



ABSTRACT ANNUAL
REPORT AND
SUSTAINABILITY
REPORT

2012

**green
cargo**

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Financial calendar 2013

Annual General Meeting: *April 26, 2013*

Interim reports

First quarter: *April 26, 2013*

Second quarter: *August 15, 2013*

Third quarter: *October 25, 2013*

Fourth quarter: *prel. Februari 14, 2014*



Green Cargo in brief

Green Cargo's business activities comprise rail-based freight transport operations supplemented by road freight. The combination of rail and road freight is a key element of the offering.

Customers and operations

Green Cargo's largest customers are active in the Swedish business community and operate in the steel, chemical, automotive, engineering, forestry and retail industries, including such customers as Volvo, Stora Enso, IKEA and ICA. While the principal market is linked to Sweden, Green Cargo also satisfies business needs in Sweden for transports to and from all centers of economic activity in Europe.

In 2012, the company's operations generated sales of SEK 4,585 million (5,418), resulting in an operating loss of SEK 72 million (profit: 32). This represented a decline in earnings that was due entirely to the sudden economic downturn that hit Swedish industry and thus Green Cargo in autumn 2012. The economic downturn resulted in a 20-percent decline in Green Cargo's sales compared with the year-earlier period. However, profit after tax was SEK 519 million (10) with the robust improvement attributable to the divestment of third-party logistics. The Group's gross investments totaled SEK 300 million, of which locomotive modernization accounted for SEK 200 million. In total under Green Cargo's modernization program, approximately SEK 1,700 million will be invested in locomotives.

Owner and targets

Green Cargo is wholly owned by the Swedish State and administered by the Ministry of Finance. Its operations are subject to commercial conditions and requirements.

The financial targets established by the owner stipulate that Green Cargo is to achieve a return on equity of 10 percent, with an equity/assets ratio of 30 percent. Dividends are to amount to 50 percent of the profit for the year available for distribution, provided that the target equity/assets ratio is achieved. In addition to the requirements established by the owner, Green Cargo's key targets are Safety and Quality (delivery punctuality)

based on the motto "Safety and quality will make us profitable." In 2012, return on equity totaled 35 percent (1) and the equity/assets ratio was 36 percent (24).

Business concept and vision

Green Cargo's business concept is "efficient and sustainable rail logistics for the Swedish business community" and its vision is to offer "world-class rail logistics."

Structural changes – implemented and planned

On May 31, 2012, the third-party logistics operations, including associated properties, were sold to Postnord as part of a streamlining of operations to freight transportation. The sale resulted in a substantial increase in earnings and cash flow and reduced the net debt/equity ratio from 1.6 to 0.8. The sale gave Green Cargo a strong financial position and provides development opportunities for the company's transport operations. The integration of NTR into the Parent Company was also initiated as part of efforts to create a shared customer interface and a clearer offering. The integration process was essentially completed in 2012 and the only tasks remaining in 2013 were of an administrative nature.

Employees

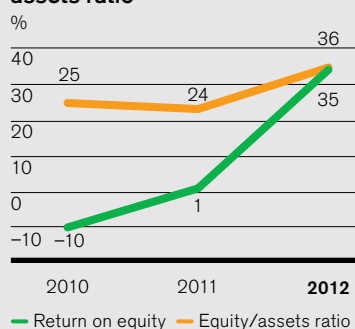
The number of employees in 2012 totaled 2,323.

Locomotives and wagons

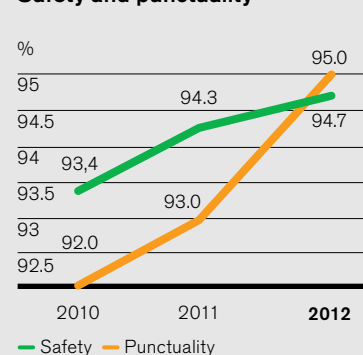
To deliver efficient and sustainable rail logistics for the Swedish business community, Green Cargo currently has 445 locomotives and about 6,500 wagons. Efforts continued throughout the year to gradually standardize the locomotive fleet and upgrade it through our locomotive modernization program. An estimated total of approximately SEK 2,000 million will have been invested by the end of 2015.

Group	2012	2011	2010
Net sales	4,585	5,418	5,260
Operating profit/loss	-72	32	-198
Profit/loss after tax	519	10	-139
Operating margin, %	neg.	1%	neg.
Return on capital employed, %	neg.	3%	neg.
Return on equity, %	35%	1%	neg.
Equity/assets ratio, %	36%	24%	25%
Debt/equity ratio	0.6	1.8	1.9
Gross investments	300	525	427
Average number of employees	2,323	2,575	2,689

Return on equity and equity/assets ratio



Safety and punctuality



CEO's report

A year of economic decline but also a year of progress. In a generally difficult period for Swedish industry and the global economy, different perspectives can provide an entirely different view. Personally, I choose to look from the perspective of what we can influence ourselves and am able to outline a period of key progress for Green Cargo.

Three years ago, Green Cargo was heavily burdened with debt and had a delivery punctuality level that had had frozen solid at just over 90 percent. An increasing number of our locomotives pulled themselves forward with aches and pains on worn tracks. In the background, politicians milled around unable to agree on infrastructure investment. As a consequence, both industry and Green Cargo lost volumes.

For most corporate management teams, this challenge alone would have been enough but Green Cargo was striving to become a wide-ranging logistics group with a European focus. We had subsidiaries engaged in road freight operations, were growing in third-party logistics and competed with ourselves for rail freight. Added to this mix were our very real problems with the profitability of the rail freight company.

Three years ago, Green Cargo had debt approaching SEK 2 billion. Today, we have a strong balance sheet and a better net debt/equity ratio compared with Swedish listed companies. This was primarily attributable to our focus on rail logistics, the divestment of our road freight subsidiaries and, in 2012, the

“ A flexible company that is able to adapt to its operating environment will be a safe partner for customers and employees.

divestment of our third-party logistics subsidiary. The success of this new strategy relied on its implementation. It took six months from the Board's decision to complete the sale of the third-party logistics operations. We are continuing our efforts to become the most reliable rail freight alternative for Swedish business, now with a healthy balance sheet. The ability to fund and progress with the modernization of our fleet of locomotives is a key prerequisite for the above. The cold truth is that 120 fully modernized locomotives are now rolling in Green Cargo's traffic and we exercised options to modernize an additional 37 locomotives in 2012.

While the willingness to take decisions and technical solutions are naturally important, we now have the financial means to transform ideas into reality.

Three years ago, our delivery punctuality within the appointed hour was below 95-percent, which is our principal customer promise. Goal-oriented discussions with the Swedish Transport Administration regarding improved snow clearance and our own focus on punctuality throughout Green Cargo have paid off. Domestic delivery punctuality of slightly more than 90 percent in 2010 climbed to 93 percent in 2011 and, by 2012, we were back at 95 percent, which is where we belong. The Swedish Transport Administration's statistics for train punctuality in 2012 also show that Green Cargo's punctuality is 19.1 percentage points above the average of our six largest competitors for rail freight.

Three years ago, we had a Group structure that was not only diversified; it was also complex and obsolete. We had become exposed to real competitors on the tracks and what we did not need was independent subsidiaries that competed for the same customers as the Parent Company. We have now integrated the rail company TGOJ and the freight forwarder NTR in parallel with streamlining our production and our marketing organization. We have sold our holding in the Norwegian rail company Cargonet and no longer need to share its losses with the Norwegian majority shareholders. All of the above actions were taken quickly and bolstered our financial position and our focus on the core business – efficient and sustainable rail logistics for the Swedish business community. Three years ago, political disunity reigned between the parties regarding the Swedish railway infrastructure. Was it over-invested – the stance adopted by one side – or was it obsolete and inadequate for the strongly growing rail traffic? And if so, with whom does the blame lie?

In 2012, the bickering has been replaced by consensus and there is now a clear desire among the government and the opposition. Maintenance has been neglected and there are bottlenecks for heavily used freight traffic routes that must be remedied if Sweden is to be able to grow sustainably and for the country's competitiveness. This is reflected in budgets and proposals in the Swedish Parliament and is a welcome response for all those who want to see a robust transport system featuring functional rail freight operations.

Green Cargo's network is part of the strength of our offering. Our offering comprises more than just shuttle connections between a few locations; we can reach 360 destinations in Sweden and Norway and, through our partners, we can reach thousands of destinations on the continent. Through this network, we were able to handle the substantial volumes of recycled material from Stena Recycling when it was needed, despite



“ Green Cargo strives to maintain its development capacity even in economic downturns and stands ready to meet economic upturns.

short notice, and increased our intermodal transport operations by 25 percent in 2012 when the Norwegian firm Cargonet suddenly closed most of its intermodal routes in Sweden.

We succeeded in increasing the scope of our assignments for such companies as Korsnäs, Stora Enso Logistics and Outokumpu and started to run ore trains for the new mining companies in Dannemora and Pajala.

Our network gives us coverage of the entire country, even for smaller customers, while providing us with opportunities to optimize the use of locomotives and train drivers on major assignments.

However, two consecutive economic downturns that leave us with substantial fixed costs and lower utilization rates are exerting pressure on the network. In such a situation, we increased our sales efforts and further streamlined our own operations while, at the end of 2012, the foundations were laid for something new. A crisis agreement was reached with the unions including shortened working hours and lowered salary in economic downturns, which would enable the company to quickly resume operations at full strength when demand increases. Such an agreement was not even on the table three years ago. A static rail freight company makes a poor partner for the Swedish business community and, in the long-term, an unsafe employer for our personnel. A flexible company that is able to adapt to its operating environment, maintain its ability to develop even in economic downturns and stands ready in

economic upturns makes a safe partner for customers and employees. The crisis agreement enabled Green Cargo to end 2012 as a pacesetter for flexibility in the service sector in Sweden.

We live by our business concept, which is offering sustainable rail logistics for the Swedish business community. The fundamental prerequisites for our long-term sustainability comprise strengthening our finances and enabling the continued modernization of our electric locomotives. Regaining a stable level of 95-percent delivery punctuality is a prerequisite for commercial enterprises to want to choose the greenest form of transportation. In 2012, Green Cargo became a more sustainable freight company.

Solna, February 2013

Mikael Stöhr
President and CEO

Leadership change with opportunities

A few years ago, when Green Cargo unified behind a new strategy, the goal was to develop as a reliable partner for the transport-dependent Swedish business community. In spring 2013, when Mikael Stöhr hands over the post as President to his successor Jan Kilström, the foundation will have been laid for the future. The vision is world-class rail logistics.

A strong balance sheet combined with a corporate structure focused on rail freight provides Green Cargo's new President Jan Kilström with an excellent starting point for moving forward. A string of new business deals in 2012 equipped Green Cargo with the necessary critical mass to develop its offering with a nationwide network. Regained quality levels and a position as Sweden's most punctual rail freight company enable Green Cargo to further strengthen its market position with a high quality, reliable offering.

Jan Kilström takes over the helm as Green Cargo's President in mid-May 2013. Such a leadership change is quite timely given the changes implemented by Green Cargo over the past three years. Jan Kilström's success and experience from the transportation sector and industry make him the right person to lead Green Cargo's future development.

Solna, February 2013

Lennart Pihl
Chairman of the Board

Jan Kilström Born in 1966. President of Green Cargo from May 2013. He has a M.Sc. in Engineering from the Faculty of Engineering at Lund University and joins Green Cargo from the logistics company Bring Frigo where he has been President since January 2010. Previously, Jan Kilström has held leading positions at the truckmaker Scania both in Sweden and abroad as well as being president of the expansive freight and logistics company Nils Hanssons Åkeri AB. Jan Kilström is married and has two children.





Green Cargo – a safer choice of freight carrier

Green Cargo is the most punctual rail freight company in Sweden. Cargo and its delivery punctuality within the appointed hour was 95 percent in 2012. The Swedish Transport Administration's statistics show that Green Cargo's train punctuality is 19 percentage points above the average for its six largest competitors for rail freight.

Green Cargo creates solutions even in a pinch. In winter 2012, a train was derailed in Jutland in Denmark. The accident occurred on a single-track section and resulted in a traffic stoppage on the normal freight traffic route through Denmark to and from the continent. Since Green Cargo has ferry agreements in place that serve as an alternative to the Öresund Bridge, we were able to act and source capacity to route customers' freight through Trelleborg. Our partnership with DB Schenker Rail and our jointly owned Danish rail company enabled some freight to be transported via a smaller track in Denmark during the stoppage, which continued for a period of some two weeks.



” I still remember when I heard that all traffic over the Öresund Bridge had been stopped. It was a major challenge to locate an alternative logistics solution, but, at the end of the day, we acted quickly and implemented an excellent solution. It felt extremely important to secure a sustainable alternative for our customers' freight.

Peter Kronvall, International Traffic Planner

This is Green Cargo

Green Cargo is part of the logistics system for the Swedish business community. We cover the entire country and, with our partners, we can reach all of Europe. Green Cargo has the resources to cope with an economic upturn for Swedish industry and now, in the middle of the economic decline, we are investing to remain a safe partner in the future. We are already Sweden's most punctual rail freight company.

Green Cargo is the rail freight company with a far-ranging network. We do not only operate a shuttle between separate locations; we transport freight to and from 360 destinations in Sweden and ten more in Norway. From Skåne and further south, our jointly owned Danish rail company takes over and continues the journey. On the European continent, we can reach thousands of destinations through our partnership with other train operators.

The advantage of the network is not just that we can reach so many destinations; we are also able to combine freight from companies with substantial volumes together with freight from

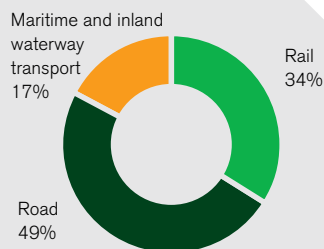


“ In total, Green Cargo's freight wagons roll around the world 35 times every 24 hours.

companies with smaller transportation needs and can fill trains to optimize efficiency and increase frequency. Ore, steel, the green gold from forests and white paper have got company on the rails. Chemical and energy products roll safely with Green Cargo and vehicles, furniture, post and foodstuffs have already booked future space on the train. In a time when other companies are finding it difficult to achieve profitable and sustainable intermodal traffic for full trains, Green Cargo has also included the intermodal traffic in the network's mixed trains and, in one year, increased intermodal transport volumes by 25 percent. All of this in a transport market in the middle of an economic downturn with falling volumes.

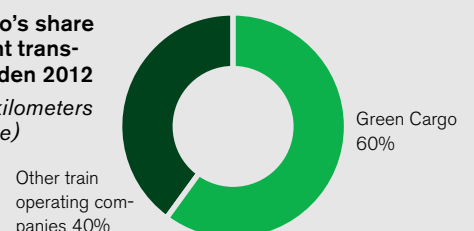
“ Steel wheels on steel rails roll easily. Our electric trains travel 300 times the distance of road freight for the same level of carbon emissions.

Freight transportation in Sweden 2012
(Net tonne kilometers including ore)



Source: The Swedish Transport Administration

Green Cargo's share of rail freight transport in Sweden 2012
(Net tonne kilometers excluding ore)



Source: The Swedish Transport Administration



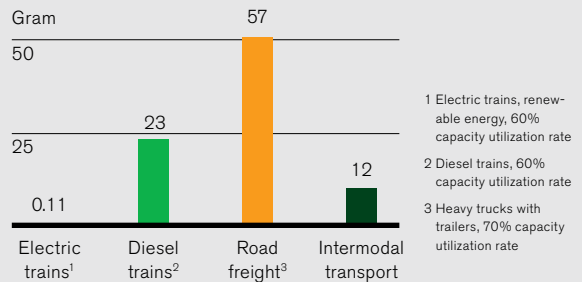
Green Cargo does not compete with trucks, we supplement each other – but when large volumes need to be transported long distances – the train is the smartest choice. When the tracks do not cover the last mile, Green Cargo has partnerships in place with some 200 road freight carriers that enable even more of its customers to utilize rail freight for the longer distances.

We secure each company's transport solution through a dedicated customer team. We have local knowledge and skilled logistics specialists that prepare innovative solutions for new

“ Green Cargo – only nationwide freight carrier to be approved as a Good Environmental Choice.

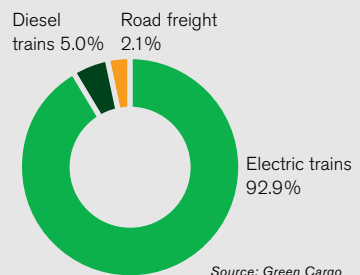
arrangements and for the development of established transport solutions. Our ongoing investment program for modernizing our locomotives and wagons represents an investment of almost SEK 2 billion and we are investing more to be able to operate on the increasing number of tracks equipped with the modern European Rail Traffic Management System (ERTMS). These substantial investments are necessary for a rail freight company that wants to continue to be a partner to the business community even in the future.

CO₂ per net tonne kilometer, average in Sweden



Source: www.ecotransit.org

Distribution of Green Cargo's freight operations by type of transport

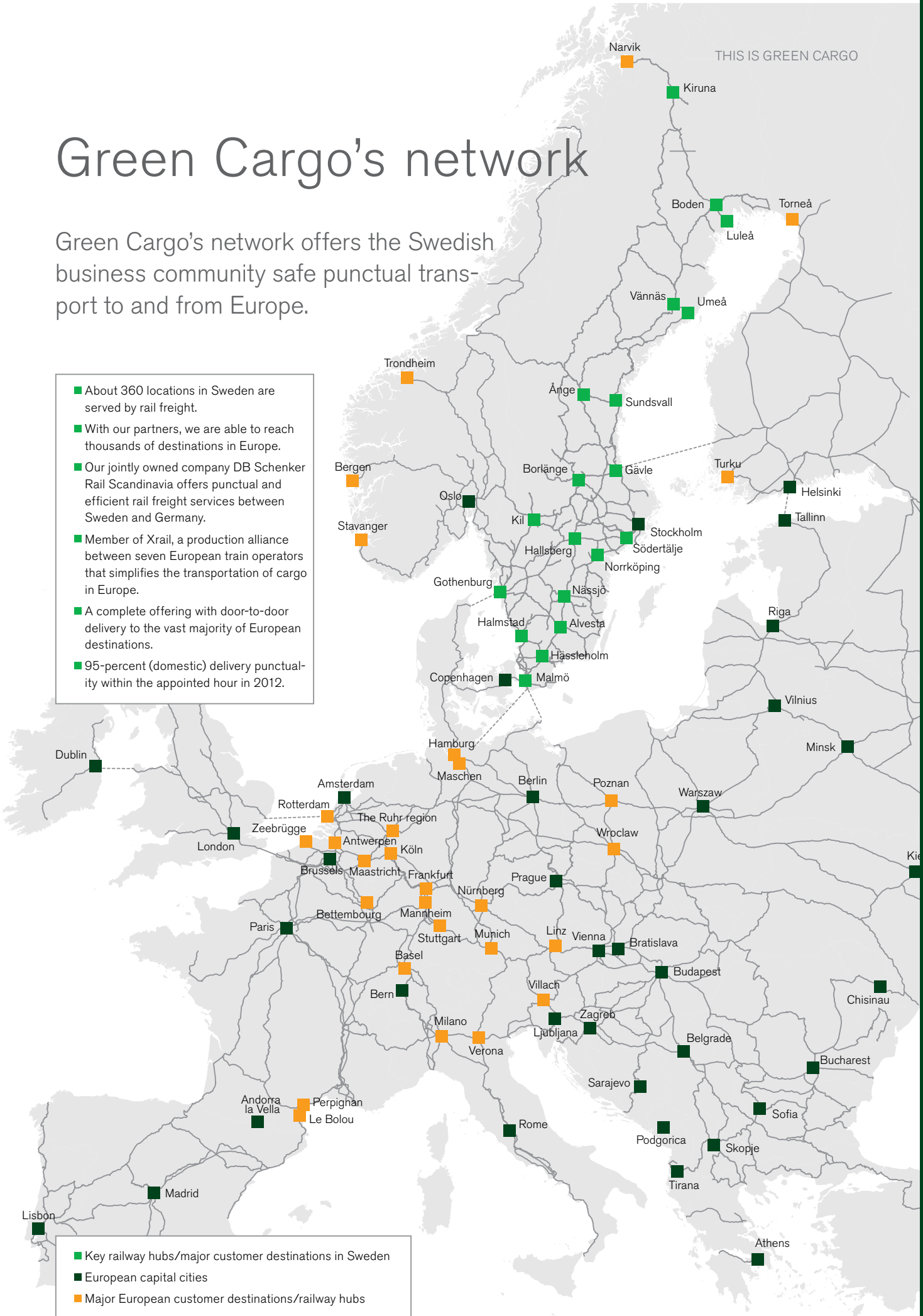


Source: Green Cargo

Green Cargo's network

Green Cargo's network offers the Swedish business community safe punctual transport to and from Europe.

- About 360 locations in Sweden are served by rail freight.
- With our partners, we are able to reach thousands of destinations in Europe.
- Our jointly owned company DB Schenker Rail Scandinavia offers punctual and efficient rail freight services between Sweden and Germany.
- Member of Xrail, a production alliance between seven European train operators that simplifies the transportation of cargo in Europe.
- A complete offering with door-to-door delivery to the vast majority of European destinations.
- 95-percent (domestic) delivery punctuality within the appointed hour in 2012.



- Key railway hubs/major customer destinations in Sweden
- European capital cities
- Major European customer destinations/railway hubs

Sources: The Swedish Transport Administration, the Finnish Transport Agency, the Norwegian National Rail Administration, other European main lines from UIC.

Green Cargo's locomotives and wagons

Green Cargo is proud of its 445 locomotives that, together with 6,500 wagons, transport their heavy loads, 365 days a year.



ELECTRIC LOCOMOTIVES – 245



Name: Rc1 **Number:** 16 **Comment:** All equipped with radio control, 130km/h **Rated power:** 3.6 MW



Name: Rc4 **Number:** 121 **Comment:** 62 equipped with radio control, 130km/h **Rated power:** 3.6 MW



Name: Re **Number:** 16 **Comment:** 140 km/h **Rated power:** 5.6 MW



Name: Rc2 **Number:** 32 **Comment:** 30 with radio control, 130 km/h **Rated power:** 3.6 MW



Name: Rc4p **Number:** 7 **Comment:** 160 km/h **Rated power:** 3.6 MW



Name: Rm **Number:** 6 **Comment:** 100 km/h **Rated power:** 3.6 MW



Name: Rc3 **Number:** 3 **Comment:** 2 equipped with radio control, 160 km/h **Rated power:** 3.6 MW



Name: Rd **Number:** 44 **Comment:** All equipped with radio control, 130km/h **Rated power:** 3.6 MW



A Green Cargo wagon of the HBB type

The wide variety in the wagon fleet satisfies the transportation needs of customers

Fuel chips, pulp wood, paper reels, ore, steel coils, metal for recycling, aviation fuel, foodstuffs, passenger cars, truck cabs and post. The list of needs for the Swedish business community can be very long indeed. With a fleet of some 6,500 wagons and approximately 900 containers and swap bodies, Green Cargo satisfies the vast majority of transport needs.

DIESEL LOCOMOTIVES – 205



Name: Td **Number:** 62 **Comment:** All equipped with radio control **Rated power:** 1.350 MW



Name: V11 **Number:** 2 **Comment:** All equipped with radio control **Rated power:** 0.883 MW



Name: V5 **Number:** 40 **Comment:** All equipped with radio control **Rated power:** 0.380 MW



Name: T44 **Number:** 56 **Comment:** All equipped with radio control **Rated power:** 1.235 MW



Name: V10 **Number:** 2 **Comment:** All equipped with radio control **Rated power:** 0.485 MW



Name: Z70 **Number:** 34 **Comment:** All equipped with radio control **Rated power:** 0.333 MW



Name: TMZ **Number:** 1 **Rated power:** 2.426 MW



Name: V4 **Number:** 3 **Comment:** All equipped with radio control (40/70 km/h) **Rated power:** 0.460 MW

Locomotive illustrations used by permission of Svenska-lok.se

Highlights 2012

Sweden's most punctual rail freight company 2012

After a few harsh winters and problems with the snow clearance provided and lower delivery punctuality, Green Cargo has worked hard to regain the punctuality rate that the company previously delivered and has as a goal. We were proud to once again achieve delivery punctuality within the appointed hour of 95 percent for domestic traffic and consolidate our position as Sweden's most punctual rail freight company. According to the Swedish Transport Administration's statistics, Green Cargo's punctuality is 19 percentage points above the average of our six largest competitors.

Safety – our highest priority

Safety is the employees' highest priority and pervades Green Cargo's operational planning, training of personnel and incident follow-ups. Accident costs were halved in the period from 2003-2009 and ambitions have been continuously raised. In 2012, Green Cargo's annual traffic-safety index was further improved. Tragically, although the overall index improved, the life of one of our employees was lost in a workplace accident in 2012.

Sale of third-party logistics bolsters

Green Cargo's finances and opportunities

On May 31, Green Cargo sold its subsidiary Green Cargo Logistics to Postnord. Since the third-party logistics operations had been built up successfully over a number of years, the divestment had a major impact on earnings for the year, strengthened liquidity and provided Green Cargo with a streamlined and healthier balance sheet with a low net debt/equity ratio.

The sale was a step forward in Green Cargo's strategy of moving from breadth in logistics to depth in railway logistics.

NTR integrated into Green Cargo

Efforts to integrate the subsidiary Nordisk Transport Rail (NTR) into the Parent Company continued in 2012, representing another step in the streamlining of the Group's transport operations. A shared sales and marketing organization strengthens the customer offering and increases efficiency. As part of efforts to safeguard the customer offering and minimize operational disruptions, the integration is being implemented in stages during 2012 and 2013.

Climate Comet of the Year and the Green Cargo Climate Certificate

Söderenergi was named Climate Comet of the Year when this special award was presented for the fifth consecutive year. "We are proud and pleased by this award and, not least, by having contributed to the environmental transport solution for wood chips for our combined heat and power plant," said Söderenergi's President Karin Medin at a ceremony held at the Opera Terrace in June. On the same occasion, the Minister for Infrastructure, Catharina Elmsäter-Svärd presented the Green Cargo climate certificates to 24 companies.

Ore takes to the rails

In spring 2012, the first Green Cargo train loaded with iron ore rolled out from the reopened mine at Dannemora to the port at Hargshamn. In April, the logistics company of the mining group Northland Resources signed a five-year agreement with Green Cargo for ore transportation from the newly opened mine at Kaunisvaara outside of Pajala. The agreement is valued at SEK 800 million and the first test trains departed at the end of the year.

Record in new business

In 2012, Green Cargo signed agreements for new, expanded or extended business to a value of SEK 3,350 million. These are the highest sales figures ever for Green Cargo and demand is high for our services, despite shrinking volumes in the freight market. Agreements were signed with such companies as Stora Enso Logistics, Korsnäs, Scandinavian Motortransport, Volvo Logistics, Boliden, Stena Recycling and Kubal.



Green Cargo locomotive at the maintenance depot

Intermodal traffic in Green Cargo's network

Several alternatives for intermodal traffic have disappeared from the market, but Green Cargo's network intermodal traffic has increased. Ongoing efforts are made to improve reception and delivery times and intermodal transport in Green Cargo's network grew about 25 percent in 2012.

Pulling power for the future

As a result of Green Cargo's billion kronor investments in modernization of locomotives, 104 modernized electric and diesel locomotives were pulling our freight trains in 2012. Green Cargo exercised options that will add a further 37 modernized electric locomotives to rail freight traffic. Green Cargo has a total of about 445 locomotives.

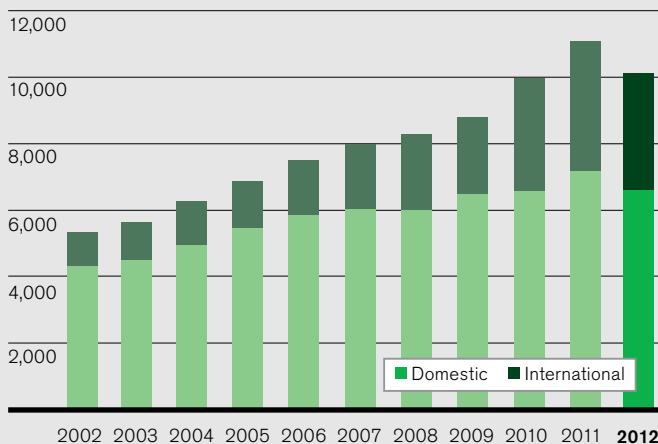
Key events after the balance-sheet date

In partnership with the labor unions, Green Cargo has signed a crisis agreement to counter the effects of the harsh recession. The pact includes reducing working hours to 80 percent while retaining 90 percent of salary and full pension provisions for the period February to May.

On 13 February, the Board of Green Cargo named Jan Kilstrom as the new President of the company. Jan Kilstrom is expected to assume the role of President in mid-May.

Intermodal traffic in Sweden (rail - road)

(1,000 ton)



Source: The Swedish Transport Administration

2012 per quarter

Q1

- The traffic-safety index was 94.4 for the quarter, compared with 90.3 for the year-earlier period.
- On March 26, an agreement regarding the sale of third-party logistics operations was signed with Postnord.
- Green Cargo signed new freight agreements valued at about SEK 250 million with companies including Outokumpu Stainless and Yara.
- Work to integrate NTR continued.
- Consolidated operating profit was SEK 5 million (loss: 47), up SEK 52 million year-on-year, driven by efficiency enhancements.

Q2

- The traffic-safety index was 95.4 for the quarter, compared with 95.2 for the year-earlier period.
- The first Green Cargo trains loaded with iron ore rolled out from the mine at Dannemora.
- Green Cargo signed new freight agreements valued at a total of SEK 980 million, with Northland Resources as the single largest company, accounting for SEK 800 million.
- On May 31, Green Cargo sold its third-party logistics operations to Postnord.
- Our delivery punctuality within the appointed hour was 94 percent and has exceeded 95 percent for the past four months. The Swedish Transport Administration's statistics for train punctuality in the first six months of 2012 show that Green Cargo's train punctuality was 23 percentage points above the average for our four largest rail competitors.
- A seminar on sustainable logistics was held and Green Cargo's climate certificates were presented to 24 companies. Söderenergi received the Climate Comet of the Year award.
- Consolidated operating profit was SEK 12 million (41), with the year-on-year deviation primarily due to non-recurring items. Consolidated profit after tax was SEK 625 million (27). The year-on-year improvement resulted from the sale of third-party logistics operations.

Q3

- The traffic-safety index was 93.8 for the quarter, compared with 96.0 for the year-earlier period.
- Green Cargo signed new freight agreements valued at a total of SEK 1,110 million, with Stora Enso as the largest customer.
- Consolidated operating loss of SEK 3 million was reported (profit: 57) due to declining volumes as a consequence of the financial turbulence in Europe and the US. The year-on-year volume decline was about 11 percent.

Q4

- The traffic-safety index was 95.2 for the quarter, compared with 95.8 for the year-earlier period.
- The volume decline at the end of the year was almost 20 percent compared with the spring – the declining trend was general and applied to all industries but particularly to the steel industry.
- Business secured amounted to SEK 750 million, despite the economic downturn.
- An operating loss for the quarter of SEK 86 million (loss: 19) was reported, with the decline due to the lower volume.

Five-year overview

PROFIT/LOSS ITEMS	2012	2011	2010 ¹	2009 ¹	2008 ¹
Net sales	4,585	5,418	5,260	5,124	5,753
Operating profit/loss	-72	32	-198	-232	113
<i>Operating margin</i>	-1.6%	0.6%	-3.8%	-4.5%	2.0%
Net financial income/expense	-51	-66	11	-28	-103
Profit/loss after financial items	-123	-34	-187	-260	10
Profit/loss after discontinued operations	636	44	41	27	13
Profit/loss for the year	519	10	-139	-174	7

BALANCE SHEET ITEMS	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010	Dec 31, 2009	Dec 31, 2008
TOTAL ASSETS	4,850	5,145	4,940	4,977	4,242
Equity	1,740	1,220	1,253	1,400	1,489
Total external liabilities	3,110	3,925	3,687	3,577	2,753
TOTAL EQUITY AND LIABILITIES	4,850	5,145	4,940	4,977	4,242

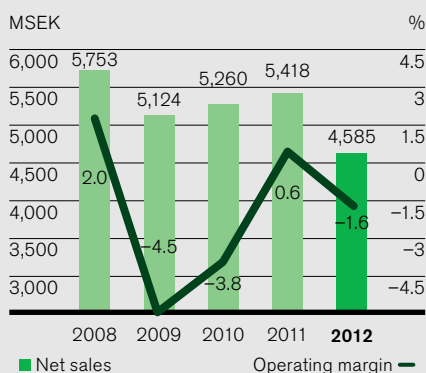
CASH FLOW	2012	2011	2010	2009	2008
Cash flow from operating activities	140	198	220	8	177
Cash flow from investing activities	-565	-813	-313	183	-562
Cash flow from financing activities	-172	306	67	41	225
Cash flow from discontinued operations	786	-6	70	26	7
Cash flow for the year	189	-315	45	257	-154

KEY PERFORMANCE INDICATORS ²	2012	2011	2010	2009	2008
Return on capital employed	neg.	3%	neg.	neg.	6%
Return on equity	35%	1%	neg.	neg.	0%
Equity/assets ratio	36%	24%	25%	28%	35%
Net debt/equity ratio (multiple)	0.6	1.8	1.9	1.4	0.9
Net debt/EBITDA	6.2	5.7	17.9	34.9	2.3
Gross investments, continuing operations	300	525	427	767	581
Gross investments, discontinued operations	9	15	10	160	27
Average number of employees, continuing operations	2,323	2,575	2,689	2,805	2,972
Average number of employees, discontinued operations	99	230	218	212	184

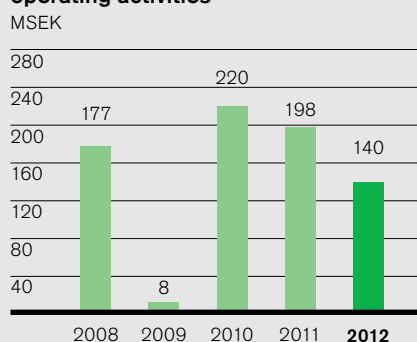
¹ For the period 2008–2010, the results for discontinued operations were calculated pro forma after taking into consideration the fact that the divested third-party logistics operations were mostly part of the Parent Company.

² The KPIs are calculated for the entire Group including discontinued operations unless specified otherwise.

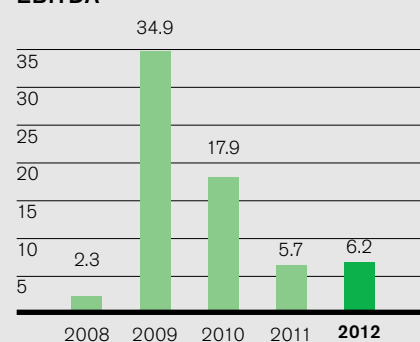
Net sales and operating margin



Cash flow from operating activities



Net Debt/EBITDA





Sustainable track into the future

The liberalization of rail freight has been a success. The business community has more train operators to choose from and rail freight has been increasing for a considerable period of time. However, the infrastructure has not kept pace. Substantial growth in rail traffic has taken its toll on the track system.

The good news in 2012 was that there is now political unity regarding the need to improve and increase the capacity of the railway system so that Sweden will once again have a robust railway. This state of affairs is reflected in the Government's and the opposition's parliamentary motions and is something that both Green Cargo and our customers look forward to. Green Cargo also welcomes the ongoing discussion regarding a moratorium on the planned rises in track access charges. This is an important subject for discussion if the competitiveness of both rail freight and the export-dependent industry is to be maintained.



Finally, political unity on improving the railways. In my opinion, one of the most important news items this year.

Pelle Andersson, Infrastructure Manager

Consolidated income statement

SEK million	Note	GROUP	
		2012	2011
Continuing operations			
<i>Operating income</i>			
Net sales	4	4,585	5,418
Other operating income	6	28	23
Total operating income		4,613	5,441
<i>Operating expenses</i>			
Operating costs	4, 7	-2,449	-3,034
Personnel costs	8	-1,462	-1,616
Other external costs	9	-533	-505
Depreciation, amortization and impairment losses	15, 16	-252	-250
Share in profit/loss of associated companies	18	11	-4
Operating profit/loss		-72	32
<i>Profit/loss from financial items</i>			
Interest income and similar profit/loss items	12	34	28
Interest expense and similar profit/loss items	13	-85	-94
Profit/loss after financial items		-123	-34
Tax on profit for the year	14	6	0
Profit/loss for the year from continuing operations		-117	-34
Discontinued operations			
Profit for the year from discontinued operations	24	636	44
Profit for the year		519	10
Of which attributable to Parent Company owners		520	9
Of which attributable to non-controlling interests		-1	1
Total		519	10

SEK million	Note	GROUP	
		2012	2011
STATEMENT OF COMPREHENSIVE INCOME			
Profit for the year		519	10
<i>Other comprehensive income:</i>			
Cash-flow hedges		8	-51
Hedging of net investments		2	-2
Translation differences		-7	-3
Tax	14	-2	13
Total other comprehensive income, net after tax		1	-43
Total comprehensive income for the year		520	-33
Of which attributable to Parent Company owners		521	-34
Of which attributable to non-controlling interests		-1	1
Total		520	-33

Consolidated balance sheet

ASSETS	GROUP		
SEK million	Note	Dec 31, 2012	Dec 31, 2011
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		34	38
Goodwill		–	5
Ongoing capitalized development expenditure		8	4
Total intangible assets		42	47
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		41	398
Leased buildings	17	–	203
Leasehold improvements		8	14
Transport equipment		1,196	920
Leased transport equipment	17	1,115	1,180
Equipment, fixtures and fittings		27	81
Construction in progress		70	255
Total property, plant and equipment		2,457	3,051
<i>Financial assets</i>			
Participations in associated companies	18	330	326
Non-current investments	19	16	170
Other non-current receivables, pensions	32	9	9
Deferred tax assets	20	142	149
Total financial assets		497	654
Total non-current assets		2,996	3,752
Current assets			
Inventories	21	16	17
Accounts receivable		411	673
Receivables from associated companies	4	1	8
Other receivables		3	20
Current tax assets		3	–
Prepaid expenses and accrued income	22	79	111
Derivative instruments	31	0	1
Current investments	31	830	371
Cash and bank balances	30	277	88
Total current assets		1,620	1,289
Assets held for sale	23	234	104
TOTAL ASSETS		4,850	5,145

Consolidated balance sheet

EQUITY AND LIABILITIES SEK million	Note	GROUP	
		Dec 31, 2012	Dec 31, 2011
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		-14	-15
Profit/loss brought forward		-21	-30
Profit for the year		520	9
Total equity attributable to Parent Company owner		1,732	1,211
Non-controlling interests		8	9
Total equity	28	1,740	1,220
Liabilities			
<i>Non-current liabilities</i>			
Non-current leasing liabilities	17	1,065	1,378
Other non-current liabilities	31	784	1,261
Derivative instruments	31	34	33
Total non-current liabilities		1,883	2,672
<i>Current liabilities</i>			
Accounts payable		223	380
Current leasing liabilities	17	108	86
Current tax liabilities		-	7
Other liabilities		118	189
Derivative instruments	31	1	-
Accrued expenses and deferred income	26	563	574
Other provisions	25	19	17
Total current liabilities		1,032	1,253
Liabilities attributable to assets held for sale	23	195	-
TOTAL EQUITY AND LIABILITIES		4,850	5,145
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities	27	-	-

Change in Equity, Group

GROUP SEK million	Equity attributable to Parent Company owners								Non- controlling interests	Total equity
	Note	Share capital	Other capital con- tributions	Reserves	Profit/loss brought forward	Profit/ loss for the year	Total			
Opening balance, Jan 1, 2011		200	1,047	28	110	-140	1,245	8	1,253	
Allocation of preceding year's profit/loss					-140	140	-		-	
Comprehensive income										
Profit/loss for the year						9	9	1	10	
Other comprehensive income										
Cash-flow hedges, after tax				-39			-39		-39	
Hedging of net investments				-1			-1		-1	
Translation difference				-3			-3		-3	
<i>Total other comprehensive income</i>		-	-	-43	-	-	-43	-	-43	
Total comprehensive income		-	-	-43	-	9	-34	1	-33	
Closing balance, Dec 31, 2011	28	200	1,047	-15	-30	9	1,211	9	1,220	
Opening balance, Jan 1, 2012		200	1,047	-15	-30	9	1,211	9	1,220	
Allocation of preceding year's profit/loss					9	-9	-		-	
Comprehensive income										
Profit for the year						520	520	-1	519	
Other comprehensive income										
Cash-flow hedges, after tax				6			6		6	
Hedging of net investments				2			2		2	
Translation difference				-7			-7		-7	
<i>Total other comprehensive income</i>		-	-	1	-	-	1	-	1	
Total comprehensive income		-	-	1	-	520	521	-1	520	
Closing balance, Dec 31, 2012	28	200	1,047	-14	-21	520	1,732	8	1,740	

Consolidated cash-flow statement

SEK million	Note	GROUP	
		2012	2011
<i>Operating activities</i>			
Loss after financial items		-123	-34
Adjustments for non-cash items	29	228	205
Provisions made		-8	-42
Tax paid		-32	-28
Cash flow from operating activities before changes in working capital, continued operations		65	101
Cash flow from changes in working capital			
Increase/decrease in current receivables		163	8
Increase/decrease in current liabilities		-88	89
Cash flow from operating activities, continued operations		140	198
<i>Investing activities</i>			
Acquisition of intangible assets		-8	-5
Acquisition of property, plant and equipment		-292	-520
Sale of property, plant and equipment		36	19
Sale of financial assets		2	-
Dividend from associated companies		-	2
Changes in current investments		-458	-161
Changes in non-current investments		155	-160
Acquisition/sale of operations		-	12
Cash flow from investing activities, continued operations		-565	-813
<i>Financing activities</i>			
Borrowings		-	461
Amortization of leasing liabilities and loans		-172	-151
Changes in current financial receivables		-	-4
Cash flow from financing activities, continued operations		-172	306
Cash flow from discontinued operations	24	786	-6
Cash flow for the year		189	-315
Cash and cash equivalents at the beginning of the year		88	403
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	277	88

Parent Company income statement

SEK million	Note	PARENT COMPANY	
		2012	2011
<i>Operating income</i>			
Net sales	4	4,279	4,963
Other operating income	6	29	23
Total operating income		4,308	4,986
<i>Operating expenses</i>			
Operating costs	4, 7	-2,217	-2,757
Personnel costs	8	-1,407	-1,499
Other external costs	9	-518	-492
Depreciation, amortization and impairment losses	15, 16	-243	-223
Operating profit/loss		-77	15
<i>Profit/loss from financial items</i>			
Profit from participations in Group companies	10	496	45
Profit/loss from participations in associated companies	11	-	2
Interest income and similar profit/loss items	12	34	30
Interest expense and similar profit/loss items	13	-78	-90
Profit after financial items		375	2
Tax on profit/loss for the year	14	3	-8
Profit/loss for the year		378	-6

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	PARENT COMPANY	
		2012	2011
Profit/loss for the year		378	-6
<i>Other comprehensive income:</i>			
Cash-flow hedges		8	-51
Hedging of net investments		2	-2
Tax	14	-2	13
Total other comprehensive income, net after tax		8	-40
Total comprehensive income for the year		386	-46

Parent Company balance sheet

ASSETS SEK million	Note	PARENT COMPANY	
		2012-12-31	2011-12-31
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		33	37
Ongoing capitalized development expenditure		6	3
Total intangible assets		39	40
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		1	2
Leased buildings	17	–	203
Leasehold improvements		9	11
Transport equipment		1,198	917
Leased transport equipment	17	1,115	1,176
Equipment, fixtures and fittings		23	18
Construction in progress		70	254
Total property, plant and equipment		2,416	2,581
<i>Financial assets</i>			
Participations in Group companies	18	66	111
Participations in associated companies	18	316	316
Non-current investments	19	15	170
Receivables from Group companies	4	–	63
Deferred tax assets	20	146	146
Total financial assets		543	806
Total non-current assets		2,998	3,427
<i>Current assets</i>			
Inventories	21	16	17
Accounts receivable		361	461
Receivables from Group companies	4	36	108
Receivables from associated companies	4	1	8
Other receivables		2	5
Current tax assets		3	–
Prepaid expenses and accrued income	22	80	98
Derivative instruments	31	0	1
Current investments	31	830	371
Cash and bank balances	30	263	79
Total current assets		1,592	1,148
Assets held for sale	23	100	104
TOTAL ASSETS		4,690	4,679

Parent Company balance sheet

EQUITY AND LIABILITIES SEK million	Note	PARENT COMPANY	
		Dec 31, 2012	Dec 31, 2011
Equity			
<i>Restricted equity</i>			
Share capital		200	200
Statutory reserve		100	100
		300	300
<i>Non-restricted equity</i>			
Fair-value reserve		4	-4
Profit brought forward		892	898
Loss for the year		378	-6
		1,274	888
Total equity	28	1,574	1,188
Liabilities			
<i>Non-current liabilities</i>			
Non-current leasing liabilities	17	1,065	1,375
Other non-current liabilities	31	784	888
Derivative instruments	31	34	33
Pension provisions	32	11	13
		1,894	2,309
<i>Current liabilities</i>			
Accounts payable		212	300
Liabilities to Group companies	4	155	94
Current leasing liabilities	17	108	83
Current tax liabilities		-	2
Other liabilities		113	167
Derivative instruments	31	1	-
Accrued expenses and deferred income	26	545	517
Pension provisions	32	2	2
Other provisions	25	19	17
		1,155	1,182
Liabilities pertaining to assets held for sale	23	67	-
TOTAL EQUITY AND LIABILITIES		4,690	4,679
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities	27		
Pledged assets		614	691
Contingent liabilities		392	763

Changes in Equity, Parent Company

PARENT COMPANY SEK million	Note	Share capital	Statutory reserve	Fair-value reserve	Profit/loss brought forward	Profit/loss for the year	Total
Opening balance, Jan 1, 2011		200	100	36	1,104	-191	1,249
Allocation of preceding year's loss					-191	191	-
Acquisition/divestment of operations					-15		-15
Cash-flow hedges, after tax				-39			-39
Hedging of net investments				-1			-1
Loss for the year						-6	-6
Closing balance, Dec 31, 2011	28	200	100	-4	898	-6	1,188
Opening balance, Jan 1, 2012		200	100	-4	898	-6	1,188
Allocation of preceding year's loss					-6	6	-
Cash-flow hedges, after tax				6			6
Hedging of net investments				2			2
Profit for the year						378	378
Closing balance, Dec 31, 2012	28	200	100	4	892	378	1,574

Parent Company cash-flow statement

SEK million	Note	PARENT COMPANY	
		2012	2011
<i>Operating activities</i>			
Profit after financial items		375	2
Adjustments for non-cash items	29	-261	133
Provisions made		-8	-42
Tax paid		-29	-29
Cash flow from operating activities before changes in working capital		77	64
Cash flow from changes in working capital			
Increase/decrease in current receivables		182	2
Increase/decrease in current liabilities		-21	105
Cash flow from operating activities		238	171
<i>Investing activities</i>			
Acquisition of intangible assets		-8	-3
Acquisition of property, plant and equipment		-278	-516
Sale of property, plant and equipment		22	17
Sale of financial assets		2	2
Dividend from associated companies		-	2
Changes in current investments		-458	-161
Changes in non-current investments		155	-160
Acquisition/sale of operations		610	12
Cash flow from investing activities		45	-807
<i>Financing activities</i>			
Borrowings		-	461
Amortization of leasing liabilities and loans		-147	-144
Group contributions received/paid		48	46
Cash flow from financing activities		-99	363
Cash flow for the year		184	-273
Cash and cash equivalents at the beginning of the year		79	352
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	263	79

FOKUS:
FRAMTID



Pulling power right to the end

Green Cargo has the locomotives to handle the existing freight transportation needs of the business community. However, companies that base major logistic systems on the railway must be sure that the rail freight operator will still be there, with the necessary pulling power, even in the future. Accordingly, Green Cargo has strengthened its balance sheet and is investing almost SEK 2 billion in the modernization of our locomotive fleet. We have acquired new locomotives but the main focus is on ensuring that our existing locomotives will be operational long into the 2020s.

Since Green Cargo operates freight trains in a network that covers the entire country, even well off the electrified main lines, we have modernized 62 large diesel locomotives and have equipped them with such features as green engines. We have modernized 42 electric locomotives and ordered an additional 30, which are being delivered at a rate of two locomotives per month at the time of writing. We also have options on another seven locomotives. Green Cargo's locomotives are an asset for all of Green Cargo's customers.



It's essential that we have safe, available and reliable locomotives. This is a key investment to enable Green Cargo to provide sustainable freight transportation for the Swedish business community moving forward.

Martin Modéer, Rolling Stock Manager

Green Cargo's key performance indicators (KPIs)

Safety and quality constitute Green Cargo's path to profitability. Green Cargo's operations are based on the requirements and instructions drawn up by the owner in respect of, for example, return on equity and the equity/assets ratio. As part of efforts to achieve operations that are economically, environmentally and socially sustainable, we have set goals and monitor our operations through financial and non-financial KPIs.

Green Cargo's KPIs – financial and non-financial

Because a clear connection between the average working day of employees and the overall objectives is crucial for Green Cargo, the concept of "Safety and quality will make Green Cargo profitable" is incorporated into daily operations. The traffic-safety index and the quality measurement of delivery punctuality are the two non-financial KPIs that are monitored and reported monthly.

In addition to the above KPIs, Green Cargo monitors three other key non-financial indicators: Employees (sickness absence), Environment (liters of diesel per 1,000 net tonne kilometers) and Society (number of volunteer hours).

The CEO has ultimate responsibility for the management and administration of Green Cargo's business activities. Governance documents, the business plan and operational plans clearly define the areas of responsibility and the leadership and performance of daily operations. The company's Executive Management and its members are in turn responsible through their respective management teams and organizations for leading and managing the Production and Market divisions, and the staff functions Finance & Business Support, Business Development, HR and Communication.

Definitions of targets and KPIs

Targets and KPIs (both financial and non-financial) for the entire Group are determined in the business plan (rolling three-year plan), which are prepared by the Executive Management and approved by the Board. Green Cargo includes concrete activities in the business plan as part of efforts to be perceived as a sustainable company that continuously delivers in line with goals.

Communication of KPIs and follow-up to the employees

Green Cargo's managers and staff have procedures, processes and guidelines at hand to communicate goals and visions. How the company delivers in relation to objectives is often communicated through workplace meetings and/or monthly reports.

Follow-up of non-financial KPIs is a tool for Green Cargo to achieve continuous improvements and continuous follow-up (monthly, weekly and daily) provides opportunities to work preventively and to reduce the company's risks before negative deviations result in more material consequences.

Multiple channels are utilized for continuous communication of results to ensure that all employees are able to keep abreast of the company's overall results:

- Monitors/notice boards provide up-to-date information about the current status of Green Cargo's KPIs.
- Workplace meetings – results are presented for the Green Cargo Group, but focus is on local performance and activities.
- Development dialogs – Local goals are broken down to the individual employee's perspective and objective.
- Cargonet, which is Green Cargo's intranet – is the main source for reporting on the Green Cargo Group's performance.
- The employee magazine Axel – central cases are reported in each issue.



Mari Green couples wagons together

Efficient and sustainable rail logistics for the Swedish business community

For Green Cargo, sustainability means that the company's environmentally compatible operations must be financially sustainable. Rail freight is defined as steel wheels rolling easily on steel rails carrying heavy products on behalf of the business community. It provides unique energy efficiency. For such operations to be loss-making would constitute an environmental threat in itself, since stable finances are required for future investments and development.

The key green initiative of 2012 was to increase profitability. Green Cargo has been loss-making, but safety and quality will make it a profitable company. Only by being profitable will Green Cargo meet the owner requirements and make the necessary investments, including the ongoing modernization of the locomotive fleet, an investment of SEK 1.7 billion.

When producing the sustainability report for Green Cargo AB, particular consideration has been given to the reporting requirements for state-owned enterprises. Anything of material importance that has to be reported for the government is thus important for Green Cargo.

This section reports on Green Cargo's financial KPIs under Finance and the five non-financial KPIs: *Safety, Quality, Employees, Society* and *Environment*. Reporting of non-financial KPIs applies to the Parent Company Green Cargo AB, while the financial KPIs apply at Group level.

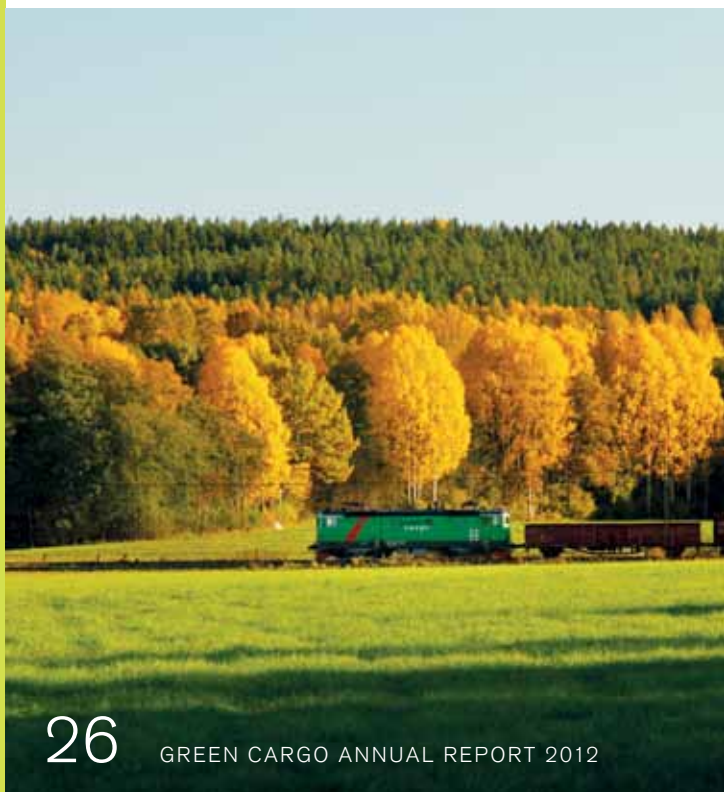
Finance – the sale of third-party logistics operations offsets weak earnings from transport operations

It is incumbent on the CEO and Executive Management to manage and follow up operations to ensure that the owner's overall financial targets are reached. This means applying a focus on results at various levels of the company as well as efficient use and management of capital combined with a reasonable level of risk. The owner's financial targets for the Green Cargo Group are a 10-percent return on equity, a 30-percent equity/assets ratio and a dividend corresponding to 50 percent of profit for the year subject to the target for the equity/assets ratio being achieved.

Events in 2012

The financial performance of transport operations improved significantly in the first half of 2012, despite lower volumes than in the preceding year. Revenues increased in parallel with profitability measures that had a positive effect on costs. In the second half of the year, the economic downturn had a negative impact since a major portion of the cost base is fixed in the short-term. However, the sale of the third-party logistics operations in May had such a powerful impact on earnings that the owner requirements were met despite a weak performance from transport operations.

Improved performance in other target areas, principally Safety, Quality (punctuality) and Environment (diesel consumption) also positively impacted profitability. However a few larger isolated accidents in 2012 resulted in high costs and, accordingly, accident costs increased in 2012, despite an otherwise generally favorable safety performance.





The economic recovery in the first half of the year turned into recession toward the end of the year as the financial crisis in the Euro zone intensified and impacted business in Sweden through declining demand, which resulted in lower transport volumes.

Work continued in all areas of transport operations to secure the implementation of previously approved restructuring, investments, pricing strategies and other profitability improvement measures. Activities to achieve more efficient use of our locomotives and wagons continued throughout 2012, resulting in the divestment of a number of unutilized wagons. This positively impacted profitability through increased revenue and reduced tied-up capital. In parallel, streamlining efforts were conducted in large portions of the operations during the year.

Key initiatives during the year

During the year, the decided strategy of focusing on core operations – rail freight – was implemented in full. This resulted in the sale of third-party logistics operations in May, thereby significantly boosting earnings, cash flow and the balance sheet.

Profit for the year – Financial

Despite a substantial upswing in earnings in the first half of the year, the economic downturn in the second half led to transport operations posting a poorer result year-on-year. However, the sale of third-party logistics operations meant that Green Cargo's earnings, return and equity/assets ratio requirements were exceeded. In 2013, Green Cargo will continue its efforts to improve transport operations to achieve the set financial requirements of the owner.

Further information about financial targets and results in respect of the Group's profitability and financial position is available in the Administrative Report and Financials.

	Outcome 2011	Target 2012	Outcome 2012	Trend
Return on equity, %	1	10	35	→
Equity/assets ratio, %	24	30	36	→
Dividend, %	–	50	–	



Mats Nilsson inspects the freight wagons

Safety – a tragic accident overshadows otherwise favorable safety performance

Events in 2012

2012 was characterized by falling numbers of accidents and the ambitious key ratio target for the traffic-safety index was extremely close to being reached. The traffic-safety index was 94.7, just 0.1 percent from the target of 94.8. Although the number of accidents decreased 8 percent compared with 2011, this positive trend for safety work was overshadowed by an accident in Sundsvall on September 20, when one of Green Cargo's employees died in a shunting accident. Other serious incidents, over and above the tragic accident in Sundsvall, included train derailments at Tallåsen on February 16 with a subsequent extended stoppage

of traffic, at Säter on August 25 and at Stavreviken on November 20. Unfortunately, Green Cargo also noted an increase in accidents at level crossings during the year.

Important safety activities in 2012

Long-term efforts continued with the aim of motivating personnel to behaving safely in daily operations and the challenge of always prioritizing safety and not taking chances resulted in fewer derailments due to snow and ice during the winter.

Green Cargo has committed to sector-wide safety activities through the Association of Swedish Train operators (ASTOC) and in direct collaboration with the Swedish Transport Administration. This includes participation in GNS Järnväg, the national collaboration group for railway safety, where safety enhancements at level crossings are included as a prioritized area.



Stefan Blomstrand couples wagons together

Results for the year – Safety

The traffic-safety index is an overall measure of the company's traffic safety level. The index is based on a valuation of all accidents that occur in rail operations over a defined period and on the accident definitions set by the Swedish Transport Agency. Each accident is allocated a risk value, depending on the degree of severity, which impacts the index negatively. An index value of 100 signifies that no accidents occurred. The index is adjusted for changes in volume to be comparable over time.

	Score 2011	Target 2012	Score 2012	Trend
Traffic-safety index; Rail	94.3	94.8	94.7	➔

Quality – 95 percent punctuality within the appointed hour

Events in 2012

Delivery to customers is defined as Green Cargo's ability to meet customer expectations and requirements for on-time deliveries. Through sustained and systematic enhancement efforts throughout the organization, we improved our delivery punctuality in 2012. December was a tough end to the year with the lowest monthly results because of snow and freezing temperatures. Despite this, the full-year result for domestic rail freight was 95 percent, two percentage points higher than the preceding year.

The Swedish Transport Administration's punctuality statistics

The Swedish Transport Administration's punctuality statistics for 2012 show that Green Cargo's train punctuality exceeded the average for the six largest rail freight competitors in Sweden by 19 percentage points. Punctual arrival is measured with a maximum deviation of 5 minutes.

Although the Swedish Transport Administration's punctuality statistics for freight trains also record punctuality between marshalling yards, the decisive measure of freight transportation for the business community is delivery to the recipient. This could be delivery to a factory, port or warehouse. Green Cargo measures its punctuality in terms of delivery punctuality within the appointed hour.

Key quality initiatives in 2012

Green Cargo has patiently and systematically continued its work to prevent and reduce the causes underlying interference with quality in operations.

Results for the year – Domestic quality/punctuality

Green Cargo measures delivery punctuality within the appointed hour for 45,000 to 50,000 wagons each month. For 2012, 540,000 wagons were included in Green Cargo's delivery punctuality measurements.

	Score 2011	Target 2012	Score 2012	Trend
Domestic delivery punctuality, % (within the appointed hour, rail)	93,0	95,0	95,0	➔





From left: Johan Drejing, Lars Ericsson and William Ekekrantz

Employees – a year of development

Events in 2012

In 2012, streamlining efforts and development of various parts of the organization continued at the same pace as the preceding year.

Demand and the need for personnel

The first half of the year saw an increase in demand, with a consequent increase in staffing needs. However, economic conditions did not continue along the same positive path. The summer and the last months of the year saw a substantial decline with a consequent significant decrease in recruitment needs. The differences around the country were substantial, with a continuing recruitment need in the Upper Norrland operating area since the mining industry continues to perform very strongly, while the recruitment need in other parts of the country declined substantially.

Structural changes

In the autumn, a number of structural changes were implemented in the Group:

- Integration of the subsidiary NTR was largely completed.
- Most of the customer service organization continued its work involving an increased focus on sales.
- The Production Division was reorganized to enhance work efficiency.

These changes resulted in slightly more than 15 redundancies. The redundancies were resolved through a combination of relocations and layoffs due to lack of work.

Key initiatives in 2012

Dialog

Green Cargo continued to work actively to strengthen the dialog with, and between, personnel through workplace and leadership meetings and through the various communication channels available in daily operations. This resulted in a more open level of dialog, as reflected in the number of comments to articles on the intranet Cargonet.

Leadership development through leadership meetings

Two organization-wide leadership meetings were implemented aimed at strengthening decision-making and dialog within the organization. Some 40 managers underwent training in change management, dialog techniques, coaching and risk assessment.

Staffing pool

To bolster access to personnel across the country, Green Cargo created a staffing pool. Currently, this pool includes some 19 train drivers and marshalling yard operators. The plan is to expand the staffing pool with additional personnel and occupational categories.

Collaboration

In conjunction with the economic downturn, the labor unions were invited to collaborate and discuss various solutions to the prevailing negative economic conditions. Negotiations between Green Cargo and the union continued for about one month without reaching any agreement. Green Cargo was forced to give advance notice of redundancies to about 350 employees before Christmas. Thereafter, negotiations were reopened and a crisis agreement could be signed in January 2013.

Health

The occupational health services procured in the preceding year were implemented throughout the organization and for the first time, organization-wide health screening was performed. The company elected to depart from the traditional annual medical check-ups and, instead analyze where the most substantial need for health initiatives existed by through employee surveys. The results of the health screening are currently being compiled and will lead to Green Cargo continuing to invest in the area where employees are in most substantial need of help. Sickness absence declined by 0.2 percentage points year-on-year.

In 2012, a working hours survey was conducted among personnel in a collaboration with the unions. The survey results will form the basis for enhancement efforts, primarily in the operational part of the business.

Training and development

Green Cargo certified for training train drivers

2012 was the year in which the Production Academy was certified as a training coordinator. The permit was issued by the Swedish Transport Agency and empowers Green Cargo to provide train driver training, issue driving licenses and test and approve supplementary certificates. This permit provides Green Cargo with the opportunity to train the personnel of external customers.

The development of professionalism in the organization

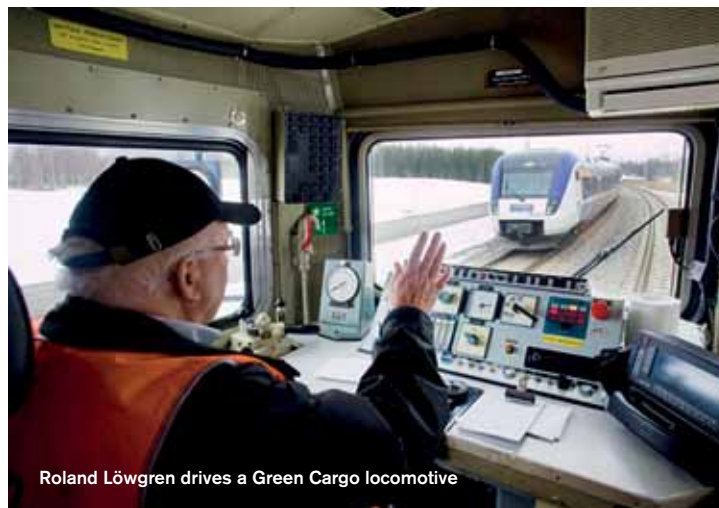
Efforts to develop professionalism in the organization continued. During the year, a competence model was drawn up that now forms the basis for the behavioral rules that are expected to be complied with by all personnel and management at all levels. Professional behavior has been sorted into five competency areas: cooperation, professionalism, result focus, development and communication. To amplify the above, first-line managerial roles have been clarified through mandates and decision-making powers.

Workplace injuries reported

In the Green Cargo Group, there were 25 cases of workplace injuries or occupational illnesses, representing a significant decline that is attributable to such reasons as a clearer focus on safety and quality. 16 cases led to hospital treatment and four of these cases led to a stay in hospital of more than 24 hours. Tragically, in the autumn, a fatal workplace accident occurred in conjunction with marshalling work as a consequence of broken wheel axles on a locomotive.

Personnel; gender balance, age, length of service and pensions

About 12 percent of personnel are women; at management level the corresponding figure is 20 percent. The company has an ambition of creating a more even gender balance. During the year, there were no known cases of discrimination at Green



Roland Löwgren drives a Green Cargo locomotive

Cargo. More than half of the workforce is aged 50 or over and have been employed for 20 years or more. This poses a major challenge for the company with regard to generational change and skills transfer. These areas will continue to require extensive measures in the coming years.

Finally, all pensions paid since 2008 have been examined. Agreements have been made with SPV regarding the handling of future retirees to improve the service to these individuals in conjunction with their pensions.

	Age <30	Age 30-50	Age >50
Age distribution, %	8	35	57

	Score 2011	Target 2012	Score 2012	Trend
Sickness absence, %	3,9	4,0	3,7	➔



From left: Carolina Månviken and Linda Rahm

Society – Green Cargo’s commitment to our environment

Events in 2012

Green Cargo works actively for reinvestment in infrastructure
 Green Cargo always works actively for a well-functioning infrastructure at the right price. The work is conducted in collaboration with the Association of Swedish Train operators (ASTOC). Political decisions vis-à-vis Sweden’s infrastructure have a major impact on Green Cargo and , accordingly, we ensure that Green Cargo is seen and heard in places where conditions for operating sustainable freight traffic can be influenced. These efforts include the company’s presence at Almedalen and participation in panel debates and at other events to argue Green Cargo’s key issues. In 2012, as previously mentioned, this entailed a continuation of the intensive and urgent efforts started in 2011 to influence reinvestment in infrastructure in the form of maintenance and renovation of the Swedish railways as well as efforts to counter the plans for raising track fees.

Gradual allocation of train paths

Green Cargo has also worked to achieve what is called a gradual allocation of train paths to increase capacity and flexibility in the system. In brief, this entails that the available train paths should not have to be applied for long before the train operator itself knows whether it has customers and, thus, capacity to fill its train paths. Accordingly, train paths do not become locked and unavailable for other operators if the train path is not utilized. Green Cargo has taken the lead in these efforts and conducted a pilot project in 2012. Green Cargo has acted as a referral body for the capacity study and a study trip by freight

train was organized for the Minister for Infrastructure and a number of politicians on the Parliamentary Standing Committee on Transport and Communications.

Results for the year – Commitment to society

Political influence

Together, all of Green Cargo’s initiatives, as a separate company and in collaboration with others, that were performed in 2011 and which continued through 2012, have delivered results. The planned increases in track fees were stopped and fees have been frozen at the 2013 level.

BRIS (Children’s Rights in Society)

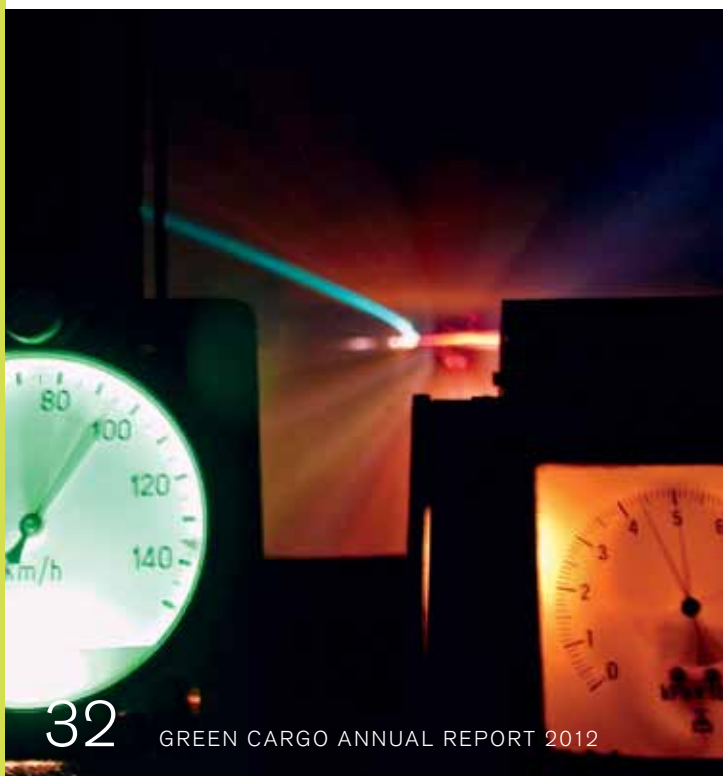
– promoting children’s rights

Every year, Green Cargo donates SEK 50,000 to BRIS instead of buying Christmas gifts for employees. Green Cargo promotes sound values and children’s rights in society.

Green Cargo Volunteers

In the Society target area, Green Cargo works with the Green Cargo Volunteer program, whereby all employees have the opportunity to do volunteer work of their own choice. It is entirely up to the individual whether he or she wants to avail themselves of this benefit. Each employee is entitled to devote eight hours a year and receive compensation in the form of an equal amount of time off. The results of the volunteer program have pointed in a positive direction since it was implemented, although the goal set for the number of volunteer hours worked per year and per employee has yet to be reached.

	Score 2011	Target 2012	Score 2012	Trend
Green Cargo volunteers, No. of hours	833	1 500	1 085	➔



The environment – fossil-free freight is already available

For Green Cargo, fuel-efficient freight traffic with fossil-free energy is not just a vision. Green Cargo already delivers this today. With the lowest environmental impact in the industry, Green Cargo is the only provider of nationwide freight solutions that has the Swedish Society for Nature Conservation's Good Environmental Choice ecolabel. Green Cargo has integrated certification in line with international standards encompassing quality, environment and work environment. Activities are aimed primarily at the diesel-powered part of the transport chain – comprising slightly more than 10 percent – since this is where we have our major environmental impact. This is also the reason why the environmental ratio measured by Green Cargo is the company's annual consumption of diesel. The key environmental target is diesel consumption measured in liters of diesel per 1,000 net tonne kilometers. The target for 2012 was for this measure to be less than 0.8 liters, which was a tall order and unfortunately not reached. The result for the full year was 0.83 liters of diesel per 1,000 net tonne kilometers, which is perhaps attributable to the fact that we have yet to maximize usage of the diesel locomotives with new engines.

Events in 2012

In 2012, electricity meters were installed in part of Green Cargo's locomotive fleet, a prerequisite for future projects aimed at reducing energy consumption. Green Cargo has recently invested in new engines for 62 of the largest diesel locomotives, corresponding to more than half the fleet. In 2012, new working timetables were drawn up to maximize utilization of the new locomotives, which have lower carbon emissions than those with older engines.

An assessment of contaminated land was performed at Smedjebacken and in Gothenburg a partnership project with a number of other operators was launched to remediate polluted land at Sävenäs. The results at Smedjebacken show that no danger of environmental hazard exists and that the pollution is limited to surface areas that will be dealt with in the future.

During the year, Green Cargo had six spills of oil or hazardous goods. The quantities were minimal with the exception of one incident where about 70 liters of oil were spilled onto the ground. The spillage was cleaned up appropriately and the incident reported to the emergency services.

Key environmental initiatives in 2012

Green Cargo's online environmental impact calculator, www.ecotransit.org, is a world-leading free App that is being developed through a European partnership. During the year, focus was on development efforts to meet the newly developed ISO standard for environmental calculations and to increase the number of partners backing the calculator. Green Cargo also arranged the award of Green Cargo Climate Certificates to 26 customers. The Minister for Infrastructure, Catharina Elmsäter-



Svärd, presented the certificates to customers, which show that the customers' combined transport volumes with Green Cargo result in less than 10 grams of fossil CO₂ per net tonne kilometer (NTK). In addition, the Climate Comet of the Year award for the most substantial change and environmental improvement was presented to Söderenergi.

Environmental impact from Green Cargo AB

Total emissions	2012	2011	2010
CO ₂ , transport, tonne	36,614	50,260	58,155
NOX, transport, tonne	289.6	405.8	275.9
Hydrocarbons, transport, tonne	24.7	41.8	27.5
Particles, transport, tonne	5.6	7.3	4.8
Fossil fuel, transport, GWh	135.9	187.4	217.3
Renewable energy, transport, GWh	444.3	503.5	453.8
Re-filled refrigerant, rail, kg CO ₂ equivalents	14,885	59,540	45,955

Emissions per NTK	2012	2011	2010
CO ₂ , transport, gram/ntkm	3.00	3.60	6.22
NOX, transport, gram/ntkm	0.024	0.029	0.030
Hydrocarbons, transport, gram/ntkm	0.0020	0.0030	0.0029
Particles, transport, gram/ntkm	0.00046	0.00052	0.00052
Fossil fuel, transport, kWh/ntkm	0.011	0.013	0.023
Renewable energy, transport, kWh/ntkm	0.036	0.036	0.049

Results

The environmental key ratio monitored by Green Cargo is the number of liters of diesel per NTK.

	Score 2011	Target 2012	Score 2012	Trend
Environmental performance, gram CO ₂ /NTK, electric and diesel trains	2.2	2.1	2.2	➔
No. of Green Cargo climate certificates issued	28	35	26	➔
Liters of diesel per 1,000 NTK	0.83	0.80	0.83	➔



Sustainability report

Green Cargo reports its sustainability efforts in line with the standards of the Global Reporting Initiative (GRI). The sustainability report comprises sustainability information, definitions of measurement methods and the GRI's cross-reference list, which can be found on Green Cargo's website www.greencargo.com. The sustainability report covers Green Cargo AB. The Parent Company accounts for about 93 percent of the Green Cargo Group's net sales.

The most significant sustainability issues are presented in the section Green Cargo's KPIs. The non-financial KPIs presented apply to the Parent Company Green Cargo AB, while the financial KPIs apply to the Group. Green Cargo's own assessment is that the 2012 Sustainability Report meets the requirements for sustainability reporting at the B+ level, in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 3.0.

KPMG AB has reviewed Green Cargo's 2012 Sustainability Report and verified that it fulfills the requirements for sustainability reporting at the B+ level. For more information, please contact Green Cargo by email: miljo@greencargo.com

GRI level

For 2012, Green Cargo has chosen to apply level B+.

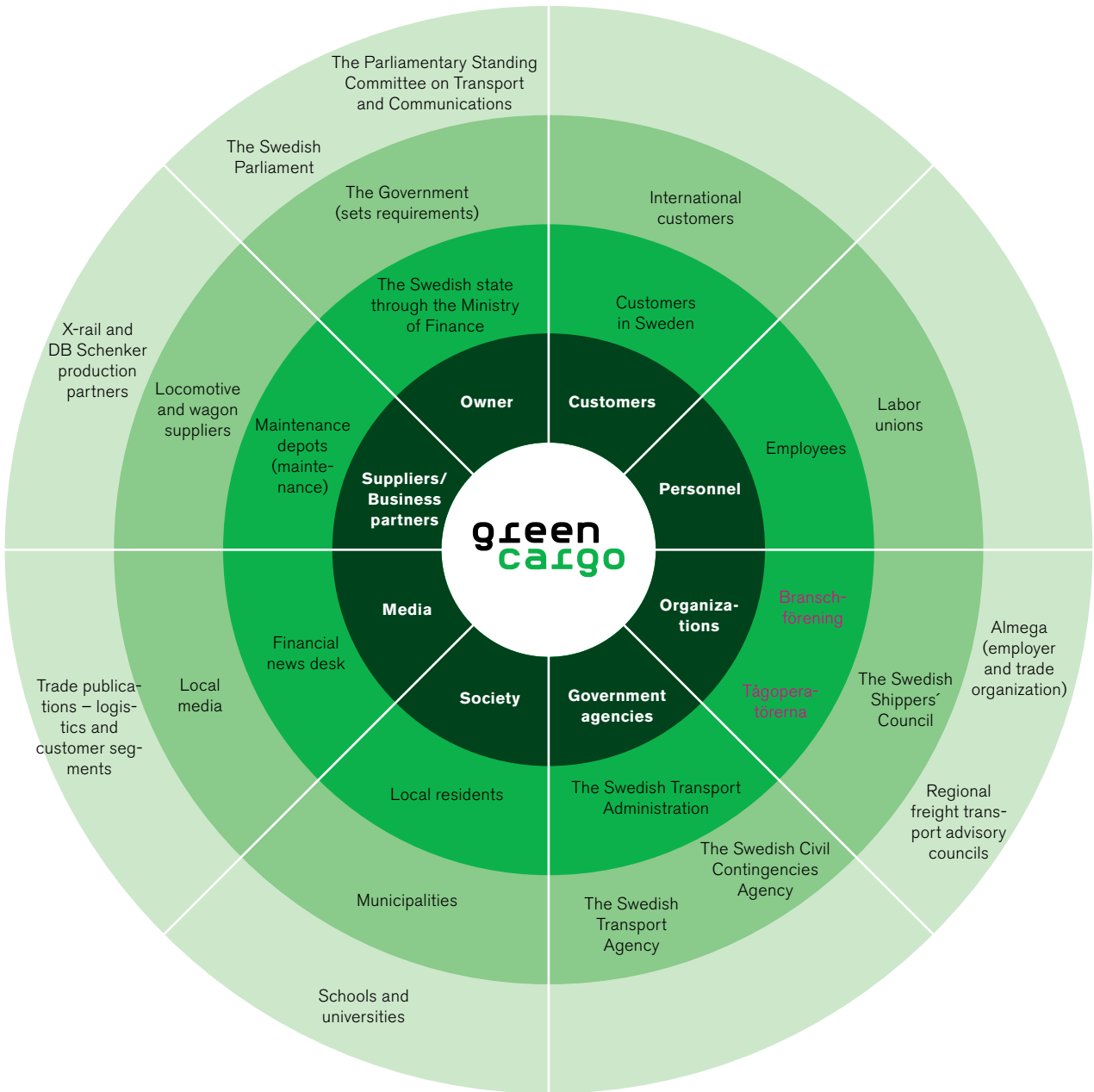


Green Cargo's stakeholders

On a daily basis, Green Cargo's organization adopts a step-by-step approach to achievement of the corporate vision of "World-class rail logistics." As part of these efforts, Green Cargo's customers, personnel and owners are in particular focus. However, in reality, many more participants and stakeholders are involved in the company's daily operations.

Green Cargo is convinced that responsible behavior and long-term perspectives for internal and external relations will prove decisive to the company's success. Just as Green Cargo sets requirements for operators in the company's business environment, these opera-

tors set requirements for Green Cargo regarding issues that are important for their success and goal fulfillment. These encompass financial, environmental and social aspects. Green Cargo's stakeholders are illustrated in the following chart.



Board of Directors



(Chairman) Born: 1950. M.Sc. in Business and Economics. Board member since 2010. Resident of Helsingborg. Chairman of Kinnarps AB, Priveq Home Improvement AB and Bertex AB. Deputy Chairman of MultiQ AB, Readsoft AB and Heatex AB, Board member of Duroc AB.

Lennart Pihl



Born: 1966. B.Sc. in Business and Economics. Board member since 2011. Resident of Gothenburg. Chairman of Alfakonsult AB and Regendi AB. Board member of Exibea AB, Alfred Andersson Logistik AB, AA Bolagen AB.

Ann-Christine Hvittfeldt



Born: 1961. M.Sc. in Business and Economics. Board member since 2010. Resident of Gothenburg. CFO of JCE Group, Board member of Cybercom Group AB, O2 Vind AB, Green Circle Bioenergy Inc, Consafe Logistics AB as well as a number of subsidiaries of JCE Group.

Margareta Alestig Johnson



Born: 1964. B.Sc. in Business Administration and Mathematics. Board member since 2011. Resident of Knivsta. Special Advisor, Division for State-Owned Enterprises, Ministry of Finance. Chairman of Sundsvalls Mätcenter AB. Board member of Fouriertransform AB, Apoteksgruppen i Sverige Holding AB and SOS Alarm Sverige AB.

Lars Erik Fredriksson



Born: 1952. M.Sc. in Engineering. Board member since 2008. Resident of Gothenburg. Board member of Boston Power since January 2013. President, AB SKF Automotive Division.

Trygve Sthen



Born: 1954. M.Sc. in Mechanical Engineering. Board member since 2011. Resident of Stockholm. Sole trader. Board member of Nederman Holding and Partnertech.

Lotta Stalin



Born: 1958. Union representative. Board member since 2001. Resident of Landskrona. Employee representative appointed by the Union of Civil Servants (ST). Joined Green Cargo in 1981.

Stefan Bieder



Born: 1960. Union representative. Deputy Board member since 2001. Resident of Laröd. Employee representative appointed by the Union of Civil Servants (ST). Joined Green Cargo in 1984. Chairman of ST SpårTrafik.

Björn T Johansson



Born: 1961. Union representative. Deputy Board member since 2004. Resident of Gothenburg. Employee representative appointed by the Union for Service and Communication Employees (SEKO). Joined Green Cargo in 1981.

Anders Gustafsson



Born: 1958. Union representative. Board member since 2001. Resident of Umeå. Employee representative appointed by the Union for Service and Communication Employees (SEKO). Joined Green Cargo in 1976.

Peter Lundmark

Group Management



Mikael Stöhr

President and CEO. Born: 1970. Joined company in 2010. Stepped down in February 2013.



Mats Hansson

Director Marketing. Born: 1954. Joined company in 2000. Acting President from February–May 2013.



Bertil Nilsson

Director Production. Born: 1950. Joined company in 2008.



John Klint

Director Business Development. Born: 1974. Joined company in 2010.



Mariann Östansjö

CFO. Born: 1955. Joined company in 2010.



Mats Hollander

Director Communications. Born: 1954. Joined company in 2001.



Karin Lagerstedt Woolford

Director Human Resources. Born: 1969. Joined company in 2011.

Glossary

OPERATIONAL DEFINITIONS

Detached load carrier Loaded containers, swap bodies and similar items that are lifted and moved between various transport modes such as trucks, trains and ships. Examples include swap bodies and containers.

Environmental performance Measurable environmental impact from operations.

ERTMS European Rail Traffic Management System is a shared signal and safety system that has started to be implemented across the EU area. The implementation is being driven forward by the EU and the fundamental idea behind the project is to facilitate cross-border rail traffic in Europe. However, Green Cargo has already solved this through investments in locomotives with a dual power system and equipment that is compatible with the signal systems in Sweden, Denmark, Norway and Germany. Traditionally, the signal system has been considered part of the infrastructure and Green Cargo has criticized the fact that the introduction of ERTMS has subjected train operators to substantial investment costs.

Gross tonne kilometer The load weight plus the weight of the wagon and locomotive multiplied by the actual transportation distance.

Track fees Track fees or infrastructure fees are those fees paid by train operators to the Swedish Transport Administration for the traffic operated.

Incident An event that, in different circumstances, could have resulted in an accident.

Intermodal transport solutions Transport solutions that utilize intermodal transport units (ITUs), for example containers, which allow the use of multiple modes of transport, for example road and rail.

Logistics Strategic management of purchasing, transport and storage of materials, articles and finished goods, and of associated information flows.

Net tonne kilometer Load weight multiplied by billed transport distance. In the Environment sections, this measure refers to actual distance hauled and not the distance billed.

Shunting Rearranging wagons in a train, or alternatively arranging wagons in order.

Sustainable Development The Brundtland Commission (World Commission on Environment and Development) coined the sustainable development concept, defining it as "development which meets the needs of current generations without compromising the ability of future generations to meet their own needs." Sustainable development is often defined as business activities that are economically, socially and environmentally sustainable.

Traffic-safety service Means performing tasks subject to requirements pursuant to the Swedish transport Agency's regulations on the training of personnel with work duties of significance for traffic safety.

FINANCIAL DEFINITIONS

Average number of full-time equivalents (FTEs) Average number of employees over the year calculated as full-time equivalents.

Capital employed Equity including minority shares plus interest-bearing liabilities or alternatively total assets less non-interest bearing liabilities.

Equity/assets ratio Equity including minority shares divided by total assets at the end of the period.

Gross investments The value of investments made.

Interest-rate derivatives Interest-rate instruments, such as, interest-rate swaps where a fixed-interest is paid and a floating interest received for the purpose of hedging debt agreements with floating interest against higher market interest rates.

Net debt/equity ratio Interest-bearing liabilities less interest-bearing assets divided by equity including minority share.

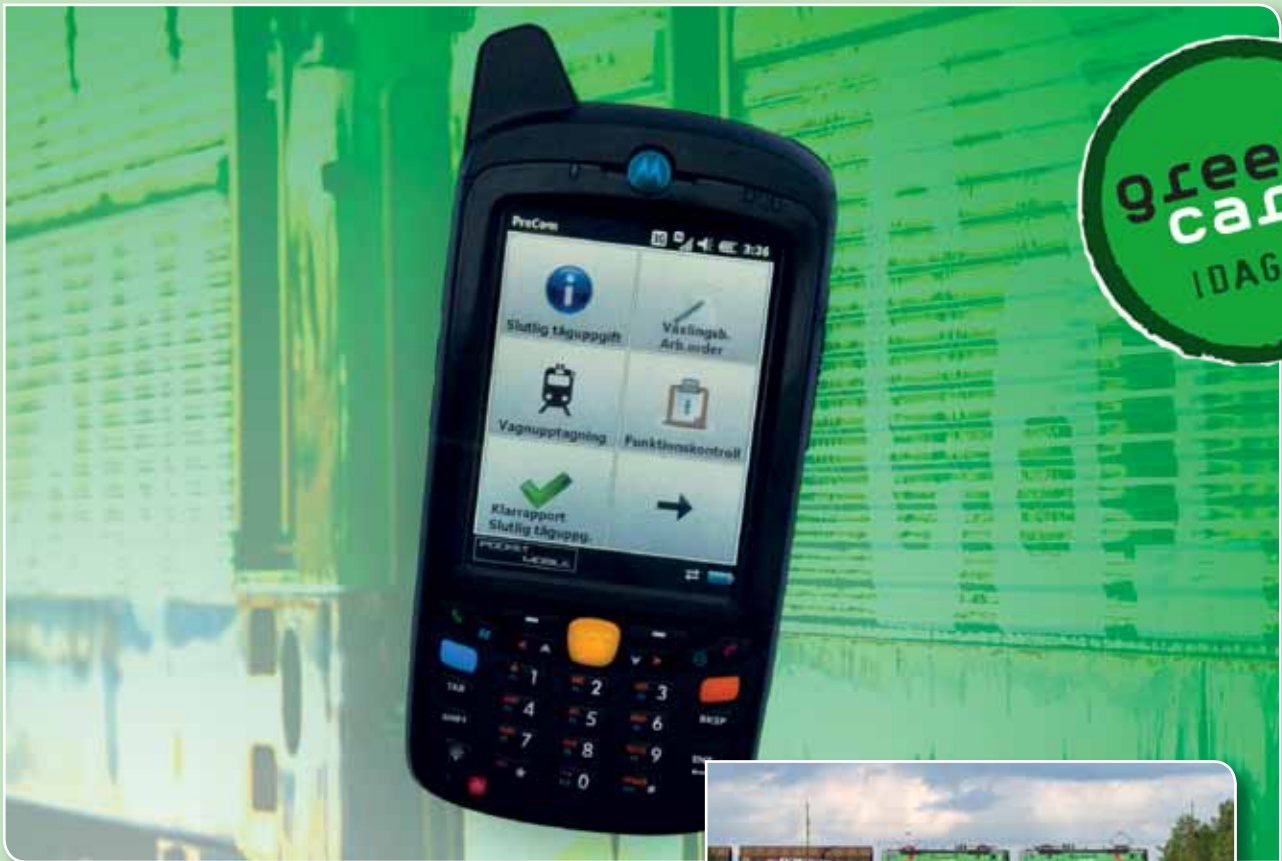
Net investments the value of investments made less sold assets including reversed depreciation for sold assets.

Operating margin Operating profit/loss divided by total operating income.

Return on capital employed Operating profit/loss for the year plus financial income divided by the average capital employed.

Return on equity Profit/loss for the year divided by average equity.





Increasing efficiency and development activities

Increased sales and reduced costs – of course; but Green Cargo’s journey is also about developing operations. Having performed the preparatory work in 2012, we are now widely implementing handheld computers in production thus enhancing the efficiency and assuring the quality of the shunting in and out of freight wagons in the marshalling yards and industrial sidings at customers.

The new ERTMS is being rolled out across Europe and line by line in Sweden too in the future. This requires investment in locomotive equipment to enable locomotives to operate on these lines, which include the Bothnia Line. To enable companies located along these lines to choose rail freight solutions, Green Cargo is now investing in ERTMS equipment for our locomotives.

A third area of investment comprises our new Customer Service operation, which will be simpler for customers through the development of work methods and IT support and will become a sales channel for quick and uncomplicated freight assignments. In the troubled economic times of 2013, we are maintaining the pace of investment and development of operations.



“ In 2012, we made major investments in the development of our IT solutions, which will become apparent in 2013. Focus on IT solutions that make life easier for our personnel and our customers has been maintained.
Ulrika Wiik, IT Manager

Contact Green Cargo

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Thank you for your interest in Green Cargo's Annual Report. For more information please see: www.greencargo.com If you have any questions, please contact: info@greencargo.com.

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