemnities. Annuities are mostly life-long, but reduce when the beneficiary reaches the age of 65. Accident annuities are hedged annually.

#### Restructuring

A provision for restructuring is recognised when the Group has established a restructuring plan and the plan has been adopted or officially announced.

#### Claims

A provision for claims consists of provision for injuries sustained in SJ's rolling stock fleet and policyholder's excess in insurance claims.

#### Loyalty programme

SJ Prio, launched in 2007, is SJ's customer loyalty programme for passengers. Today, SJ Prio currently has more than 1.3 million members, including 200,000 who joined in 2018. SJ's valuation of Prio points is based on their value to customers. To SJ, this means that the value of a journey paid with points is based on its value to the member, in other words, the average price for such a journey. A reduction is then applied to the value. The reduction is based on that the availability of goods and services purchasable with points is limited, the validity of the points is limited and the availability of journeys that can be booked with points is restricted. The initial sale is divided into constituents using the component method, whereby a portion of the income is reserved as a payment obligation for the future bonus commitment. The provision for the loyalty programme falls due within two years.

#### Other

Other provisions for 2018 mainly consist of provisions for anticipated losses during the contract period in tendered services, delay compensation and provisions for maintenance of rolling stock.

## 23. Interest-bearing liabilities

### Accounting policies

#### Borrowing costs

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 cost of the asset. Costs associated with the raising of new loans are allocated over the term of the loan using the effective interest method. Otherwise, borrowing costs are expensed. ■

#### Maturity structure, capital repayments

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Within 1 year	98	98	98	98
<b>Current interest-bearing liabilities</b>	<b>98</b>	<b>98</b>	<b>98</b>	<b>98</b>
More than 1 year < 5 years	617	642	617	642
More than 5 years	247	320	247	320
<b>Total non-current interest-bearing liabilities</b>	<b>864</b>	<b>962</b>	<b>864</b>	<b>962</b>

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

The loans have a term to maturity of 4 to 7 years. The average term to maturity for outstanding liabilities was 46 months (50). The average fixed-interest term was 6 months (10).

## 24. Accrued expenses and deferred income

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Personnel-related expenses	240	217	202	185
Electricity and infrastructure charges	109	100	96	87
Rolling stock related expenses	123	137	94	118
Licences and other IT expenses	42	32	41	32
Other accrued expenses	55	82	42	73
Prepaid annual season and other tickets	280	250	280	250
Other deferred income	18	24	18	24
<b>Total</b>	<b>867</b>	<b>842</b>	<b>774</b>	<b>769</b>

Personnel-related expenses increased mainly as a result of a higher holiday liability. Other deferred income refers for the most part to invoiced workshop rent in the first quarter of 2019.



## 25. Pledged assets

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Collateral for raised loans	1,201	1,302	1,201	1,302
<b>Total</b>	<b>1,201</b>	<b>1,302</b>	<b>1,201</b>	<b>1,302</b>

SJ has 17 SJ 3000 train sets pledged as collateral for two loans from the Nordic Investment Bank. On 31 December, the carrying amount for all 17 train sets (20) was SEK 1,201 million (1,302).

## 26. Contingent liabilities

### ■ Accounting policies

Contingent liabilities are existing obligations attributable to past events that have not been recognised as a liability or provision. The reason is that it is unlikely 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. ■

SEK million	Group		Parent Company	
	31/12/18	31/12/17	31/12/18	31/12/17
Guarantee commitments as general partner	-	-	-	2
Capital adequacy guarantees, Group companies	-	-	102	102
Guarantees	330	330	330	330
Other	-	2	-	2
<b>Total</b>	<b>330</b>	<b>332</b>	<b>432</b>	<b>437</b>

In the Group, guarantees for counter-guarantees for the Group's commitments on behalf of customers and suppliers consist above all of guarantees issued in accordance with agreements relating to contract services. The guarantees totalled SEK 330 million (330), of which the contracts operated by SJ Götalandståg on behalf of Västtrafik accounted for SEK 300 million (300).

SJ AB has issued a capital adequacy guarantee in favour of all subsidiaries valid until 31 December 2019.

SJ AB has received invoices from Jernhusen AB regarding capital cost compensation payments 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 beginning on 1 January 2011. Further to the agreement, an engagement was signed to the effect that if Jernhusen AB were in the event of any future legal test found to be entitled to capital compensation, any right to penalty interest accruing to Jernhusen AB under the Swedish Interest Act should be calculated as if invoicing had taken place on a current account basis as of 1 January 2011.

## 27. Events after the balance-sheet date

SilverRail Technologies, Inc. intends, via its subsidiary SilverRail Linkon AB, to acquire SJ AB's 25 percent interest in SilverRail Technologies AB. By exercising an option in the shareholder agreement, SilverRail Technologies, Inc. has elected to become sole owner of the company.

The parties are working together to establish the financial aspects of the transaction.

On 28 February 2019, the European Court of Justice (ECJ) announced its ruling on the case regarding SJ's status under procurement law. The effect of the ruling is that SJ's business is of such a nature that it falls within the scope of Sweden's Procurement within the Water, Energy, Transport and Postal Services Sectors Act (*LUF*) and the underlying EU directive.

The background to the ruling is that in January 2013, the Swedish Competition Authority claimed that SJ should be ordered to pay procurement damages as the Company had not complied with the rules on procurement under *LUF*. SJ contested the claims and both the Swedish Administrative Court and the Swedish Administrative Court of Appeal found in SJ's favour. However, the Competition Authority appealed to the Swedish Supreme Court of Appeal (*HFD*) and in June 2017 that court decided to request a preliminary ruling from the ECJ. A national court can refer issues that concern interpretation of EU law to the ECJ for clarification. This was the first time a Swedish court availed itself of that facility. Proceedings at the ECJ were held in June 2018 and, as referred to above, a ruling was issued on 28 February 2019.

The case is now to be taken up again by *HFD*, which will examine the Competition Authority's claim for procurement damages, on the basis of the ECJ's preliminary ruling. Formally, cases are not finally decided until *HFD* has issued a ruling, but given the ECJ's statement on interpretation issues, the outcome of the actual issue of principle is settled. What remains to be decided is the issue of whether SJ will be obliged to pay procurement damages and, if so, what the amount will be.

If a business is under a duty to invite tenders in accordance with *LUF* it is possible to seek exemption if it can be proved that the business is operating in a fully deregulated and competitive market. An application to this effect will be made to the EU Commission. In view of the fact that Sweden's railway market is fully deregulated and open to competition, SJ will be applying for such an exemption to the EU Commission.

If the exemption is granted, SJ's will no longer be obliged to comply with *LUF* in the markets to which the exemption applies. Until further notice, however, SJ procurement will fall within the scope of *LUF*. Consequently, work has begun on adjusting SJ's purchasing processes and conducting procurement in accordance with the rules of *LUF*.

## Assurance

The undersigned declare that the consolidated accounts and annual accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and in accordance with generally accepted accounting practice, and give a true and fair view of the financial position and

performance of the Group and the Company, and that the Directors' Report provides a true and fair view of the Group's and Company's operations, financial position and performance and describes the material risks and uncertainties faced by the companies in the Group.

Stockholm, 20 March 2019  
*[Signatures on Swedish original]*

Siv Svensson  
Board Chair

Ulrika Dellby  
Board member

Lennart Käll  
Board member

Per Matses  
Board member

Ulrika Nordström  
Board member

Mikael Stöhr  
Board member

Kersti Strandqvist  
Board member

Hans Pilgaard  
Employee representative

Per Hammarqvist  
Employee representative

Stefan Zetterlund  
Employee representative

Crister Fritzson  
Chief Executive Officer

Our Auditors' Report was submitted on 20 March 2019.

Deloitte AB

Hans Warén  
Authorised Public Accountant

# Auditor's Report

To the general meeting of the shareholders of SJ AB  
corporate identity number 556196-1599

## Report on the annual accounts and consolidated accounts

### Opinions

We have audited the annual accounts and consolidated accounts of SJ AB for the financial year 01/01/2018-31/12/2018. The annual accounts and consolidated accounts of the company are included on pages 21-87, except for the corporate governance report on pages 45-54 in this document.

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 2018 and its financial performance and cash flow 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 2018 and its financial performance and cash flow for the year then ended, in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and the statement of changes in financial position for the parent company and the group.

### Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

### Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts for the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

#### Revenue from independent commercial services

SJ reports traffic revenue amounting to SEK 7,452 million for 2018, of which a considerable amount is attributable to independent commercial services. Revenue from independent commercial services is recognised when the services are delivered. Revenue from independent commercial services is assessed to be a key audit matter due to the substantial transaction volume, which implies that completeness and cut off are critical for a significant misstatement not to occur in the financial reporting. A complete and effective transfer between the booking system and accounting system is of particular importance.

For further information, please refer to comments on the Income statement and Statement of comprehensive Income on page 55 Note 1 on Net sales.

Our audit included the following procedures but was not limited to these.

- review of revenue recognition process and testing of identified key controls
- review of accrual of revenue from own rail services
- review of completeness by testing the transfer between critical IT systems for revenue recognition supported by IT auditors

- review of general IT Controls in ticket booking system and accounting system supported by IT auditors
- review of the application of appropriate accounting principles and whether required disclosures are presented.

#### Accounting for rolling stock

SJ reports, on the consolidated balance sheet as of 31 December 2018, rolling stock and construction in progress totalling SEK 5,109 million. Rolling stock is recorded at cost less accumulated depreciation and any accumulated impairments. The amount is reassessed annually. Rolling stock is deemed to be a key audit matter because inaccurate assessments and assumptions in the following three areas may significantly impact the Group's performance and financial position:

- analysis of need for impairment testing and related assessments and assumptions such as estimated future cash flows, discount rate and growth
  - assessment of the useful life of rolling stock
  - classification of maintenance costs as capitalized or expensed
- For further information, please refer to Note 10, Property, plant and equipment.

Our audit included the following procedures but was not limited to these.

- review of the process for recognition of non-current assets and assessment of the reasonableness of the assumptions made in the above-mentioned areas and in the model for impairment testing of rolling stock
- review of integrity and arithmetical accuracy in the impairment testing model for rolling stock with the support of our valuation expert
- review of the company's assessment of the useful life for a sample of rolling stock items
- review of the application of appropriate accounting principles and whether required disclosures are presented.

### Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-20. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement in this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and for ensuring that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal controls as they determine is necessary to enable the prepara-

## Auditor's Report

ration of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as appropriate, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things, oversee the company's financial reporting process.

### Responsibilities of the Auditor

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

From the matters communicated with the Board of Directors, we determine the matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important risks that are assessed for material misstatement and that therefore are the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Report on other legal and regulatory requirements

#### Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration by the Board of Directors and the Chief Executive Officer of SJ AB for the financial year 01/01/2018-31/12/2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Chief Executive Officer be discharged from liability for the financial year.

#### Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

#### Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. In considering proposal of a dividend, an assessment is required as to whether the dividend is justifiable with regard to the demands that the nature, scope and risks of the company's and the group's operations place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes

among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs are otherwise controlled in a satisfactory manner. The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and, among other things, take measures that are necessary to ensure that the company's accounting is performed in accordance with law and that the management of assets is conducted in a satisfactory manner.

### Responsibilities of the Auditor

Our objective concerning the audit of the administration, and therefore our opinion on discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission that may give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the review of the proposed appropriations of the company's profit or loss, and therefore our opinion on this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee, that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is available on the Swedish Inspectorate of Auditors website: [www.revisorsinspektionen.se/revisornsansvar](http://www.revisorsinspektionen.se/revisornsansvar). This description forms part of the auditor's report.

### Auditor's examination of the corporate governance statement

The Board of Directors is responsible for ensuring that the corporate governance statement on pages 45-54 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 Auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 section 6, paragraph 2, points 2-6 of the Annual Accounts Act and Chapter 7 section 31, paragraph 2 of the same Act are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

### Auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 22-43, and for ensuring that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR Recommendation RevR 12 Auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Stockholm, 20 March 2019  
Deloitte AB

*[Signature on Swedish original]*

Hans Warén  
Authorised Public Accountant

# Reporting Principles – Sustainability

The Sustainability Report for the SJ Group has been prepared in accordance with SJ's principles for sustainability reporting. The principles are based on the Global Reporting Initiative's (GRI) GRI Reporting Standards: Core, according to which the content is determined by the issues that are most material to SJ and its stakeholders and by the areas where SJ's activities have greatest impact.

The content should also provide a complete picture of SJ's activities. Important elements of the UN Global Compact and OECD Guidelines for Multinational Enterprises have been taken into account.

## Content

The content of SJ's sustainability work and sustainability report are based on the results of the materiality analysis and related stakeholder dialogues. SJ has a diverse group of stakeholders, each of which have a different focus. To customers and passengers, punctuality and the travel experience, for example, are important, while to SJ's owner, overall corporate sustainability is a prime aim.

## Materiality

The content of the sustainability report is based on the areas where SJ's stakeholders and SJ judge the Group to have greatest impact. The materiality analysis also helps to identify the areas that may affect stakeholders' judgements of SJ and their decisions. Read more about the 2018 materiality analysis on page 94.

## Stakeholder inclusiveness

For SJ to be able to live up to the requirements and expectations of stakeholders it must understand which issues are material to different groups. Maintaining strong relationships and continuous dialogue with all stakeholders is critical to SJ's development and aids us in identifying prioritised sustainability issues. This dialogue also helps us understand stakeholders' information needs, so that the content of the sustainability is relevant.

How SJ operates in relation to its surroundings and its stakeholders is based on sound business ethics, as well as consideration and respect for the individual and the environment. SJ's core values – Reliable, Simple, Caring and Joyful – form the basis for what SJ's stakeholders can expect. Read more about SJ's most important stakeholders and how dialogue with them is maintained on pages 8-9.

## Sustainability context

The sustainability report describes how sustainability aspects are included in SJ's long-term strategies, risks and opportunities. SJ's performance is accounted for in a broader social context in order to help explain the challenges and opportunities that are there.

## Principles in GRI Standards governing choices in and reporting of SJ's work on sustainability.

### Content:

- Materiality
- Stakeholder inclusiveness
- Sustainability context
- Completeness

### Quality

- Balance
- Comparability
- Accuracy
- Timeliness
- Clarity
- Reliability

## Completeness

The sustainability report provides a complete picture of SJ's impact on social, environmental and financial sustainability. The report covers all material units in the Group and areas in accordance with the GRI framework. The relevant activities within the Group's operating companies SJ AB and SJ Götalandståg AB are included. The SJ Norrlandståg AB subsidiary is included in employee-related disclosures, since the company has employees but does not perform any separate activities. Operations in the wholly-owned subsidiaries SJ Danmark A/S and SJ Norge A/S in 2018 were extremely limited and are only included in disclosures regarding numbers of employees. The operations of SJ's wholly owned subsidiary Stockholmståg KB are included up to 11 December 2016, when the agreement to operate commuter services in Stockholm County expired and all activities in the subsidiary ceased.

## Quality

A high quality and transparent sustainability report enables SJ's stakeholders to make accurate judgements regarding SJ's operations. High quality of data and analysis also aids SJ, on the basis of previous outcomes, to take better decisions.

### Balance

Balance is achieved if the report reflects both positive and negative aspects of SJ's operations. Identifying challenges as well as increases in credibility and highlights areas for improvement, which leads to better work on sustainability. SJ clearly indicates what are facts and what are its own interpretations or analyses. The emphasis in the report is placed on areas that are judged to be material in the materiality analysis for the year.

### Comparability

All information is presented such as to facilitate analysis of changes over time and comparison with other enterprises. SJ uses a consistent method in calculating and compiling data and in describing methods and assumptions used in preparing information in the sustainability report. To guarantee comparability with outcomes for earlier years, all data is produced in accordance with the manuals that describe all SJ's non-financial key metrics and that are part of SJ's management system.

Material changes between the report periods, regarding boundaries, scope, reporting period and other material information are reported. SJ's application of the GRI Reporting Standards facilitate comparison with other enterprises.

### Accuracy

The information in the Sustainability Report must be accurate and sufficiently detailed to enable an accurate assessment to be made of SJ's performance, development and areas for improvement. Internal controls and subsequent external auditing of all reported data underpin SJ's work on sustainability data and ensure accuracy.

### Timeliness

Timeliness means consistent and up-to-date reporting. SJ presents a GRI-based sustainability report annually in connection with publication of SJ's Annual and Sustainability Report. The sustainability report is arranged according to the six control areas of the scorecard and a GRI Index with sustainability report index clearly shows where the respective disclosures are found. Information in the sustainability report has clear references to the period concerned, when the information was last updated and when it will be updated again.

### Clarity

The information in the sustainability report must be easy to understand, easily accessible and fit-for-purpose. SJ uses tables and charts to clarify and illustrate the information reported and adds descriptive analyses.

### Reliability

Anyone who reads the sustainability report must be able to trust the information presented. SJ's ambition is that the content should be reliable and that the report should meet all the control requirements. For that reason, SJ has produced manuals for all non-financial key metrics, including definitions, procedures and quality assurance. The manuals are updated at least annually. SJ only presents information that can be substantiated via reliable documentation. To assure reliability of the sustainability report, SJ has an external auditor to audit the content.

# Auditor's Combined Assurance Report on SJ AB's Sustainability Report

## Introduction

We have been engaged by the Board of Directors of SJ AB to undertake an assurance engagement of SJ AB's Sustainability Report for the year 2018. The Company has defined the scope of the Sustainability Report on the contents page in the SJ AB's Annual and Sustainability Report 2018.

## Responsibilities of the Board of Directors and Group Management for the Sustainability Report

The Board of Directors and Group Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on the contents page in SJ AB's Annual and Sustainability Report 2018, and comprising the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) that are applicable to the Sustainability Report, as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal controls relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express a conclusion on the Sustainability Report based on the procedures we have performed.

We conducted our engagement in accordance with with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The engagement includes a limited assurance engagement on the complete Sustainability Report and an audit of the information that is specified below. The objective of an audit is to obtain reasonable assurance that the information is free of material misstatements. A reasonable assurance engagement includes examining, on a sample basis, evidence supporting the quantitative and qualitative information in the Sustainability Report. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature

from, and are considerably less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. Hence, the conclusion based on our limited assurance procedures does not comprise the same level of assurance as the conclusion of our reasonable assurance procedures. Since this engagement is combined, our conclusions regarding reasonable assurance and limited assurance are presented separately below.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. We are independent of SJ AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

Our audit has comprised the sustainability related information presented in SJ AB's Annual and Sustainability Report, section "Responsible Governance" on pages 22-41.

Our procedures are based on the criteria defined by the Board of Directors and the Group Management as described above. We consider these criteria suitable for the preparation of the Sustainability Report.

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

## Opinion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Report is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Group Management.

In our opinion the information in the Sustainability Report that has been subject to our reasonable assurance procedures has, in all material respects, been prepared in accordance with the criteria defined by the Board of Directors and Group Management.

Stockholm, 20 March 2019

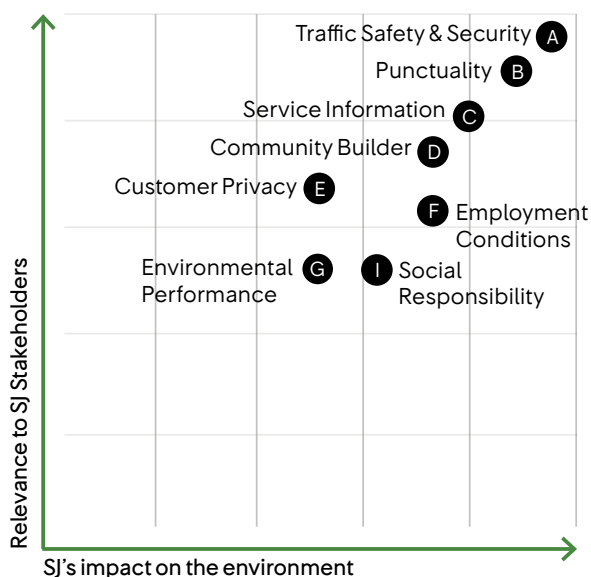
Deloitte AB

*[Signature on Swedish original]*

Hans Warén  
Authorised Public Accountant

# GRI Index

## SJ's materiality analysis, relative to the scorecard



## Materiality analysis

During 2018, SJ performed a materiality analysis to identify where SJ has greatest impact on its environment and which areas are most important in enabling us to create value in the long term. This work was based on the previous materiality analysis, together with viewpoints expressed by SJ's stakeholders and our own prioritised issues. The Board's Ethics and Sustainability Committee then discussed and adopted the materiality analysis.

Since introduction of GDPR in 2018, a closer focus on SJ's work on customer privacy has been maintained. As a result of the clarified mandate that SJ received at the 2018 AGM, "within the framework of commercial principles, to contribute towards Sweden's transport policy objectives and thereby achieve long-term sustainable transport provision throughout the country", the former category "Social impacts" has been divided into two: Social Responsibility and Community Builder. Safety, punctuality and service information remained the issues of prime importance.

## GRI Index

Disclosure	Page reference	Comment/Reservation	
<b>GRI 101: Foundation 2016</b>			
<b>GRI 102: General disclosures 2016</b>			
<b>Organizational profile</b>			
102-1	Name of the organization	Page 21	
102-2	Activities, brands, products and services	Pages 34-37	
102-3	Location of headquarters	Page 21	
102-4	Location of operations	Page 21	
102-5	Ownership and legal form	Page 21	
102-6	Markets served	Page 21	
102-7	Scale of the organisation	Pages 55, 69	
102-8	Information on employees and other workers	Page 26	SJ does not report per region, since no such categorisation exists within the Group.
102-9	Supply chain	Page 28	
102-10	Significant changes to the organization and its supply chain		On 11 December 2016, the wholly owned subsidiary Stockholmståg discontinued the operation of commuter services in Stockholm County, when the agreement expired. As a result, the majority of employees at Stockholmståg were transferred to the new operator. The number of employees in the SJ Group was therefore reduced by around 800.
102-11	Precautionary Principle or approach		The precautionary principle is described in the Swedish Environmental Code, and SJ complies with the provisions of this legislation in selecting materials for new trains and selecting chemical products in its maintenance workshops etc.
102-12	External initiatives	Pages 22, 24, 29, 30, 37, 38, 45	
102-13	Membership of associations	Page 28	
<b>Strategy</b>			
102-14	Statement from senior decision-maker	Pages 4-5	



	Disclosure	Page reference	Comment/Reservation
	<b>Ethics and integrity</b>		
102-16	Values, principles, standards and norms of behaviour	Pages 24, 28-29, 45, 51	
	<b>Governance</b>		
102-18	Governance structure	Pages 45-54	
	<b>Stakeholder engagement</b>		
102-40	List of stakeholder groups	Pages 8-9	
102-41	Collective bargaining agreements	Page 24	
102-42	Identifying and selecting stakeholders	Pages 8-9	
102-43	Approach to stakeholder engagement	Pages 8-9	
102-44	Key topics and concerns raised	Pages 8-9	
	<b>Reporting practice</b>		
102-45	Entities included in the consolidated financial statements		Unless otherwise indicated, all key metrics include SJ AB and SJ Götalandståg. SJ Norrlandståg is included in employee-related key metrics. Read more on page 91.
102-46	Defining report content and topic Boundaries	Page 8	
102-47	List of material aspects	Pages 8-9	
102-48	Restatements of information		No
102-49	Changes in reporting		Minor changes have been made as a result of the change from GRI 4 to GRI Standards.
102-50	Reporting period		The reporting period is 1 January 31 December 2018. In certain cases, reporting may be affected by information on incidents occurring during the reporting period being reported after publication of this report.
102-51	Date of the most recent report		Our report on the 2017 financial year was published on 20 March 2018.
102-52	Reporting cycle		Annual
102-53	Contact point for questions regarding the report		Ann-Marie Boberg, Tel. +46-(0)70-003 21 02
102-54	Claims of reporting in accordance with the GRI Standards	Page 2	
102-55	GRI content index	Pages 94-97	
102-56	External assurance	Page 93	

## Specific standard disclosures

Disclosure	Description	Page reference	Report/comment
	<b>Traffic safety and security</b>		
	<b>Traffic safety and security (SJ-specific)</b>		
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 30	
103-2	Management approach and its components	Pages 30, 50-51	
103-3	Evaluation of the management approach	Page 50	
SJ1	Traffic Safety Index	Page 23	
	<b>GRI 403: Occupational health and safety 2018</b>		
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 25-26	
103-2	Management approach and its components	Pages 25-26, 50-51	
103-3	Evaluation of the management approach	Page 50	
403-2	Hazard identification, risk assessment, and incident investigation	Page 26	
	<b>Punctuality</b>		
	<b>Punctuality (SJ-specific)</b>		
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 38-39	
103-2	Management approach and its components	Pages 38, 50-51	
103-3	Evaluation of the management approach	Page 50	
SJ2	Punctuality outcomes	Page 23	

Disclosure	Description	Page reference	Report/comment
<b>Service Information</b>			
<b>Service information (SJ-specific)</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 34	
103-2	Management approach and its components	Pages 34, 50-51	
103-3	Evaluation of the management approach	Page 50	
SJ3	Information during major disruption	Page 34	
<b>Community Builder</b>			
<b>GRI 203: Indirect economic impacts 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 30	
103-2	Management approach and its components	Pages 50-51	
103-3	Evaluation of the management approach	Page 50	
203-2	Significant indirect economic impacts	Pages 30, 32	
<b>Employment Conditions</b>			
<b>GRI 401: Employment 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 24-25	
103-2	Management approach and its components	Pages 24-25, 50-51	
103-3	Evaluation of the management approach	Page 50	
401-1	New employee hires and employee turnover	Page 26	SJ does not report per region, since no such categorisation exists within the Group.
<b>GRI 405: Diversity and equal opportunity 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 24-25	
103-2	Management approach and its components	Pages 24-25, 50-51	
103-3	Evaluation of the management approach	Page 50	
405-1	Diversity of governance bodies and employees	Page 24	SJ reports per personnel category, with break-downs by age and gender.
SJ	Diversity	Page 25	SJ reports the percentage of all employees with a non-Swedish background, as defined by SCB (Statistics, Sweden).
<b>GRI 406: Non-discrimination 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 25	
103-2	Management approach and its components	Pages 25, 50-51	
103-3	Evaluation of the management approach	Page 50	
406-1	Incidents of discrimination and corrective actions taken	Page 25	SJ's definition of aspects of discrimination is based on Sweden's Discrimination Act.
<b>Customer Privacy</b>			
<b>GRI 418: Customer privacy 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 37	
103-2	Management approach and its components	Page 37	
103-3	Evaluation of the management approach	Page 37	
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data	Page 37	SJ's definition of breach of customer privacy and loss of customer data is based on the EU's GDPR (General Data Protection Regulation).
<b>Social Responsibility</b>			
<b>GRI 201: Economic performance 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 50-51, 54	
103-2	Management approach and its components	Pages 50-51, 54	
103-3	Evaluation of the management approach	Pages 50, 54	
201-1	Direct economic value generated and distributed	Page 32	

Disclosure	Description	Page reference	Report/comment
<b>Environmental Performance</b>			
<b>GRI 302: Energy 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Pages 30-31	
103-2	Management approach and its components	Page 31	
103-3	Evaluation of the management approach	Page 31	
302-1	Energy consumption within the organization	Page 30	
<b>GRI 305: Emissions 2016</b>			
103-1	Management approach to sustainability, 2016: Explanation of the material topic and its Boundary	Page 31	
103-2	Management approach and its components	Page 31	
103-3	Evaluation of the management approach	Page 31	
305-4	GHG emissions intensity	Page 31	

### Index for sustainability report:

SJ's Sustainability Report for 2018 comprises page 22-43.

Area	Description	Policy	Result of policy	Risks identified	Management of risks	Performance indicators
SJ's business model	Page 22					
Environment	Pages 30-31	<ul style="list-style-type: none"> <li>• SJ's Internal Code of Conduct</li> <li>• SJ's Supplier Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Structured environmental activities</li> <li>• Sustainability audits</li> <li>• Internal audit</li> </ul>	Page 43	Page 43	<ul style="list-style-type: none"> <li>• Environmental Index, page 23</li> <li>• Completed sustainability audits, page 23</li> <li>• Energy consumption, page 30</li> <li>• Emissions of greenhouse gases, page 31</li> </ul>
Social conditions and personnel	Pages 24-27	<ul style="list-style-type: none"> <li>• SJ's Internal Code of Conduct</li> <li>• Ownership policy</li> <li>• Swedish work environment legislation</li> </ul>	<ul style="list-style-type: none"> <li>• Performance appraisals</li> <li>• Accompanied journeys</li> <li>• Employee survey</li> </ul>	Page 43	Page 43	<ul style="list-style-type: none"> <li>• Absence due to illness, page 23</li> <li>• Performance Index, page 23</li> <li>• Leadership Index, page 23</li> </ul>
Human rights	Pages 24-26, 28-29, 33, 45	<ul style="list-style-type: none"> <li>• SJ's Internal Code of Conduct</li> <li>• SJ's Supplier Code of Conduct</li> <li>• Ownership policy</li> <li>• Tax policy</li> </ul>	<ul style="list-style-type: none"> <li>• Employee survey</li> <li>• Sustainability audits</li> </ul>	Page 43	Page 43	<ul style="list-style-type: none"> <li>• Number of employees covered by collective bargaining agreements, page 24</li> <li>• Diversity (proportion of employees with non-Swedish background), page 23</li> <li>• Completed sustainability audits, page 23</li> </ul>
Anti-corruption	Pages 24, 28	<ul style="list-style-type: none"> <li>• SJ's Internal Code of Conduct</li> <li>• SJ's Supplier Code of Conduct</li> <li>• Ownership policy</li> </ul>	<ul style="list-style-type: none"> <li>• Purchasing process with sustainability assessment and documented decision</li> <li>• Sustainability audits</li> <li>• Whistle-blower function</li> </ul>	Page 43	Page 43	<ul style="list-style-type: none"> <li>• Number of whistle-blower cases, page 51</li> </ul>

# Five-Year Summary

Group	2018	2017	2016	2015	2014
<b>Statement of comprehensive income, summary, SEK m</b>					
Operating income	7,923	7,806	9,372	9,070	9,208
- Of which, net sales	7,874	7,780	9,336	9,052	9,065
Operating expenses	-7,475	-7,178	-8,543	-8,464	-8,666
Share of profit of associates	21	38	8	19	26
Operating profit	468	666	837	625	568
Profit before tax	457	664	833	602	578
Income tax expense	-68	-140	-183	-131	-118
Profit for the year <sup>1</sup>	389	523	650	471	460
Earnings per share (basic and undiluted) <sup>1</sup> , SEK	97	131	162	118	115
<b>Statement of financial position, summary, SEK m</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5,185	5,341	5,505	5,916	6,250
Intangible assets	218	254	286	278	236
Financial assets	141	60	34	123	596
<b>Current assets</b>					
Inventories	9	5	4	7	8
Current receivables	773	734	804	661	615
Short-term investments	1,518	1,614	1,479	718	760
Cash and cash equivalents	191	70	74	97	345
Assets classified as held for sale	—	—	78	65	60
<b>Total assets</b>	<b>8,035</b>	<b>8,078</b>	<b>8,264</b>	<b>7,864</b>	<b>8,870</b>
<b>Equity<sup>2</sup>, SEK m</b>					
Interest-bearing liabilities	962	1,060	1,402	1,478	1,124
Non-interest-bearing liabilities	1,502	1,527	1,693	1,740	1,655
Provisions	365	396	345	315	380
Deferred tax liabilities	465	480	487	455	377
<b>Total equity and liabilities</b>	<b>8,035</b>	<b>8,078</b>	<b>8,264</b>	<b>7,864</b>	<b>8,870</b>
<b>Statement of cash flows, summary, SEK m</b>					
Cash flow from operating activities	1,023	1,238	1,304	1,335	1,267
Cash flow from investing activities	-536	-639	-1,062	-6	-143
Cash flow from financing activities	-367	-603	-264	-1,577	-860
Cash flow for the year	121	-4	-23	-248	265
Investments	566	596	390	526	828
- of which, affecting cash flow	566	596	390	526	828
<b>Margins</b>					
<b>Adjustment of operating margin</b>					
Operating income, SEK m	7,923	7,806	9,372	9,070	9,208
Operating profit, SEK m	468	666	837	625	568
Operating margin <sup>3</sup> , %	5.9	8.5	8.9	6.9	6.2
<b>Adjustment of profit margin</b>					
Operating income, SEK m	7,923	7,806	9,372	9,070	9,208
Profit after financial items, SEK m	457	664	833	602	578
Profit margin <sup>3</sup> , %	5.8	8.5	8.9	6.6	6.3
<b>Financial targets, outcomes</b>					
Return on operating capital <sup>3,5</sup> , %	11.4	16.4	20.0	13.2	11.5
Net debt/equity ratio <sup>3,5</sup> , multiple	-0.14	-0.1	0.0	0.2	-0.1
The Board's proposed dividend as per appropriation of profit, SEK m	194	269	260	188	230
Dividends paid, SEK m	269	260	188	1,930 <sup>4</sup>	73
<b>Capital structure at year-end</b>					
Return on equity <sup>3</sup> , %	8.4	11.7	16.3	9.7	9.1
Operating capital <sup>3</sup> , SEK m	4,114	4,073	4,181	4,721	4,953
Interest-bearing net debt(+)/net cash (-), SEK m	-659	-465	10	751	-396
<b>Adjustment of equity/assets ratio</b>					
Equity, SEK m	4,740	4,615	4,337	3,876	5,335
Total assets, SEK m	8,035	8,078	8,264	7,864	8,870
Equity/assets ratio <sup>3</sup> , %	59.0	57.1	52.5	49.3	60.1
<b>Non-financial key metrics</b>					
Average number of employees	3,756	3,677	4,192	4,232	4,541

<sup>1</sup> Key metric defined in accordance with IFRS, see page 99.

<sup>2</sup> There are no non-controlling interests.

<sup>3</sup> SJ's alternative key metrics not defined in accordance with IFRS, see definitions on page 99.

<sup>4</sup> EGM resolution on 25 September 2015 to distribute SEK 1,700 million.

<sup>5</sup> For adjustment of alternative key metrics not defined in accordance with IFRS definition, see page 57.

# Definitions and Glossary

## Definitions of SJ's alternative key financial metrics

SJ presents various alternative key financial metrics that are not defined by IFRS in accordance with guidelines issued by ESMA. Alternative key financial metrics are presented for financial performance and financial position. SJ believes that these metrics provide valuable supplementary information to the owner, Board of Directors and Executive Management to aid evaluation of results and performance. As not all companies calculate financial metrics in the same way, these metrics are not always comparable with metrics used by other companies. SJ's financial metrics should therefore not be considered as a substitute for the metrics defined by IFRS.

### Key metric defined in accordance with IFRS

Key metrics defined in accordance with IFRS: profit/loss for the period and earnings per share.

### Alternative financial key metrics

#### Return on equity

Profit/loss for the period as a percentage of average equity over a rolling 12-month period.

#### Return on operating capital

Operating profit/loss as a percentage of average operating capital for a rolling 12-month period.

#### Cash and cash equivalents

The total of cash and cash balances plus interest-bearing investments with a maturity of not more than 90 days on the date of acquisition.

#### Net debt/net cash

Interest-bearing provisions (provisions for accident annuities) and interest-bearing liabilities net, less interest-bearing assets (short-term investments and cash/cash equivalents).

#### Net debt/equity ratio

Interest-bearing provisions and interest-bearing liabilities net, less interest-bearing assets (net debt/net cash) in relation to equity.

#### Operating capital

Average equity and net debt.

#### Operating margin

Operating profit/loss as a percentage of net income.

#### Operating profit

The difference between operating income and operating expenses.

#### Equity/assets ratio

Equity in relation to total assets.

#### Profit margin

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

## Definitions of SJ's non-financial key metrics

### Number of passengers

Total number of journeys sold per line.

### Number of journeys

Number of part-journeys sold per line.

### Number of journeys/passengers per year

Total number of journeys sold per year.

### Energy consumption

Electricity consumption: Volume of electricity consumed

Diesel consumption: Measured number of litres of diesel consumed (Environmental class 1 diesel and biofuel) x energy content factor (Swedish Energy Agency)

### Sustainability audits

In-depth sustainability-based supplier reviews.

### Leadership Index

Key metric illustrating the conditions for SJ employees in their day-to-day working situation for performing their tasks. This is measured via the annual employee survey.

### Employee

See full-time equivalents (FTEs).

### Average number of employees

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

### Environmental Index

Key metric indicating how customers rate SJ's level of environmental awareness. Measured via regular on-board surveys.

### Customer Satisfaction Index (CSI)

Key metric indicating customer/passenger satisfaction with SJ AB, based on the customer's overall travel experience with SJ over the past 12 months.

### Passenger Satisfaction Index (PSI)

Västrafik conducts monthly on-board surveys to measure passenger satisfaction levels for journeys with SJ Götalandståg. SJ Götalandståg's index measures satisfaction based on the most recent journey.

### Greenhouse gas emissions

*Train operations, electricity (Sweden, Norway, Denmark):* Electricity consumption in each country (kWh) x hydropower emissions, EPD 2015 Vattenfall (0.047 g CO<sub>2</sub>e/kWh, including losses).

*Replacement services:* Kilometres driven (measured) x CO<sub>2</sub>e factor (estimated). Data for the number of kilometres driven is obtained from replacement services pro-

viders. For buses, the estimated consumption of diesel was 2.5 litres per 10 km and the share of biofuel (renewable) was 54%. Source for percentage of fuels in buses: Sveriges Bussföretag (Swedish Bus Transport Association) (Statistics on Bus Transport Sector in 2017). Source for CO<sub>2</sub>e/litre - Swedish Energy Agency. For taxis, emissions were estimated at an average of 143 grams CO<sub>2</sub>e/km. Source: Statistics, Sweden - Motor Vehicle Register.

*Refrigerants:* Measured leakage kg of refrigerants x GWP per type of refrigerant. GWP = Global Warming Potential. Measured leakage from cooling equipment (air conditioning and refrigerators) greater than 14 tonnes CO<sub>2</sub>e, in accordance with relevant legislation on reporting to government agency, obtained from SJ's providers of maintenance services.

### Passenger kilometres

Number of passengers x number of kilometres travelled. This comprises all SJ tickets, including annual and monthly season tickets.

### Seat kilometres

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

### Performance Index

Key metric illustrating the conditions for SJ employees, in their day-to-day working situation, for performing their tasks. This is measured via the annual employee survey.

### Punctuality

Key metric indicating the percentage of trains arriving at stations according to the current timetable. As of 2013, the industry standard for punctuality is defined as on time + 5 minutes for long- and medium distance services, and on time + 3 minutes for local trains.

### Regularity

Key metric indicating the percentage of trains departing from their originating station and arriving at their terminating station according to the planned timetable two days before the day of service.

### Passenger distance

Measured in passenger kilometres.

### Service Index

Key metric monitored internally and indicating the passenger's perception of SJ's service, information, accessibility and on-board customer interaction.

### Absence due to illness

Key metric indicating the number of employees on sick leave divided by the number of full-time equivalents. Employees receiving sickness benefits until further notice are not included in the statistics for absence due to illness.

### SJ Volunteer

Sustainability target that offers employees the chance to engage in voluntary work during working hours.

### Traffic Safety Index

Key metric defined as an evaluation of all traffic safety-related accidents in relation to the production volume.

### Train kilometres

The total distance of the routes travelled by all trains.

### Brand Index (BI)

Key metric indicating how SJ is perceived by the public based on SJ's core values – Reliable, Simple, Caring and Joyful.

### Full-time equivalents

The number of employees, measured by contracted hours and full-time positions. The figure does not include employees on unpaid leave of absence. Full-time equivalent employees is a measure of time over the "contractual" period.

Someone who is employed on an 80 percent basis is a 0.8 fulltime equivalent. The time worked by hourly-paid employees is recalculated to enable it to be stated on the full-time equivalent basis.

## Glossary

### Biofuel

Liquid fuel produced from renewable sources.

### Good Environmental Choice

All journeys by SJ AB carry the Good Environmental Choice label. A Good Environmental Choice journey has low climate impact, is energy-efficient and generates low emissions. One of the requirements is that 50% of electricity purchased must be Good Environmental Choice-labelled.

### Manager

A person with subordinates but not in a management team.

### CO<sub>2</sub>e

Carbon dioxide equivalents.

### EFQM (European Foundation for Quality Management)

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

### Independent commercial services

Service that SJ operates on a commercial basis or tendered services that are wholly or partly financed via ticket revenue. Examples of commercial services include the X2000 service between Stockholm and Gothenburg.

### Replacement services (bus and taxi)

Buses and taxis are used as replacement services during planned track maintenance and unplanned disruptions to rail services. Replacement services are ordered by Traffic Control.

### Delay compensation

SJ's undertaking to compensate passengers for delays. For current information and conditions, visit [www.sj.se](http://www.sj.se).

### 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](http://www.globalreporting.org)).

### ISO 9001

An international standard for quality management systems.

### ISO 14001

An international standard for environmental management systems.

### Combined mobility

Arrangement whereby different modes of transport are combined for passengers to travel from one location to another.

### Local services

Passenger trains serving to transport passengers locally – advertised normally as commuter or airport services.

### Short-term investments

In the Parent Company balance sheet, short-term investments are investments with a term to maturity of less than 1 year. In the Group, the term to maturity ranges from 3 months to 1 year. Long-term bonds held for sale are also included in short-term investments, irrespective of their maturity.

### Refrigerants

Refrigerants are used in air-conditioning installations and refrigerators on board trains. The refrigerants used today are powerful greenhouse gases and contribute to climate change if leaked.

### Senior executives

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

### Long-distance services

Passenger trains serving to transport passengers inter-regionally are advertised normally as long-distance (InterCity), night-train or high-speed services.

### Medium-distance services

Passenger trains serving to transport passengers regionally – advertised normally as regional services.

### On-board survey

Regular customer surveys conducted on board trains.

### Regional public transport authorities (PTAs)

County authorities with overall responsibility for publicly funded local and regional public transport for commuting. In practice, the PTAs produce service provision plans with county-based requirements for public transport. From these county-based, regional plans, formal decisions are taken regarding public transport obligations for individual routes or service systems, meaning that the authority undertakes to provide the public with a particular service for a particular period. Service provision may then be performed via a tendering system or under the authority's own management.

### Accessibility

How well the environment in, and in the immediate vicinity of, SJ's trains has been adapted for people with disabilities.

### Passenger Transport Executives (PTEs)

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

### Train paths

Time window/channel in which the train operator would like to run services on a route during a specific period and with a specific departure and arrival time.

### Train timetable

Timetable for all trains during one year. The Swedish Transport Administration (STA) is responsible for the production of a train timetable each year.

### Tendered services

The services operated on behalf of regional and national public transport authorities. One example of a tendered service is the night-train service to and from Upper Norrland.

### Non-Swedish background

Any person who was either born abroad or born in Sweden of two parents born abroad, according to the definition from SCB (Statistics Sweden).

### Staging station

Physical premises adjacent to a train station, where SJ's train hosts and train drivers are based.

**Production:** SJ in collaboration with Narva.

**Photos:** Apelöga, Vibeke Aronsson, Bombardier, Karin Boo, Delta, Patrik Engström, Anna Rut Fridman, Getty Images, Öyvind Johannesson, Henry Lundholm, Christian Andersson, Leif-Erik Nygårds, Shutterstock, SJ's image bank.

While every care has been taken in the translation of this Report, readers are reminded that the original Annual and Sustainability Report 2018, signed by the SJ Board, is in Swedish.

SJ is a Swedish travel partner that offers sustainable train travel, independently and in collaboration with others. Every day, 140,000 people opt to travel on one of our 1,200 departures from 284 stations.

