ANNUAL REPORT INCLUDING SUSTAINABILITY REPORT 2017

This document is a translation of parts of the original annual report in Swedish. For the full audited version in Swedish, please visit www.greencargo.com

Five-year overview

PROFIT/LOSS ITEMS	2017	2016	2015	2014	2013
Net sales	**4,337**	**4,208**	**3,907**	**4,154**	**4,149**
Earnings	**1**	**–78**	**15**	**–121**	**–381**
Earnings adjusted for items affecting comparability[1]	8	–36	–40	–84	–191
Operating margin	0.0%	–2.0%	0.6%	–3.0%	–9.2%
Operating margin adjusted for items affecting comparability[1]	0.2%	–0.9%	–1.0%	–2.0%	–4.6%
Net financial items	–33	–33	–30	–50	–26
Loss after financial items	**–32**	**–111**	**–5**	**–175**	**–393**
Profit/loss after discontinued operations	**–73**	**–5**	**–10**	**4**	**13**
Net loss for the year	**–105**	**–225**	**–27**	**–188**	**–382**

BALANCE-SHEET ITEMS	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
TOTAL ASSETS	**3,067**	**3,320**	**3,413**	**4,174**	**4,214**
Equity	**755**	**851**	**1,092**	**1,096**	**1,333**
Total external liabilities	**2,312**	**2,469**	**2,321**	**3,078**	**2,881**
TOTAL EQUITY AND LIABILITIES	**3,067**	**3,320**	**3,413**	**4,174**	**4,214**

CASH FLOW	2017	2016	2015	2014	2013
Cash flow from operating activities	216	85	–43	67	13
Cash flow from investing activities	–76	–67	549	–233	15
Cash flow from financing activities	–235	122	–534	182	–198
Cash flow from discontinued operations	–	–	–	–	–
Cash flow for the year	**–95**	**140**	**–28**	**16**	**–170**

KEY PERFORMANCE INDICATORS[1]	2017	2016	2015	2014	2013
Return on operating capital	neg	neg	0.6%	neg	neg
Return on equity	neg	neg	neg	neg	neg
Equity/assets ratio	25%	26%	32%	26%	32%
Net debt/equity ratio (multiple)	1.9	1.8	1.4	1.3	1.0
Gross investments, continuing operations	85	74	179	163	343
Average number of employees, continuing operations	1,897	1,918	1,861	2,002	2,123

ITEMS AFFECTING COMPARABILITY	2017	2016	2015	2014	2013
Earnings	**1**	**–78**	**15**	**–121**	**–381**
Items affecting comparability					
Provision, onerous contracts	–	–	–	–	–78
Impairment of locomotives and wagons in conjunction with restructuring	–	–	–	–41	–112
Set-up costs for new operations	–5	–42	–	–	–
Restructuring program	–25	–	–	–	–
Divestments of land facilities	23	–	–	–	–
Divestments of locomotives in conjunction with restructuring	–	–	65	–	–
Total items affecting comparability	*–7*	*–42*	*65*	*–41*	*–190*
Earnings adjusted for items affecting comparability	**8**	**–36**	**–50**	**–80**	**–191**

1 The KPIs are calculated for the entire Group including discontinued operations unless specified otherwise. Discontinued operations pertain to the divestment of DB Cargo Scandinavia AS.

Annual Report

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Administration Report

The Board of Directors and President of Green Cargo AB (Corp. Reg. No. 556119-6436) hereby submit the Annual Report and the consolidated financial statements for the 2017 fiscal year. The company is domiciled in Solna, Sweden. All amounts in this Annual Report are stated in millions of Swedish kronor unless otherwise stateds.

About Green Cargo

Green Cargo is wholly owned by the Swedish State and administered by the Ministry of Enterprise and Innovation. Its operations are subject to commercial conditions and requirements. Green Cargo's operations comprise rail-based freight operations. The principal market is linked to Sweden and Swedish trade and industry.

In addition to the Parent Company, the Green Cargo Group also comprises the subsidiaries Nordisk Transport Rail AB (NTR) and Green Cargo Norge AS and its subsidiaries. The Group also includes the associated companies DB Schenker Rail Scandinavia A/S, from which the company has decided to disassociate itself and is reported under discontinued operations, and SeaRail OY. All of the companies are controlled through board representation and all intra-Group transactions are subject to market terms and conditions.

Over the year, a number of key changes were implemented to increase efficiency and reduce costs. Green Cargo's head office was moved from Solna to Hallsberg. Moreover, agreements were reached with three labor unions on adjusted working hours agreements.

Freight operations

Rail freight forms the basis of Green Cargo's operations, with road freight available as a complement through a network of subcontractors. The combination of rail and road freight is a key element of the offering. The largest customers are active in Swedish trade and industry and operate in the steel, chemical, automotive, engineering, forestry and retail segments.

Statutory Sustainability Report

In accordance with Chapter 6 Section 11 of the Annual Accounts Act, Green Cargo has elected to prepare the statutory Sustainability Report as a separate report. The scope of this Sustainability Report, which also encompasses Green Cargo's sustainability reporting, is set out on page 29.

Operating environment and market

In 2017, the market tone was set by the continued strength of the Swedish economy and a favorable export trend. Demand for rail freight is strongly linked to the trend for Swedish basic industries which, in turn, are impacted by demand in the export markets.

In Denmark, Green Cargo is investing in increased efficiency and enhanced customer solutions between Scandinavia and the rest of Europe. Accordingly, Green Cargo has decided to terminate the partnership under the DB Cargo Scandinavia joint venture in 2018. The decision is due to Green Cargo and DB Cargo being unable to reach agreement on certain issues, primarily pricing.

The operations are reported as discontinued operations. Due to the unsatisfactory level of earnings generated by the operations in Norway, a number of actions have been initiated to create financially viable operations in Norway.

Approximately 35 percent of Green Cargo's sales are in foreign currencies, mainly the euro. The weakening of the Swedish krona against the euro strengthens Green Cargo's competitiveness in the international market.

Sustainability issues are high on the political and social agenda, and many companies aim to become a leader in sustainability issues. This is a major opportunity for Green Cargo, as the largest operator in climate-smart logistics. Green Cargo offers solutions that significantly reduce the climate impact from freight flows. Companies that are endeavoring to expand will increasingly utilize transportation and fossil-free electric trains are a key part of the solution for simultaneously achieving their ambitious targets for reducing carbon emissions.

During the year, Green Cargo signed new freight agreements with a total contract value of about SEK 748 million (862). Key new freight agreements were signed with companies including Maersk, Moelven, Billerud/ Korsnäs, ST1 Supply, Gällö Timber and Hollmen Skog.

The Group's revenue and earnings

In 2017, net sales for the Group totaled SEK 4,337 million (4,208), up 3 percent on the preceding year.

During the period, freight volumes were up 1 percent year-on-year. Earnings amounted to a profit of SEK 1 million (loss: 78) and were mainly due to cost control and stable volumes. An expense of around SEK 5 million (42) was also charged to earnings as a result of new operations being established in Norway, and restructuring costs of SEK 25 million.

Earnings were positively affected by SEK 23 million from the sale of properties.

Adjusted for these items, earnings improved SEK 44 million. The share in profits from associated companies was SEK 3 million (4). The net financial expense for the period was SEK 33 million (expense: 33). The net interest expense was SEK 28 million (expense: 27). Market valuations of financial items that affected net financial items were a negative SEK 5 million (negative: 6). The loss for the year from continuing operations amounted to SEK 32 million (loss: 220).

Tax on profit for the period was SEK 0 million (expense: 109). The loss from discontinued operations amounted to SEK 73 million (loss: 5). The loss for the year totaled SEK 105 million (loss: 225).

Investments

The Group's gross investments in intangible assets and property, plant and equipment during the quarter totaled SEK 85 million (74). The investments pertained mainly to reinvestments in locomotives, the conversion of wagons and investment in marshalling yard facilities.

Financing

At the closing date, the Group's interest-bearing liabilities were SEK 1,554 million (1,783), of which SEK 652 million (724) pertained to financial leases and SEK 882 million (1,043) to loan financing.

Leases and loans mature between 2018 and 2023, and the debt portfolio has an average term of just over two years. Liabilities, including fixed-income derivatives, have an average fixed-interest term of slightly more than 2.8 years.

During the year, interest-bearing liabilities decreased by a net amount of SEK 229 million, including revaluation of liabilities in foreign currencies. Total net loan repayments of SEK 100 million were made under the framework of a revolving credit facility and ongoing amortization of loans and leasing liabilities amounted to SEK 135 million, making total repayments of SEK 235 million.

Interest-bearing assets decreased by a total of SEK 96 million, since year end. On the closing date, interest-bearing net debt totaled SEK 1,411 million (1,546). Cash and cash equivalents at the closing date totaled SEK 142 million (237) In addition, Green Cargo has unutilized credit facilities of SEK 500 million in total and an unutilized working capital credit totaling SEK 75 million.

Cash flow

Consolidated cash flow for the period was negative SEK 95 million (pos: 140). Cash flow from operating activities amounted to SEK 216 million (85). Net investments in intangible assets and property, plant and equipment during the year totaled SEK 79 million (neg: 70) and pertained primarily to reinvestments in locomotives, the conversion of wagons and investment in marshalling yard facilities.

Cash flow from financing activities was a negative SEK 235 million (pos: 122) and was attributable to the amortization of loans and leasing liabilities.

Events after the closing date

Green Cargo has formally terminated the joint venture agreement pertaining to DB Cargo Scandinavia. Price levels in that company are not competitive and prevent Green Cargo from developing favorable customer solutions between Scandinavia and the rest of Europe.

For more than ten years, Green Cargo has reported a decreasing trend for accidents and since 2002 the number of accidents has halved. This trend was dealt a painful blow on January 3, 2018 when an employee was seriously injured in a shunting accident and passed away a few days later. The reason for the accident is still under investigation.

Outlook

Sustainable profitability is a prerequisite for Green Cargo's operations which, by nature, are capital intensive and dependent on a network of resources to function efficiently. Given the large proportion of fixed resources in the form of locomotives and wagons, as well as employees, it is important that the company reaches a stable level of profitability over a business cycle that generates a return for the owner on its invested capital.

Sales and marketing activities have remained at high levels and freight volumes continue to rise for Green Cargo. Operation sin Sweden are making the main contribution here. Operations in Norway have, however, not generated satisfactory results.

Price levels remain low in parallel with lower than planned train capacity utilization rates. Moreover, costs levels continue to be too high. Therefore, a large number of activities have been initiated that aim to achieve profitability with the goal of creating economically sustainable operations in Norway.

In Denmark, Green Cargo is investing in increased efficiency and enhanced customer solutions between Scandinavia and the rest of Europe.

Accordingly, Green Cargo has decided to terminate the partnership under the DB Cargo Scandinavia joint venture in 2018. The decision is due to Green Cargo and DB Cargo being unable to reach agreement on certain issues, primarily pricing. The demand for rail freight is rising. This strengthens the conviction that Green Cargo has a competitive offering and is a company that creates value through sustainable logistics.

Financial targets

The owner's financial targets for the Green Cargo Group comprise a requirement that the net debt/equity ratio should be a minimum of 0.6 and a maximum of 0.9. The net debt/equity ratio increased to 1.9 (1.6) as at December 31, 2017. This deterioration in the net debt/equity ratio was mainly due to the impairment of operations in the joint venture in Denmark. The return on operating capital should amount to not less than 10 percent measured over a business cycle. Return on operating capital in 2017 was negative (neg). The regular dividend should amount to half of after-tax profit for the year assuming that the net debt/equity ratio after the dividend payment is within the target interval. The Board of Directors proposes that no dividends be issued for 2017.

Risks and risk management

The assumption of and management of risk is a natural part of all business activities. Strategic choices, daily operations and events in the operating environment all entail risk. The assessment and management of risk (tools and policies for the assessment and countering of risk in the respective risk areas) are included as an integrated part of Green Cargo's operations.

Green Cargo controls its operations based on the owner's financial targets and five other target areas, which are described in more detail in the Group's Sustainability Report. A description of the business activities' risk exposures in the respective target areas follows, as does a description of how Green Cargo acts to mitigate these risks. Green Cargo has no separate risk management function since assessment and management are an integrated part of operations and control of operations.

Financial risk

Green Cargo's operations are exposed to a number of financial risks that impact the Group's earnings trend and cash flow. Green Cargo's Parent Company has a finance function tasked primarily with identifying, assessing and efficiently managing these risks. It also acts as an internal bank for capital and cash management. The work is carried out in line with the financial policy adopted by the Board. The policy establishes a framework for interest-rate risk and currency exposure, and defines permitted counterparties and limits to achieve a reasonable level of risk exposure. Green Cargo has also secured the financing of larger approved investments in forthcoming years. The investments made in the operations are assessed based on their capacity to generate adequate returns. Green Cargo's investment and capital policy is established each year by the Board and sets out the framework within which liquidity and liabilities are managed. See Note 27.

Green Cargo's production is employee and capital intensive, whereby rail freight builds on a cohesive system (network), in which all customers share resources. About 70 percent of the cost base is fixed for 12 months forward. Continuous efforts to enhance the efficiency of operations and reduce unit costs are ongoing, irrespective of whether these pertain to locomotives, wagons, employees, maintenance, etc. To reduce the risk of fluctuating volumes, Green Cargo strives to share risk with customers by means of a combination of variable and fixed pricing.

Green Cargo also endeavors to contract longer agreement periods to improve the deployment of its own operations. Other methods for increasing flexibility include complementing our own resources with contracted capacity and increasing possibilities for sharing the use of various resources. The main method applied by Green Cargo to counter earnings risk posed by fixed costs is the establishment of strong, long-term relationships with customers and suppliers.

Safety

Accidents entail major costs, interruptions to operations and can injure Green Cargo's employees, equipment or third parties. The safety management requirements contained in legislation and regulations from the EU and national authorities is extensive. Therefore, safety initiatives are ongoing at all levels and are assigned top priority by the company's management. The main work is carried out in production and in locomotive and wagon engineering services, where Green Cargo works methodically with safety issues. This is performed through training and the development of technology and procedures. Deviation reports and analyses of risk sources are used as a basis for proactive safety initiatives. An ongoing dialog is maintained with the Swedish Transport Administration, municipalities and other local instances, as well as with our maintenance suppliers to reduce risks in operations.

Customers

Green Cargo's customers mainly comprise the Swedish export industries with all the exposure that entails. The debt crisis in the euro area and a slowdown in the economy constitute risk factors for Green Cargo. Green Cargo manages these risks through purposefully adapting operations to market conditions and by improving efficiency and flexibility in all parts of the Group.

Competition is intense from other train operators and other forms of transport. This sets high requirements for creativity in terms of meeting customers' requirements for transportation services at a reasonable price. One key area for investment for the company is the continuous development of the offering and pricing. Green Cargo collaborates with other logistics companies to develop its international business.

Employees

Intense market competition, increased regulatory requirements and Green Cargo's continued development as a service company set requirements for changed and strengthened skills. Insufficient or incorrect skills are a risk that could slow down Green Cargo's development. The age structure in operations means that a significant portion of the employees will reach a pensionable age within the next five years at the same time as access to trained labor is limited. Therefore, Green Cargo takes a long-term approach to recruiting and training the right employees. In the labor market, Green Cargo's good reputation as an attractive employer, not least due to its environmental profile, is becoming an increasingly important asset given the competition.

Society

Green Cargo is exposed to risk in relation to its operating environment. For example, risks can arise from the macroeconomic trend, changed conditions for rail and other forms of transport as well as other consumption patterns and Green Cargo must monitor and manage these factors. For Green Cargo to be able offer competitive and eco-friendly logistics solutions, infrastructure investments are required to secure the accessibility of existing infrastructure. Green Cargo maintains continuous contact with the Swedish Transport Administration and other parties to reach decision makers in this area and on other issues. To manage the risk from new transportation patterns, Green Cargo continuously develops its customer offering to ensure value creation for its customers' businesses. Green Cargo's exposure to macroeconomic changes primarily pertains to changes in the economy that impact customer demand. Another factor that impacts customers' relative competitiveness is currency, which has a major impact both directly (debt, customer agreements, etc.) and indirectly. Management of Green Cargo's exposure to foreign currency and interest rates is regulated in the company's Financial Policy (see Financial risk). Electricity and diesel prices comprise a further risk area for Green Cargo. To manage this risk, Green Cargo procures electricity via the Swedish Transport Administration, which carries out the procurement in a manner that aims to stabilize the electricity price. Furthermore, Green Cargo includes fuel clauses in customer agreements to achieve a more even cost trend. Generally, higher fuel prices are an advantage for more energy-efficient forms of transport such as rail. Political and other overriding decisions impacting terms and conditions for forms of transport also impact Green Cargo. Examples of the above include raised track fees, the Sulphur Directive for shipping and cabotage regulations for road traffic as well as compliance with the aforementioned.

Environment

Extreme weather conditions due to climate change are a risk for Green Cargo's operations. The effects of climate change could result in an increasing number of storms or heavy downpours, which hinder rail-freight traffic. Green Cargo works with the Swedish Transport Administration and other rail operators to improve preparedness and prevent disruptions due to storms and rain as well as snow and low temperatures.

Green Cargo AB (Parent Company)

In all material aspects, the comments pertaining to the Group apply equally to the Parent Company. Net sales in the Parent Company, Green Cargo AB, were SEK 3,960 million for the quarter against SEK 3,906 million in the comparative period. The Parent Company's operating profit was SEK 16 million (loss: 37). The loss from financial items amounted to SEK 53 million (loss: 89) and were negatively impacted by a SEK 24 million impairment of receivables in the Norwegian subsidiary and by the SEK 25 million impairment of the holding in DB Cargo Scandinavia.

Tax on profit for the period was SEK 0 million (expense: 107). Net earnings for the period amounted to a loss of SEK 37 million (loss: 233). The Parent Company's net debt on the opening date increased SEK 145 million to a total of SEK 1,442 million on the closing date.

Operations requiring environmental permits

The Parent Company conducts one notifiable activity, which comprises an oil-loading terminal for diesel. Other smaller oil-loading terminals are subject to fire-protection ordinances. The Parent Company Green Cargo AB's operations also include a maintenance depot for servicing and cleaning locomotives. The maintenance depot is a notifiable activity under the Ordinance on Environmentally Hazardous Activities and the Protection of Public Health. Green Cargo has permits for transporting waste, including hazardous waste.

The Parent Company does not carry out any operations requiring an environmental permit under Ordinance (1998:899) on Environmentally Hazardous Activities and the Protection of Public Health.

Corporate Governance Report for the 2017 fiscal year

Green Cargo AB is a private company, wholly owned by the Swedish State and domiciled in Solna, and is the Parent Company of the Green Cargo Group.

Green Cargo's corporate governance is based on Swedish legislation, primarily the Companies Act, Green Cargo's Articles of Association, the Board's internal rules and the administration guidelines decided by the government in its role as owner. These are set out in the State's ownership policy. The principles applied by the government in its ownership policy correspond, essentially, with the rules in the Swedish Corporate Governance Code (the Code). Since the Code primarily applies to listed companies, the Government Offices of Sweden have deemed it necessary to supplement or interpret the rules under the Code for some areas.

Application of the Code

In 2017, Green Cargo's Board applied the Code in the preparation of the Corporate Governance Report including one section on internal control. Green Cargo's website has been successively updated with financial and corporate governance reports. The auditors have carried out a review of Green Cargo's interim report for the January 1 to September 30, 2017 period. The company has a formal procedure for decisions on employment terms and conditions for senior executives in accordance with the government's guidelines (Note 7). Green Cargo's guidelines for employment terms and conditions for senior executives were adopted by the Annual General Meeting (AGM) on April 25, 2017 (in accordance with the government's guidelines for the remuneration and other employment terms and conditions for senior executives in state-owned enterprises decided December 22, 2016). No significant changes to the guidelines were proposed prior to the 2018 AGM.

Avvikelse från Koden

Green Cargo's Board has decided to disapply the Code's rules pertaining to the Nomination Committee. These rules have been replaced with the owner's nomination procedure, as set out in the State's ownership policy.

The owner's nomination procedure also includes the appointment of the Board and auditors. The Code's rules for the appointment of the Board and auditors and is deemed met through this procedure. Among other tasks, the Nomination Committee should report on the independence of proposed Board members vis-à-vis owners and the company. The state has decided to depart from the Code with regard to reporting the proposed Board members' independence from the state and major shareholders.

In the Board's assessment, given the guidelines for the employment terms and conditions for senior executives, a separate remuneration committee is not appropriate.

Annual General Meeting

At the Annual General Meeting (AGM), Green Cargo's owners decide on key issues, such as adoption of the income statement and balance sheet, dividends, the composition of the Board, discharge of liability for the Board and President, changes in the Articles of Association, the election of auditors and directors' fees.

The AGM took place on April 25, 2017 in Solna. The owner was represented by proxies at the AGM. The AGM resolved to re-elect Lennart Pihl as Chairman, to re-elect Margareta Alestig Johnson, Ann-Christine Hvittfeldt, Ingvar Nilsson, Tryggve Sthen and Erik Tranaeus as Board members, and to elect Anna Elgh as a new Board member for the period until the end of the next AGM. The Meeting resolved against payment of a dividend.

The next AGM for Green Cargo AB will be held on April 23, 2018 at Green Cargo's premises in Solna, Sweden.

Green Cargo's Board of Directors

Green Cargo's Board of Directors comprises the following members elected at the AGM: Lennart Pihl (Chairman), Margareta Alestig Johnson, Anna Elgh, Ann-Christine Hvittfeldt, Ingvar Nilsson, Tryggve Sthen and Erik Tranaeus. The employee representatives on the Board are: Board member Donny Sjöberg (ST), deputy Jerker Liljeberg (ST), Board member Jonas Blomqvist (SEKO), deputy Anders Gustafsson (SEKO) and co-opted member Ann-Charlotte Juliusson (SACO).

The 2017 Annual Report for Green Cargo provides further details on each Board member on page 76. The items addressed by the Board are mainly stipulated in the Companies Act and the Board's written rules of procedure, which were adopted on April 25, 2016. In addition to appointing the President and authorized signatories, the Board's foremost duties are to:

- set overall targets for Green Cargo's operations and decide on Green Cargo's strategy for reaching these targets;
- ensure that efficient systems are in place for following up and checking Green Cargo's operations and financial position against the established targets;
- ensure that Green Cargo has sound internal control;
- ensure that Green Cargo's external information is characterized by openness, objectivity and relevance;
- check on an ongoing basis how the President discharges his responsibility for the day-to-day administration;
- continuously evaluate Green Cargo's operational management; and
- approve larger investments, acquisitions and divestments, as well as any departures from the Board's policies.

In other respects, all Board members bear equal responsibility for the Board's work unless otherwise decided at a Board meeting.

Each year, the Board adopts written rules of procedure. In addition to statutory items pursuant to the Companies Act, the written rules of procedure set out, inter alia, the duties of the Chairman of the Board, information to Board members, the format for Board meetings and the evaluation of the Board's and the President's work. The Chairman leads the work of the Board and is responsible for members receiving the necessary information.

Board meetings

Board meetings are held on no fewer than six occasions per fiscal year and conducted pursuant to written rules of procedure, which state the periods when the meetings are to be held and the items to be addressed at the respective meetings, such as the interim reports, strategy and the business plan.

Each scheduled Board meeting also addresses the following items:
1. Review and approval of the minutes from the previous meeting
2. The report from the President regarding:
   I. Business conditions
   II. Operations/personnel/organization
   III. Outlook
   IV. Accounts
   V. Financial statements
   VI. Investments
3. Other items to be decided by the Board.

The Board held seven minuted meetings in the 2017 fiscal year. Attendance figures for the Board follow below:

Lennart Pihl, Chairman of the Board	7/7
Margareta Alestig Johnson, Board member	7/7
Anna Elgh[2], Board member	4/4
Ann-Christine Hvittfeldt, Board member	7/7
Ingvar Nilsson, Board member	7/7
Lotta Stalin[1], Board member	0/3
Tryggve Sthen, Vice Chairman and Board member	7/7
Erik Tranaeus, Board member	7/7
Stefan Bieder[6], employee representative	3/4
Jonas Blomqvist[3], employee representative	3/4
Anders Gustavsson, deputy employee representative	6/7
Jerker Liljeberg, deputy employee representative	6/7
Peter Lundmark[4], employee representative	4/4
Donny Sjöberg[5], employee representative	3/3

1 Not re-elected at the AGM on April 25, 2017
2 Elected at the AGM on April 25, 2017
3 Joined on April 25, 2017
4 Replaced on April 25, 2017
5 Joined on August 10
6 Replaced on August 10

During the year, the Board of Green Cargo continued and intensified its initiatives addressing the profitability challenges that face the company. Focus has been on the transportation network and our own organization's efficiency. The Board of Directors has evaluated and made decisions on future strategies for increased growth and profitability.

The 2017 AGM passed a resolution on directors' fees, details of which can be found in Note 7 on Page 57.

Board of Directors assessment

Green Cargo's Board of Directors is assessed annually by its Chairman during the November to December period. The assessment usually takes the form of a survey comprising a large number of questions to assess various perspectives of Board work, which all Board members must answer. The survey is compiled and compared with previous years' results and the normative values of similar companies, and presented and discussed at a minimum of one Board meeting during the year. Based on the results, decisions are made about potential measures for developing the Board's work. The results of the assessment are distributed to the Nomination Committee through the Chairman.

Election of auditors

The election of auditors is determined by the owner at the AGM. The Board submits a proposal for the election of auditors by the AGM based on a recommendation from the Board's Audit Committee. The authorized accounting firm KPMG AB, with Authorized Public Accountant Jenny Jansson in charge, was elected at the end of the 2018 AGM.

Quality assurance of the financial reporting

The Board assures the quality of the financial reporting as follows:
- annually reviews and approves the established financial policy;
- studies the interim reports, adjusts and makes decisions on these when they are presented at Board meetings, and ensures that Green Cargo abides by state guidelines for external financial reporting;
- reviews the monthly controller report, which comprises a detailed analysis and continuous follow-up of operations vis-à-vis targets in the business plan and comparisons with previous years; and
- reviews and reports on internal control.

The auditors are also in attendance at the Board meeting at which the annual report for the 2017 fiscal year is presented and a decision taken on its adoption. The auditors also attended the Board meeting in February when the year-end report was adopted for publication and reported their observations in connection with the year-end audit.

Audit Committee

The Audit Committee follows a written instruction decided by the Board and is tasked with addressing issues pertaining to risk assessment, financial reporting and auditing. The Audit Committee prepares items for decision by the Board. The Committee's work aims to secure established principles for financial reporting, compliance with internal controls and appropriate relations between the company and its auditors.

The Audit Committee comprises Margareta Alestig Johnson (Chairman), Lennart Pihl and Erik Tranaeus. The Audit Committee met five times in 2017.

Issues addressed during the year mainly pertained to interim reporting, auditing, following up certain accounting-related assessments and tax issues. The auditors participated in three meetings and, among other things, reported their observations from their review.

Attendance at the Committee's meetings was as follows:

Margareta Alestig Johnson, Chairman	5/5
Lennart Pihl	5/5
Erik Tranaeus	5/5

Description of internal control of the financial reporting

Control environment

The control environment forms the basis for internal control of the financial reporting. The control environment comprises a framework of the organization, decision-making channels, authorizations and responsibilities, which are documented and communicated in governance documents.

Examples of such documents at Green Cargo include:

- the written rules of procedure for the Board, including the division of duties among the Board, Chairman and President;
- instructions to the President, including duties and reporting obligation to the Board;
- ethics policy;
- governance documents, such as the financial policy, guidelines for granting credit, investment guidelines, accounting manual and reporting guidelines;
- rules for decision-making and attestation are documented with monetary limits as well as delegation rights; and
- description of functions that define the allocation of responsibility between departments as well as job descriptions detailing individual responsibility.

Risk assessment

Green Cargo performed a risk analysis of items in the balance sheet and income statement for the Green Cargo Group. The analysis applied an approach that focused primarily on items with a risk of erroneous amounts in excess of SEK 20 million. For these items, the source of the respective risk was also identified. Each item was assessed based on specific criteria, such as volatility, subjectivity and complexity. None of the risks identified were assessed as high. Completed risk assessments are continuously monitored.

Control activities

The company has no separate internal control function. Risk assessment comprises the basis for identification of the controls the company must have to prevent the most significant risks or to minimize the consequences of these risks. In the Board's assessment, the risk analysis conducted in combination with the control environment that is already in place mean that no need exists for a separate control function, since this function is managed within the framework of the CFO's responsibility and organization. External expertise is used on an ongoing basis as support and implements control measures each quarter, such as random checks and control of central processes' compliance with policies and regulations. In 2017, external controls were carried by consultants on the internal control of operations, payroll, annual accounts, revenue processes, general IT controls, and on policies and guidelines.

Information and communication

Internal communication is imparted through the company's intranet, e-mail and workplace meetings. All policies and guidelines are available over the intranet. External and internal communication is governed by a communication policy that is complemented by guidelines regulating responsibility, channels and mass-media contact, among other things. The external financial reporting is produced by the accounts department. The Board approves reports and tasks the CEO with their publication.

Follow-up

Each year a business plan is drawn up which includes the strategy and budget, and is broken down to departmental level for follow-up.

Ten to 12 times per year, the Board receives a report on the financial position in relation to the business plan and the preceding year. Follow-up is also carried out for the targets set for the areas: Finance, Safety, Customers, Employees and the Environment.

Each year, the Board meets the external auditors for the external audit report encompassing internal control. The Board also meets with auditors without the attendance of corporate management once a year. In addition to this, the Chairman of the Audit Committee maintains a continuous dialogue with the auditor in charge.

The Board receives a quarterly report from external consultants concerning the follow-up of the company's internal controls. The reports contain both the results of the company's self-assessment of implemented controls, and the consultants' verification of implemented controls. Significant shortcomings are analyzed and relevant measures implemented.

APPROPRIATION OF PROFITS

The following funds are at the disposal of the AGM (SEK):

Profit brought forward	552,161,422
Fair-value reserve	–29,784,978
Loss for the year	–37,043,827
Total	**485,332,617**

The Board of Directors and the President propose that profits be distributed as follows:

To be carried forward[1]	485,332,617
Total	**485,332,617**

1 of which a negative amount of SEK 29,784,978 is to be transferred to the fair-value reserve.

Consolidated income statement

SEK million	Note	GROUP 2017	GROUP 2016
CONTINUING OPERATIONS			
Operating income			
Net sales	4	4,337	4,208
Other operating income	5	27	6
Summa rörelsens intäkter		**4,364**	**4,214**
Operating expenses			
Operating costs	4, 6	–2,304	–2,243
Personnel costs	7	–1,402	–1,335
Other external costs	8	–427	–481
Other operating expenses		–	–
Amortization and depreciation	14, 15	–233	–237
Impairment	14, 15	–	–
Share in profit of associated companies	17	3	4
Earnings		**1**	**–78**
Profit/loss from financial items			
Interest income and similar profit/loss items	11	1	1
Interest expense and similar profit/loss items	12	–34	–34
Resultat efter finansiella poster		**–32**	**–111**
Tax on profit for the year	13	0	–109
Loss for the year from continuing operations		**–32**	**–220**
DISCONTINUED OPERATIONS			
Earnings, net of tax, from discontinued operations	31	**–73**	**–5**
Loss for the year		**–105**	**–225**

Statement of comprehensive income

SEK million	Note	GROUP 2017	GROUP 2016
Loss for the year		**–105**	**–225**
Items that cannot be reclassified to profit or loss			
Revaluation of defined-benefit pension plans		–2	–5
Tax attributable to items that cannot be reclassified to profit or loss	13	1	2
Items that have been or can be reclassified to profit or loss			
Cash-flow hedges		4	–12
Hedging of net investments in operations abroad		–5	–8
Translation differences		11	3
Tax attributable to items that have been or can be reclassified to profit or loss	13	0	5
Total other comprehensive income, net after tax		**9**	**–15**
Total comprehensive income for the year		**–96**	**–240**

Consolidated balance sheet

ASSETS		GROUP	
SEK million	Note	Dec 31, 2017	Dec 31, 2016
Non-current assets			
Intangible assets	14		
Capitalized development expenditure		6	9
Ongoing capitalized development expenditure		19	14
Total intangible assets		**25**	**23**
Property, plant and equipment	15		
Land, land improvements and buildings		18	20
Transport equipment		1,390	1,515
Leased transport equipment	16	529	561
Equipment, fixtures and fittings		23	23
Construction in progress		51	44
Total property, plant and equipment		**2,011**	**2,163**
Other non-current assets			
Participations in associated companies	17	2	338
Deferred tax assets	18	24	24
Total other non-current assets		**26**	**362**
Total non-current assets		**2,062**	**2,548**
Current assets			
Inventories	19	19	17
Accounts receivable	27	424	424
Receivables from associated companies	4	1	3
Other receivables		14	9
Current tax assets		3	4
Prepaid expenses and accrued income	20	128	78
Cash and cash equivalents	26	142	237
Assets held-for-sale	31	274	–
Total current assets		**1,005**	**772**
TOTAL ASSETS		**3,067**	**3,320**

Consolidated balance sheet

EQUITY AND LIABILITIES		GROUP	
SEK million	Note	Dec 31, 2017	Dec 31, 2016
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		–40	–49
Loss brought forward		–347	–122
Loss for the year		–105	–225
Total equity	24	**755**	**851**
Liabilities			
Non-current liabilities			
Pension provisions	28	19	16
Other provisions	21	17	9
Non-current leasing liabilities	16	543	585
Other non-current liabilities	27	285	536
Derivative instruments	27	39	46
Total non-current liabilities		**903**	**1,192**
Current liabilities			
Accounts payable		231	143
Current leasing liabilities	16	109	139
Other liabilities	27	421	532
Accrued expenses and deferred income	22	446	449
Other provisions	21	15	14
Liabilities attributable to assets held-for-sale	31	187	–
Total current liabilities		**1,409**	**1,277**
TOTAL EQUITY AND LIABILITIES		**3,067**	**3,320**

Change in Equity, Group

GROUP SEK million	Note	Share capital	Other capital contri-butions	Reserves	Profit/loss brought forward	Profit/ loss for the year	Total
Opening balance, Jan 1, 2016		**200**	**1,047**	**–33**	**–95**	**–27**	**1,092**
Allocation of preceding year's profit/loss					–27	27	**0**
Comprehensive income							
Loss for the year						–225	**–225**
Other comprehensive income							
Cash-flow hedges, after tax				–10			**–10**
Hedging of net investments, after tax				–6			**–6**
Translation difference				3			**3**
Revaluation of defined-benefit pension plans				–3			**–3**
Total other comprehensive income		–	–	*–16*	–	–	**–16**
Total comprehensive income		**–**	**–**	**–16**	**–**	**–225**	**–241**
Closing balance, Dec 31, 2016	24	**200**	**1,047**	**–49**	**–122**	**–225**	**851**
Opening balance, Jan 1, 2017		**200**	**1,047**	**–49**	**–122**	**–225**	**851**
Allocation of preceding year's profit/loss					–225	225	**0**
Comprehensive income							
Loss for the year						–105	**–105**
Other comprehensive income							
Cash-flow hedges, after tax				3			**3**
Hedging of net investments, after tax				–4			**–4**
Translation difference				11			**11**
Revaluation of defined-benefit pension plans				–1			**–1**
Total other comprehensive income		–	–	*9*	–	–	**–16**
Total comprehensive income		**–**	**–**	**9**	**–**	**–105**	**–96**
Closing balance, Dec 31, 2017	24	**200**	**1,047**	**–40**	**–347**	**–105**	**755**

Consolidated cash-flow statement

		GROUP	
SEK million	Note	2017	2016
Operating activities			
Loss after financial items		–33	–111
Adjustments for non-cash items	25	251	218
Provisions made		–11	–8
Tax paid		–26	–25
Cash flow from operating activities before changes in working capital		**181**	**74**
Cash flow from changes in working capital			
Increase/decrease in current receivables		–38	–16
Increase/decrease in current liabilities		73	27
Cash flow from operating activities		**216**	**85**
Investing activities			
Acquisition of intangible assets		–7	–6
Acquisition of property, plant and equipment		–76	–68
Sale of property, plant and equipment		4	4
Sale of financial assets		0	1
Dividends from associated companies		3	2
Cash flow from investing activities		**–76**	**–67**
Financing activities			
Borrowings		50	250
Amortization of leasing liabilities and loans		–285	–128
Cash flow from financing activities	25	**–235**	**122**
Cash flow for the year		**–95**	**140**
Cash and cash equivalents at the beginning of the year		237	95
Exchange-rate differences in cash and cash equivalents		0	2
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**142**	**237**

Parent Company income statement

SEK million	Note	PARENT COMPANY 2017	2016
Operating income			
Net sales	4	3,960	3,906
Other operating income	5	4	6
Total operating income		**3,964**	**3,912**
Operating expenses			
Operating costs	4, 6	–2,018	–1,986
Personnel costs	7	–1,296	–1,298
Other external costs	8	–404	–431
Amortization and depreciation	14, 15	–230	–234
Impairment	14, 15	–	–
Earnings		**16**	**–37**
Profit/loss from financial items			
Profit/loss from participations in Group companies	9	24	–57
Profit/loss from participations in associated companies	10	–23	2
Interest income and similar profit/loss items	11	1	1
Interest expense and similar profit/loss items	12	–55	–35
Loss after financial items		**–37**	**–126**
Tax on profit for the year	13	0	–107
Loss for the year		**–37**	**–233**

Parent Company statement of comprehensive income

SEK million	Note	PARENT COMPANY 2017	2016
Loss for the year		**–37**	**–233**
Other comprehensive income			
Cash-flow hedges		5	–12
Tax	13	–1	3
Total other comprehensive income, net after tax		**4**	**–9**
Total comprehensive income for the year		**–33**	**–242**

Parent Company balance sheet

ASSETS SEK million	Note	PARENT COMPANY Dec 31, 2017	Dec 31, 2016
Non-current assets			
Intangible assets	14		
Capitalized development expenditure		4	8
Ongoing capitalized development expenditure		19	14
Total intangible assets		**23**	**22**
Property, plant and equipment	15		
Land, land improvements and buildings		1	1
Leasehold improvements		0	0
Transport equipment		1,390	1,515
Leased transport equipment	16	530	561
Equipment, fixtures and fittings		22	21
Construction in progress		51	44
Total property, plant and equipment		**1,994**	**2,142**
Financial assets			
Participations in Group companies	17	55	55
Participations in associated companies	17	290	316
Deferred tax assets	18	24	24
Total financial assets		**369**	**395**
Total non-current assets		**2,386**	**2,559**
Current assets			
Inventories	19	19	17
Accounts receivable	27	345	349
Receivables from Group companies	4	51	34
Receivables from associated companies	4	10	3
Other receivables		12	8
Current tax assets		2	4
Prepaid expenses and accrued income	20	131	94
Cash and bank balances	26	123	185
Total current assets		**693**	**694**
TOTAL ASSETS		**3,079**	**3,253**

Parent Company balance sheet

EQUITY AND LIABILITIES		PARENT COMPANY	
SEK million	Note	Dec 31, 2017	Dec 31, 2016
Equity			
Restricted equity			
Share capital		200	200
Statutory reserve		100	100
Reserve for development expenditure		9	5
		309	**305**
Non-restricted equity			
Fair-value reserve		–30	–32
Profit/loss brought forward		552	788
Loss for the year		–37	–233
		486	**523**
Total equity	24	**795**	**828**
Provisions			
Pension provisions	28	10	9
Other provisions	21	15	23
Total provisions		**25**	**32**
Liabilities			
Non-current liabilities			
Non-current leasing liabilities	16	543	585
Other non-current liabilities	27	304	531
Derivative instruments	27	39	46
Total non-current liabilities		**886**	**1,162**
Current liabilities			
Accounts payable		209	122
Liabilities to Group companies	4	39	16
Current leasing liabilities	16	109	139
Other liabilities	27	573	524
Accrued expenses and deferred income	21	443	430
Total current liabilities		**1,373**	**1,231**
TOTAL EQUITY AND LIABILITIES		**3,079**	**3,253**

Change in equity, Parent Company

PARENT COMPANY SEK million	Note	Share capital	Statutory reserve	Reserve for development expenditure	Fair value reserve	Profit/loss brought forward	Profit/loss for the year	Total
Opening balance, Jan 1, 2016		**200**	**100**	**–**	**–24**	**697**	**97**	**1,070**
Allocation of preceding year's profit/loss						97	–97	**0**
Capitalized development expenditure, own work				5		–5		**0**
Comprehensive income								
Loss for the year							–233	**–233**
Other comprehensive income								
Cash-flow hedges, after tax					–9			**–9**
Total other comprehensive income		*–*	*–*	*–*	*–9*	*–*	*–*	*–9*
Total comprehensive income		**–**	**–**	**–**	**–9**	**–**	**–233**	**–242**
Closing balance, Dec 31, 2016	24	**200**	**100**	**5**	**–33**	**789**	**–233**	**828**
Opening balance, Jan 1, 2017		**200**	**100**	**5**	**–33**	**789**	**–233**	**828**
Allocation of preceding year's profit/loss						–233	233	**0**
Capitalized development expenditure, own work				4		–4		**0**
Comprehensive income								
Loss for the year							–37	**–37**
Other comprehensive income								
Cash-flow hedges, after tax					4			**4**
Total other comprehensive income		*–*	*–*	*–*	*4*	*–*	*–*	*4*
Total comprehensive income		**–**	**–**	**–**	**4**	**–**	**–37**	**–33**
Closing balance, Dec 31, 2017	24	**200**	**100**	**9**	**–29**	**552**	**–37**	**795**

Parent Company cash-flow statement

		PARENT COMPANY	
SEK million	Note	2017	2016
Operating activities			
Loss after financial items		–37	–126
Adjustments for non-cash items	25	317	262
Provisions made		–11	–9
Tax paid		–25	–25
Cash flow from operating activities before changes in working capital		**244**	**102**
Cash flow from changes in working capital			
Increase/decrease in current receivables		–70	9
Increase/decrease in current liabilities		75	–73
Cash flow from operating activities		**249**	**38**
Investing activities			
Acquisition of intangible assets		–6	–
Acquisition of property, plant and equipment		–77	–67
Sale of property, plant and equipment		4	–2
Acquisition of financial assets		0	–3
Dividends from associated companies		3	2
Cash flow from investing activities		**–76**	**–70**
Financing activities			
Borrowings		50	250
Amortization of leasing liabilities and loans		–285	–128
Cash flow from financing activities	25	**–235**	**122**
Cash flow for the year		**–62**	**90**
Cash and cash equivalents at the beginning of the year		185	95
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25	**123**	**185**

Notes

All amounts are stated in SEK million unless otherwise stated. Rounding differences can occur in the preparation of the annual report as amounts are stated in SEK million.

NOTE 1 GENERAL INFORMATION

Green Cargo AB develops and delivers efficient and sustainable rail logistics with Sweden as its home market. This means full focus on rail-based freight transportation. Green Cargo's network serves some 40 intermodal locations and covers about 300 locations in Sweden as well as the main cities in Norway. Together with its business partners, Green Cargo links the Swedish business community's freight shipments to continental markets. The vision of sustainable development is a driving force for the company, which is the only nationwide freight company approved as a Good Environmental Choice for freight transportation.

Rail freight is the backbone of the business, but road freight is a complement, and the combination of rail and road freight is becoming increasingly important in Green Cargo's offering.

The Parent Company Green Cargo AB is wholly owned by the Swedish State. Green Cargo AB is domiciled in Solna, Sweden and the head office address is: Box 114, SE-694 23 Hallsberg, Sweden.

The financial statements were approved for publication by the Board and the President on March 19, 2018 and will be submitted to the Annual General Meeting on April 23, 2018 for approval.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as endorsed by the EU. In addition, the Group applies the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, which specifies the disclosures required under the provisions of the Annual Accounts Act. Assets and liabilities are recognized at cost, with the exception of certain financial assets and liabilities measured at fair value. Financial assets and liabilities measured at fair value comprise derivative instruments, and financial assets/liabilities measured at fair value through profit or loss (FVTPL), or through other comprehensive income (FVTOCI) and are recognized in equity in the hedging reserve. Current assets and current liabilities consist, essentially, of amounts that are expected to be recovered or paid within twelve months of the closing date. Other assets and liabilities are reported as non-current assets and non-current liabilities respectively. The Parent Company's accounting policies correspond with those of the Group with the exception of the mandatory rules pursuant to the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. Differences in the accounting policies applied by the Group and the Parent Company are stated under the heading Parent Company's accounting policies. The significant accounting policies applied are detailed below. Unless otherwise stated, these policies have been applied consistently for all years presented.

GROUP ACCOUNTING POLICIES

Changes in accounting policies

The IFRS changes that are applicable from January 1, 2017 have had no material impact on the Group's accounting.

Published standards that have yet to be applied by the company

A number of new or amended IFRSs will not come into effect until the next fiscal year and have not been applied prospectively when preparing these financial statements. The following description applies only to those standards and interpretations assessed as relevant to Green Cargo.

IFRS 9 "Financial instruments"

The standard enters force for fiscal years beginning on or after January 1, 2018 and replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 requires that financial assets be classified according to three different measurement categories: amortized cost, fair value through other comprehensive income (FVTOCI) or fair value through profit or loss (FVTPL). Classification is determined on initial recognition based on the nature of the asset and the company's business model. For financial liabilities, the standard retains most of the IAS 39 requirements. The most significant change applies to liabilities recognized at fair value. In these cases, the part of a fair-value change due to an entity's own credit risk is recognized in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The second part of IFRS 9 pertains to hedge accounting. IFRS 9 requires additional disclosures on risk management and the effects of hedge accounting. Finally, new principles have been introduced for the impairment of financial assets, where the model is based on expected losses. The objectives of the new model include ensuring that provisions for credit losses are made at an earlier stage. Examination of the above has been completed and the assessment is that the new standard is not expected to significantly impact Green Cargo's financial statements.

IFRS 15 "Revenue from contracts with customers"

The standard enters force for fiscal years beginning on or after January 1, 2018. The standard replaces all previously issued standards and interpretations pertaining to revenue (that is, IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programs, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). IFRS 15 contains an organized model for revenue recognition pertaining to customer contracts. The company is to identify if the customer agreement comprises several performance obligations. Evaluate whether the obligations are distinct and are separately identifiable and thereby enable income to be recognized on separate dates. In conclusion, the transition to IFRS 15 from January 1, 2018 will not have any material impact on the assessment or recognition of revenue in the Group.

IFRS 16 "Leases"

A new standard for the financial reporting of leases. For lessees, the classification of leases under IAS 17 as either operating leases or financial leases is eliminated and is replaced by a model whereby assets and liabilities for all leases are recognized in the balance sheet. Recognition in the balance sheet is not required for leases of low-value assets and short-term leases, i.e. leases of 12 months or less. Depreciation is to be recognized in profit or loss separately from the interest expense attributable to the lease liability. IFRS 16 is to be applied from January 1, 2019. Green Cargo has a number of operating leases for assets including wagons and locomotives, which will lead to a higher amount for total assets on application of IAS 17. See Note 6 for the scope of the operating leases. Analysis of the above has started but, at present, it is not yet possible to assess any effects on Green Cargo's financial reporting.

Application of accounting policies

Consolidated financial statements

The consolidated financial statements include the companies and operations in which the Parent Company, directly or through subsidiaries, has a controlling interest. The IFRS model for determining when a controlling influence exists is based on (i) the level of influence that exists, (ii) the exposure to variable returns from its actual investment and (iii) the ability to exercise control over the holding to affect the amount of its returns. In companies that are not wholly owned subsidiaries, non-controlling interests are recognized in the consolidated balance sheet as an item under equity and comprises the share of the subsidiaries' earnings and net assets attributable to external shareholders. Subsidiaries are recognized in accordance with the acquisition method. Acquired identifiable assets, liabilities and contingent liabilities are measured at fair value on the acquisition date. Conditional payments after the acquisition date are classified as liabilities and are remeasured in profit or loss. The surplus comprising the difference between the consideration transferred and the net fair value of acquired identifiable assets and liabilities at the acquisition date, is recognized as goodwill. The goodwill that arises is measured and recognized in accordance with the intangible assets section. If the cost is less than the fair value of the acquired subsidiary's net assets, the difference is recognized directly in profit or loss. Only earnings arising after the acquisition date are included in consolidated equity. All transaction costs pertaining to the acquisition are expensed. Intra-Group transactions and balance-sheet items as well as unrealized profits on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the transferred asset.

Translation of operations abroad

In the preparation of the consolidated financial statements, the balance sheets of the Group's operations abroad are translated from their functional currencies to SEK based on the closing-date exchange rate. Income and expense items are translated at the average exchange rate for the period. The translation differences that arise are recognized in other comprehensive income and transferred to the Group's translation reserve. The accumulated translation difference is transferred and recognized under capital gains or losses in the event the operation abroad is divested. Goodwill and fair-value adjustments arising from the acquisition of operations with functional currencies other than SEK are treated as assets and liabilities of the acquired entity and translated at the closing-date rate.

Associated companies

Associated companies are defined as companies in which the Group exercises a significant, but not controlling, influence over operational and financial control, normally through a shareholding of 20–50% of the votes. The equity method entails that the carrying amounts of the shares in the associated companies recognized in the Group correspond to the Group's participations in the associated companies' equity and any other residual values of consolidated surpluses or deficits. The Group's share in the profit/loss of joint ventures after tax adjusted for any depreciation/amortization and dissolution of acquired surpluses or deficits is recognized in the consolidated income statement under the item "Share in profit/loss of associated companies." Dividends received from associated companies reduce the carrying amount of the investment. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognize any further losses, unless it has incurred obligations or made payments on behalf of the associated company. If the associated company later returns to profit, the Group reverts to recognizing its share of these profits only after these have equaled the share of losses not recognized by the Group.

Revenue

The company's customer contracts mainly encompass revenue from freight transportation executed, to all extents and purposes, with the company's own locomotives and wagons. Revenue is recognized when transportation has been completed. Often, transportation also includes undertakings pertaining to shunting, delivery and collection, and lifting. Shunting, delivery and collection, and lifting are conducted at the start and end of the transportation chain. The transportation time is normally very short and varies from one to two days.

Transportation revenue is recognized from arrival at the customer, which is when the customer has obtained control of the goods and Green Cargo has discharged its undertaking. Accordingly, revenue is not recognized over time. Revenue for additional services is recognized when these services have been performed.

Transportation revenue can be divided into wagon loads and specialized freight transportation. Under wagon loads, Green Cargo offers the transportation of wagons from sender to recipient through Green Cargo and its partner network, where capacity is available, according to scheduled services.

With specialized freight transportation, Green Cargo designs unique solutions for operations that have large volumes in regular flows between fixed destinations. Customer contracts include a predetermined fixed capacity and functionality in the form of trains and personnel, at a predetermined price, and can extend over several years.

Revenue from transportation to and from other countries, where Green Cargo uses other train operators on stretches abroad, is recognized in gross amounts. The entire invoice, even the proportion pertaining to the portion abroad which is performed by sub-contractors, is recognized as revenue. Remuneration to foreign train operators is recognized as a cost. The reason for this accounting policy is that Green Cargo has a full-service undertaking to customers. Invoicing in s normally conducted in arrears, which means that there are no contractual undertakings outstanding.

The Group conducts freight forwarding operations through its subsidiary NTR AB. NTR AB buys and sells international rail freight capacity. Revenue is recognized in the period in which the transportation started but, given that the sums and margins involved are low, any errors are not material.

Discounts in the form of volume-based kickbacks only arise to a limited extent and are deducted from revenue on an ongoing basis. Green Cargo has no material financing components linked to customer contracts. Standard credit periods apply for the company's customers.

Government subsidies

Government subsidies are recognized in the balance sheet and profit or loss when there is reasonable assurance that the company will meet the conditions associated with the subsidy and that the subsidy will be received. Government subsidies are recognized as revenue in profit or loss. The subsidies are allocated in the same manner and over the same time period as the costs the subsidies are intended to compensate. If the company has already incurred the costs to which the subsidy pertains, the subsidy is recognized immediately, the moment the receivable arises.

Employee benefits

Short-term employee benefits

Short-term employee benefits, such as salaries and social security expenses, paid vacation, etc. are recognized as a cost in the actual vesting period.

Defined-contribution pension plans

Plans whereby the company's commitments are limited to the contributions that the company has undertaken to pay are classified as defined-contribution pension plans. The amount of the employee's pension depends on the contributions that the company pays to the plan or to an insurance company and the return on capital generated by the contributions. The company's obligations regarding contributions to defined-contribution plans are recognized as an expense in profit or loss for the year at the rate in which they are earned by employees performing services for the company during a period.

Defined-benefit pension plans

In defined-benefit pension plans, the amount of the pension benefit that employees receive after retirement is based on or more factors such as age, period of service and salary. The liability recognized in the balance sheet in respect of defined-benefit pension plans is the present value of the defined-benefit obligation on the closing date, less the fair value of plan assets. The defined-benefit pension obligation is calculated each year by independent actuaries through application of the projected unit credit method. The present value of the defined-benefit obligation is established by discounting estimated future cash flows by using the interest rate on Swedish mortgage bonds, issued in the same currency as the benefits will be paid in and with corresponding maturities to the term of the actual pension obligation. Actuarial gains and losses as a result of experience-based adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they arise. Service costs for previous years are recognized directly in profit or loss.

Termination benefits

Termination benefits are recognized directly when the company has established and communicated its plan for termination of employment and has no realistic possibility to annul the plan. When employees are released from any service obligation during the notice period, an immediate provision is made for pay over the notice period, if there is a continued obligation to provide service the pay is expensed over the notice period.

Financial income and expenses

Financial income consists of interest income from invested funds, dividend income and gains on changes in the value of financial assets measured at FVTPL. Interest income on financial instruments is recognized using the effective-interest method (see below). Gains on the disposal of a financial instrument are recognized when the risks and benefits associated with owning the instrument are transferred to the buyer and the Group no longer controls the instrument. Financial expenses comprise the interest expense on loans, losses from changes in value of financial assets measured at FVTPL and impairment of financial assets. Exchange-rate gains and exchange-rate losses are recognized in net amounts. The effective-interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received by contractual parties that are an integral part of the effective-interest rate, transaction costs and all other fair-value adjustments.

Taxes

Income tax comprises current tax and deferred tax. Tax is recognized in profit or loss, except where the underlying transaction is recognized in other comprehensive income or directly in equity. The actual tax is based on earnings for the period and is calculated at the closing-date tax rate. Current tax is tax that is to be paid or received in the current year. This also includes adjustments of current tax attributable to prior periods. Fiscal legislation contains different rules to those contained under generally accepted accounting principles regarding the timing for taxation of certain business transactions. Deferred tax is recognized for differences that arise in this manner between values for tax purposes and the carrying amounts of assets and liabilities, known as temporary differences, and on loss carryforwards. With regard to the valuation of deferred tax assets, that is, the value of future tax reductions, deferred tax assets are recognized if it is probable that the amounts can be used against future taxable surpluses. The value of the deferred tax assets is reduced when it is no longer considered likely that they can be utilized. Green Cargo recognizes deferred tax assets only insofar that sufficient taxable temporary differences exist that convincingly indicate that adequate taxable surpluses will exist.

Intangible assets

The surplus comprising the difference between the consideration transferred and the net fair value of acquired identifiable assets and liabilities at the acquisition date, is recognized as goodwill. Goodwill on acquisitions of subsidiaries is recognized under intangible assets. Goodwill on acquisitions of associated companies is included in the value of the investment in the associated company. Goodwill is impairment tested annually and is recognized at cost less any accumulated impairment. Impairment testing is also carried out when indications exist of a possible decline in value. A gain or loss on the divestment of a unit includes the remaining carrying amount of goodwill pertaining to the divested unit. Costs for the development of software for the company's own use are recognized as assets in the balance sheet, on condition that future efficiency gains are probable and exceed the costs incurred. Payroll costs, training and regular maintenance are expensed on an ongoing basis. Capitalized development expenditure primarily comprises costs for the development of IT systems and is amortized in a straight line over the estimated useful life. The amortization period for capitalized development expenditure is three to ten years.

Property, plant and equipment

Property, plant and equipment is recognized at cost less deductions for accumulated depreciation and impairment. Expenses for improving the performance of the assets beyond their original level increase the carrying amounts of the assets. Expenses for repairs and regular maintenance are recognized as costs. Depreciation is based on the historical cost, estimated useful life and expected residual value. Impairment is carried out when carrying amounts exceed the estimated value in use and the assets' fair value less sales costs. The value in use is based on future discounted cash flows from using the asset including the estimated residual value at the end of the useful life. Straight-line depreciation is applied and the following depreciation periods apply:

Class of asset	Depreciation in %
Buildings	2–4
Land improvements	5
Locomotives and wagons	4–5
Other transport equipment	10–20
Other equipment, including locomotive and building components	5–20

Certain components in the company's locomotive fleet have a useful life that is shorter than the total useful life of the actual locomotive and are, therefore, regularly replaced as part of periodic maintenance (known as overhauls). These components are isolated and depreciated as separate units over this shorter useful life (the component depreciation method). Components are also separated for buildings and depreciated over various useful lives. The assets' residual values and useful lives are tested, and adjusted if appropriate, at each closing date. Gains and losses on disposals are determined by comparing the sales proceeds and the carrying amount, and are recognized in profit or loss.

Impairment

Goodwill and other intangible assets that have an indefinite useful life are not amortized but are tested annually for impairment. Assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less sales costs, and its value in use. For the purpose of impairment testing, assets are grouped on the basis of the lowest level at which separate identifiable cash flows (cash-generating units) exist. Impairment of tangible and intangible assets is reversed if there has been a change in the assumptions underlying determination of the recoverable amount. An impairment is only reversed to the extent that the asset's carrying amount following reversal does not exceed the carrying amount the asset would have had after taking into consideration the amortization or depreciation that would otherwise have been applied. Impairments of goodwill are not reversed.

Discontinued operations

When a non-current asset, or a disposal group, is classified as held-for-sale, this means that its carrying amount will be recovered primarily through the sale of the asset or disposal group and not through use. An asset or disposal group is classified as held-for-sale if it is available for immediate sale in its existing condition, under standard terms and conditions, and if it is extremely likely that the sale will be possible.

These assets or disposal groups are recognized as own items in the balance sheet under current assets and current liabilities respectively. Immediately prior to classification as held-for-sale, the carrying amount is determined for the assets and all assets and liabilities in a disposal group pursuant to the applicable standards. On initial classification as held-for-sale, non-current assets and disposal groups are recognized at the lower of their carrying amount and fair value less selling costs. Certain assets, singly or as part of a disposal group, are exempted from the above valuation rules, namely managed properties, financial assets, deferred tax assets and plan assets attributable to defined-benefit pension plans.

A gain is recognized for each increase in fair value less selling costs. This gain is limited to an amount corresponding to all previously conducted impairment.

Losses attributable to a decrease in value on initial classification as held-for-sale are recognized in net profit for the year. Subsequent changes on value, both gains and losses, are also recognized in net profit for the year.

A discontinued operation is a part of a company's activities that represents an independent business segment, or a significant operation in a geographic area, or is a subsidiary acquired exclusively with a view to selling on. Classification as a discontinued operation is carried out on divestment or at an earlier time when the operations meet the criteria for classification as held-for-sale.

Profit after tax from discontinued operations is stated as a separate item in the statement of profit and loss and other comprehensive income. When an operation is classified as discontinued, the presentation of the comparative year's statement of profit and loss and other comprehensive income is altered to the effect that income is stated as if the discontinued operation were divested at the start of the comparative year. The presentation of balance sheets for the current and previous years is not altered in a corresponding manner.

Inventories
The Group has an inventory of spare parts and an inventory of diesel. Inventories are measured using the LCM rule at the lower of cost and net realizable value on the closing date. The average-cost method is used for determining the cost of spare parts. The cost of diesel is determined using a calculation of when an average liter was purchased by using the average turnover rate for the diesel inventory. The purchase price that applied at that date is used as a basis for the diesel valuation. When assessing obsolescence, consideration is taken to the age and turnover rate for the inventory item.

Financial instruments
Financial instruments recognized on the asset side of the balance sheet include cash and cash equivalents, accounts receivable, shares, loan receivables, bond receivables and derivatives. Accounts payable, borrowings and derivatives are found on the liabilities side. Financial instruments are initially recognized at cost, which corresponds to the instruments' fair value including transaction costs for all financial instruments except those belonging to the category financial assets/liabilities measured at FVTPL. Thereafter, accounting is carried out in accordance with how the instruments are classified as follows. A financial asset or financial liability is recognized in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are recognized in the balance sheet when an invoice has been issued. A liability is recognized when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not been received. Accounts payable are recognized when an invoice has been received. The purchase and sale of financial instruments are recognized on the settlement date. Financial assets are derecognized from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred.

Financial liabilities are derecognized from the balance sheet when the contractual obligation is discharged or extinguished in another manner. The fair value of investments with market listings is based on actual bid prices. The fair value of unlisted securities is established using the issuer's or bank's valuation.

The Group classifies its financial instruments into the following categories: financial assets/liabilities at FVTPL; derivatives used in hedge accounting; loan and accounts receivable; investments held to maturity; and other liabilities. The classification depends on the purpose for which the instrument was acquired. Classifications are tested on each reporting occasion.

Financial assets/liabilities measured at FVTPL
This category comprises two subcategories: financial assets/liabilities held for trading; and assets measured at FVTPL on initial recognition. Derivative instruments are also categorized as held for trading unless they are identified as hedges. Assets and liabilities in this category are classified as current assets and current liabilities respectively if held for trading or expected to be realized within 12 months of the closing date. Assets/liabilities are measured at fair value on an ongoing basis. Gains and losses attributable to changes in fair value are recognized in profit or loss in the period in which they occur. This category includes current investments and derivative instruments not used for hedging.

Derivatives used in hedge accounting
Derivatives used in hedge accounting include cash-flow hedges in the form of currency forward contracts and interest-rate swaps. Changes in the fair value of derivatives identified as cash-flow hedges that meet the conditions for hedge accounting are recognized in other comprehensive income. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

Loans and accounts receivable
Loans receivable and accounts receivable are non-derivative financial assets that have fixed or fixable payments, such as cash and cash equivalents or accounts receivable. These receivables are measured at amortized cost. Amortized cost is defined as the value at which the financial asset or liability is measured when initially entered in the balance sheet, less any repayments and with addition or deduction of the accrual of any difference between the initial carrying amount and the repayment amount. Following individual measurement in the balance sheet, accounts receivable are recognized at the amounts at which they are expected to be received. Since the expected maturity of accounts receivable is short, a nominal value without discounting is recognized. Impairment of accounts receivable is recognized under operating expenses. Receivables in foreign currency are restated at the closing-date rate. Exchange-rate differences on operating receivables and operating liabilities are included in earnings, while exchange-rate differences on financial receivables and liabilities are recognized under financial items. An exception is made when hedging transactions meet the requirements for cash-flow hedges, whereby gains and losses are recognized directly in other comprehensive income.

Held-to-maturity investments
Held-to-maturity investments comprise non-derivative financial assets with fixed or fixable payments and determined maturity, which are held to maturity. These are included under non-current assets except when the maturity is less than 12 months after the closing date, in which case they are categorized as current assets. Assets in this category are measured at amortized cost.

Other liabilities
Liabilities to credit institutions, leasing liabilities and accounts payable are categorized as other liabilities and measured at amortized cost. Since the expected maturity of accounts payable is short, a nominal value without discounting is recognized. Non-current liabilities have expected maturities in excess of one year while current liabilities have maturities of less than one year.

Recognition of derivative instruments and hedging activities
Derivative instruments are recognized at fair value in the balance sheet and changes in value are recognized in either profit or loss or other comprehensive income depending on whether or not hedge accounting is applied. The method for recognizing the resulting gain or loss on remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group uses cash-flow hedges in the form of currency forward contracts, currency options and interest-rate swaps to minimize its exposure to changes in exchange rates and interest-rate risks. When entering into the transaction, the relationship between the hedging instrument and the hedged item is documented. An assessment is made, both at the inception of the hedging transaction and on an ongoing basis, as to whether the derivative instruments used are effective in terms of offsetting changes in the cash flows of the hedged items. The effective portion of changes in the fair value of derivative instruments identified as cash-flow hedges that meet the conditions for hedge accounting are recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss. Hedges of net investments in operations abroad are accounted for similarly to cash-flow hedges.
Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized in profit or loss. Gains and losses accumulated in equity are recognized in profit or loss when the foreign operation is partially or fully divested.

Provisions
The Group makes provisions for restructuring measures and for onerous contracts under the items non-current and current liabilities in the balance sheet. A provision for restructuring measures is made when a detailed and decided plan for restructuring operations exists. A provision is made for personnel costs for the cost of releasing employees from any service obligation during the notice period, any severance pay and contractual pensions including social security contributions. Green Cargo AB has sales agreements that extend over several years.

Profitability is tested on an annual basis for agreements for which special resources have been assigned. Should an agreement be unprofitable, a provision is made for the time until the date for the next contractual price negotiation or the date the agreement is assessed as unprofitable for other reasons.

Contingent liabilities
A contingent liability is recognized when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognized as a liability or a provision because it is unlikely that an outflow of resources will be required.

Cash-flow statement
Green Cargo AB prepares its cash-flow statements in accordance with the indirect method. The indirect method starts with profit/loss for the year after financial items and adjustments are made for non-cash profit/loss items and for changes in working capital.

Profit before tax, interest paid, taxes paid and adjustments for non-cash items are reported under cash flow from operating activities. This pertains to costs and revenue in the profit or loss that do not have any corresponding cash payments or receipts, for example, depreciation and capital gains/losses. Payments and receipts relating to the company's investments are recognized in cash flow from investing activities; this includes all purchases and sales of non-current assets, but also items such as dividends from subsidiaries. Investing activities also include investments that as not included in the concept of cash and cash equivalents, in other words, investments with a remaining maturity in excess of three months at the time of investment. Non-current assets acquired through financial leases are not recognized as purchases in cash flow.

Since the borrowing and the investment occur as a single transaction, they offset each other. Only cash differences resulting from the acquisition or sale of subsidiaries are recognized, that is, the sum of the sales price and the subsidiary's cash and cash equivalents. Cash transactions arising from the company's financing are recognized in cash flow from financing activities. Accordingly, borrowings with the exception of leasing liabilities, loan repayments (including amortization of leasing liabilities), new issues, shareholders' contributions and dividends paid are recognized here.

ACCOUNTING POLICIES FOR THE PARENT COMPANY

The Parent Company's accounts have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2. RFR 2, means that, in its accounting for the legal entity, the Parent Company should apply the EU-adopted IFRS and statements, as far as possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and with reference to the connection between accounting and taxation. The recommendations stipulate which exceptions from and additions to the IFRS that are allowed. Certain exceptions and additions to this rule are made in the recommendation, depending on legal provisions, primarily in the Annual Accounts Act, and on the connection between accounting and taxation. Unless otherwise stated, the Group's accounting policies apply. All departures from the Group's policies are detailed below.

Participations in subsidiaries and associated companies
Participations in subsidiaries and associated companies are recognized in the Parent Company using the cost method. This means that transaction charges are included in the carrying amount of participations in subsidiaries and associated companies. In the consolidated financial statements, transaction charges attributable to subsidiaries are recognized directly in profit or loss when they arise.

Liabilities that comprise hedging instruments
The Parent Company applies RFR 2, which means that the company can apply the rules for the "Measurement of receivables and liabilities in foreign currencies." Under RFR 2, effective currency hedging exists in the Parent Company when shares in subsidiaries abroad are financed through borrowings in local currency. For an effective currency hedge to be deemed to be in place, this intent must have existed at the transaction date. The carrying amounts of such loans are not impacted by changes in exchange rates.

Group contributions and shareholders' contributions
Green Cargo applies the main rule for recognition of Group contributions. Under the main rule, Group contributions received from subsidiaries are recognized as financial income. Group contributions paid by the Parent Company to subsidiaries are recognized as an increase in participations in Group companies.

Presentation of financial statements
IAS 1, which deals with the structure and content of the financial statements, is not applied with regard to the Parent Company's balance sheet and income statement. Instead, the balance sheet and income statement are presented in accordance with the Annual Accounts Act. In the consolidated financial statements, the balance sheet makes no distinction between restricted and non-restricted equity which, on the other hand, is made in the Parent Company in line with the Annual Accounts Act. In accordance with IAS 1 point 10 a, Green Cargo AB prepares an income statement with a supplement in which comprehensive income is presented. Voluntary application of specific regulations in the Annual Accounts Act means that companies applying IFRS in their consolidated financial statements, among other things, divide provisions into long-term and current portions. This specific regulation is applied by Green Cargo AB.

Financial guarantee contracts
In accordance with RFR 2, IAS 39 point 2, the rules in IAS 39 applying to financial guarantee contracts in the Parent Company pertaining to guarantee agreements in favor of subsidiaries and associated companies are not applied. Instead, when this exception is applied, the rules for recognition and measurement in IAS 37 Provisions, Contingent Liabilities and Contingent Assets are applied. The underlying reason for this exception to recognition of financial guarantees pertaining to guarantee agreements in favor of subsidiaries and associated companies is the connection between accounting and taxation.

Employee benefits
Defined-benefit pension plans
The Parent Company applies different principles for the calculation of defined-benefit plans to those stipulated in IAS 19. The Parent Company complies with the provisions of the Pension Obligations Vesting Act and the regulations of the Swedish Financial Supervisory Authority, which is a requirement for rights to tax deductions. The most significant differences compared with the IAS 19 regulations are the determination of the discount rate, that the defined-benefit obligation is calculated based on current salary levels without any assumptions concerning future salary increases, and that all actuarial gains and losses are recognized in profit or loss when they arise.

Reserve for development expenditure
From January 1, 2016 and forward, the Annual Accounts Act has been updated with regard to the capitalization of self-developed intangible assets. Capitalized, self-developed intangible assets are transferred from non-restricted equity to restricted equity "Reserve for development expenditure". This is then transferred back to non-restricted equity in pace with depreciation.

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND ASSESSMENTS

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires that management make certain assessments when applying the Group's accounting policies. In the financial statements, these estimates and assessments impact asset and liability items, and profit and loss items as well as other disclosures, including those pertaining to contingent liabilities. Estimates and assessments are evaluated on an ongoing basis, based on historical experience and other factors, including expectations of future events that are considered reasonable under prevailing circumstances. The conclusions reached in this manner form the basis for decisions concerning the carrying amounts of assets and liabilities, where these cannot be determined by means of information from other sources. The actual outcome may diverge from these assessments if other assumptions are made, or other conditions arise. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are addressed below.

Disputes with suppliers could have another outcome than the assessed outcome. The amount of provisions made for accident costs is deemed uncertain. Liability as well as costs incurred can be difficult to assess and investigation takes time. The provision is based on the company's best estimate of the assessed outcomes.

Provisions for onerous contracts can be uncertain regarding the amount, since they include assumptions about future events, such as transportation volumes, efficiency enhancements, etc.

The valuation of deferred tax assets related to loss carryforwards and the Group's capacity to utilize loss carryforwards is based on the management's estimates of future taxable income. Green Cargo recognizes deferred tax assets only insofar that sufficient future revenue exists that convincingly indicates that adequate taxable surpluses will exist. Extensive work has been carried out so that estimates and forecasts that have been made are as relevant and accurate as possible. In the evaluation of deferred tax assets, consideration has been given to the history of losses, but also to Green Cargo's positive trend in underlying income since 2013 and to the positive effects that the implemented restructuring measures in streamlining programs have had, and will continue to produce for the foreseeable future.

NOTE 4 RELATED-PARTY TRANSACTIONS

Green Cargo AB is wholly owned by the Swedish State. Subsidiaries and associated companies are detailed in Note 17.

Commercial terms and market prices are applied to the delivery of services between the Group and other state-owned companies or operations, such as the Swedish Transport Administration. Refer to Note 7 for details of salary and benefits to employees.

	Group		Parent Company	
Sale of services	**2017**	**2016**	**2017**	**2016**
Subsidiaries	–	–	312	276
Associated companies	5	5	5	5
Total sales of services to related parties	**5**	**5**	**317**	**281**
Inköp av tjänster				
Subsidiaries	–	–	48	17
Associated companies	126	103	126	103
Total purchase of services from related parties	**126**	**103**	**174**	**120**
Receivables outstanding from related parties				
Subsidiaries	–	–	51	24
Associated companies	1	2	1	2
Total receivables outstanding from related parties	**1**	**2**	**52**	**26**
Outstanding liabilities to related parties				
Subsidiaries	–	–	29	15
Total outstanding liabilities to related parties	**–**	**–**	**29**	**15**

According to the above tables, sales to and receivables from associated companies mainly comprise transportation services and other transport-related services, which include loading/unloading, shunting, switching as well as the rental of rail vehicles.

Purchases and liabilities to the associated company DB Schenker Rail Scandinavia AS pertain mainly to hauling trains.

NOTE 5 OTHER OPERATING INCOME

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Capital gain on sale of non-current assets	27	2	4	2
Exchange-rate differences impacting earnings	0	0	0	0
Insurance reimbursement	0	4	0	4
Total	**27**	**6**	**4**	**6**

NOTE 6 LEASING FEES PERTAINING TO OPERATING LEASES

	Group		Parent Company	
Leasing fees	**2017**	**2016**	**2017**	**2016**
Minimum leasing fees	227	231	226	230

	Group		Parent Company	
Contracted future minimum leasing fees pertaining to non-cancellable contracts falling due:	**2017**	**2016**	**2017**	**2016**
Within 1 year	124	142	123	139
Between 1 and 5 years	224	232	224	232
Over 5 years	40	59	40	59
Total	**388**	**433**	**387**	**430**

	Group		Parent Company	
Leasing income	**2017**	**2016**	**2017**	**2016**
Leasing income pertaining to objects leased to external parties	55	55	55	55

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Future minimum leasing fees pertaining to objects leased to external parties	101	81	101	81

Only significant contracts have been included in the above compilation of future minimum leasing fees. Significant operating leases entered into by the company comprise leases of wagons and premises. Some leases contain terms allowing extension of the lease. Variable fees comprising the effects of interest-rate changes total an insignificant amount and, accordingly, are not recognized separately.

NOTE 7 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	**2017**	**Of whom women, %**	**2016**	**Of whom women, %**
Parent Company				
Sweden	1,816	14	1,864	14
Total – Parent Company	**1,816**	**14**	**1,864**	**14**
Subsidiaries				
Norway	81	5	53	6
Total – subsidiaries	**81**	**5**	**53**	**6**
Total – Group	**1,897**	**14**	**1,917**	**14**

The Board of the Parent Company comprised four men and three women (excluding employee representatives). Together, all of the Group's boards comprised 11 men and four women. The Parent Company's management group (also Group Management) comprised eight men and three women.

Salaries, other benefits and social security expenses

	2017		2016	
	Salaries and benefits	**Social expenses**	**Salaries and benefits**	**Social expenses**
Parent Company	877	385	883	378
(of which, pension costs)		*(85)*		*(79)*
Subsidiaries	69	12	29	5
(of which, pension costs)		*(2)*		*(1)*
Total – Group	**946**	**397**	**912**	**383**
(of which, pension costs)		*(87)*		*(80)*

Of the Group's pension costs, SEK 1 million (1) pertained to the Board and President. The Group's pension obligations outstanding to these individuals amount to SEK 0 million (0).

During the year, costs related to termination benefits were 20 (7).

Salaries and other benefits allocated by Board members including the President and other employees

	2017		2016	
	Board of Directors and CEO	**Other employ-ees**	**Board of Directors and CEO**	**Other employ-ees**
Parent Company	**5**	**872**	**5**	**878**
(of which bonus, etc.)		*(–)*		*(–)*
Subsidiaries	**1**	**68**	**1**	**33**
(of which bonus, etc.)		*(–)*		*(–)*
Total Group	**6**	**940**	**6**	**911**
(of which bonus, etc.)		*(–)*		*(–)*

Remuneration of and other benefits to senior executives Parent Company

Principles

Directors' fees are payable to the Chairman and members of the Board in accordance with the resolution of the AGM. Remuneration to the CEO, other senior executives and employee representatives comprises basic salary, other benefits and pension.

Remuneration of the Board, 2017 Amounts in SEK thousand		**Directors' fees**
Chairman of the Board	Lennart Pihl[1]	340
Board member	Tryggve Sthen	150
Board member	Margareta Alestig Johnson[2]	205
Board member	Ann-Christine Hvittfeldt	150
Board member	Lotta Stalin[3]	50
Board member	Anna Maria Elgh[4]	100
Board member (Representing the State)	Erik Tranaéus	–
Board member	Ingvar Nilsson	150
Employee representative	Jonas Blomqvist[5]	–
Employee representative	Donny Sjöberg[6]	–
Employee representative (seco)	Peter Lundmark[7]	–
Employee representative (st)	Stefan Bieder[8]	–
Deputy (employee representative)	Anders Gustavsson	–
Deputy (employee representative)	Jerker Liljeberg	–
Employee representative, co-opted member	Ann-Charlotte Juliusson	–

1 Of which SEK 40,000 was remuneration as a member of the Audit Committee. 2 Of which SEK 55,000 was remuneration as Chairman of the Audit Committee. 3 Stepped down from the Board on April 25, 2017. 4 Was elected to the Board on April 25, 2017. 5 Joined on April 25, 2017. 6 Joined on August 10, 2017. 7 Replaced on April 25, 2017. 8 Replaced on August 10, 2017.

Remuneration of the Board, 2017 Amounts in SEK thousand		**Directors' fees**
Chairman of the Board	Lennart Pihl[1]	340
Board member	Tryggve Sthen	150
Board member	Margareta Alestig Johnson[2]	205
Board member	Ann-Christine Hvittfeldt	150
Board member	Lotta Stalin	150
Board member (Representing the State)	Daniel Kristiansson[3]	–
Board member (Representing the State)	Erik Tranaeus[4]	–
Board member	Ingvar Nilsson	150
Employee representative	Peter Lundmark	–
Employee representative	Stefan Bieder	–
Deputy (employee representative)	Anders Gustavsson	–
Deputy (employee representative)	Jerker Liljeberg	–
Employee representative, co-opted member	Ann-Charlotte Juliusson	–

1 Of which SEK 40,000 was remuneration as a member of the Audit Committee. 2 VOf which SEK 55,000 was remuneration as Chairman of the Audit Committee. 3 Stepped down from the Board on October 27, 2016. 4 Was elected to the Board on October 27, 2016.

Remuneration of and other benefits to senior executives, 2017

Amounts in SEK thousand		**Period in Group Management**	**Salary[1]**	**Other benefits[2]**	**Pension cost**	**Total**	**Pension obligation**
President and CEO	Jan Kilström	Jan 1 to Dec 31, 2017	3,933	162	1,061	5,156	–
CFO	Henrik Backman	Jan 1 to Sep 16, 2017	2,104	85	433	2,622	–
CFO	Erik Johansson	Sep 17 to Dec 31, 2017	643	0	179	821	–
HR Director	Caroline Frumerie	Jan 1 to Dec 31, 2017	1,665	86	634	2,385	–
Sales Director	Richard Kirchner	Jan 1 to Dec 31, 2017	1,838	71	415	2,324	–
Operations Director	Patrik Johansson	Jan 1 to Dec 31, 2017	1,641	121	552	2,314	–
Planning Director	Patrik Saxvall	Jan 1 to Dec 31, 2017	1,391	128	330	1,849	–
Assets Director	Markus Gardbring	Jan 1 to Dec 31, 2017	1,391	70	388	1,849	–
Marketing & Communications Director	Sohana Josefsson	Jan 1 to Dec 31, 2017	1,234	0	378	1,612	–
IT Director	Ulrika Wiik	Jan 1 to May 8, 2017	711	0	125	836	–
IT Director	Mats Munkhammar	May 9 to Dec 31, 2017	1,062	44	408	1,514	–
Legal & Procurement Director	Mikael Wågberg	Jan 1 to Dec 31, 2017	1,589	113	384	2,086	–
Project Office Director	Nicole Tews	Jan 1 to Dec 31, 2017	1,672	67	468	2,207	–

1 No variable remuneration was paid during the year.
2 Other benefits pertain to company car, gasoline, travel benefits and accommodation. Senior executives can swap the right to a company car for cash remuneration in the form of salary.

Remuneration of and other benefits to senior executives, 2016

Amounts in SEK thousand		Period in Group Management	Salary[1]	Other benefits[2]	Pension cost	Total	Pension obligation
President and CEO	Jan Kilström	Jan 1 to Dec 31, 2016	3,843	290	1,014	5,147	–
CFO	Henrik Backman	Jan 1 to Dec 31, 2016	1,969	93	467	2,529	–
HR Director	Caroline Frumerie	Jan 1 to Dec 31, 2016	1,609	75	623	2,307	–
Sales Director	Richard Kirchner	Jan 1 to Dec 31, 2016	1,788	50	385	2,223	–
Operations Director	Patrik Johansson	Jan 1 to Dec 31, 2016	1,622	111	524	2,257	–
Planning Director	Patrik Saxvall	Jan 1 to Dec 31, 2016	1,325	103	304	1,732	–
Assets Director	Markus Gardbring	May 15 to Dec 31, 2016	892	41	270	1,203	–
Marketing & Communications Director	Sohana Josefsson	Jan 1 to Dec 31, 2016	1,101	0	285	1,386	–
IT Director	Ulrika Wiik	Jan 1 to Dec 31, 2016	1,355	0	363	1,718	–
Legal & Procurement Director	Mikael Wågberg	Jan 1 to Dec 31, 2016	1,488	80	318	1,886	–
Project Office Director	Nicole Tews[3]	Jan 1 to Dec 31, 2016	1,894	171	456	2,521	–

1 No variable remuneration was paid during the year.
2 Other benefits pertain to company car, gasoline, travel benefits and accommodation. Senior executives can swap the right to a company car for cash remuneration in the form of salary.
3 Nicole Tews was also Acting Assets Director for the January 1 to May 14, 2016 period.

Preparation and decision process
In 2017, Green Cargo applied the government's guidelines for employment terms and conditions for senior executives at state-owned companies, which were formally adopted by the AGM on April 25, 2017. The employment terms for the CEO of the Parent Company are decided by the Board. The Board also addresses the structure of the terms and conditions for other members of Group Management (including presidents of subsidiaries), such as pension benefits, conditions on termination of employment and benefits in addition to salary. The CEO decides salary for senior executives in the Group.

Incentive programs
As in the preceding year, no incentive program applied for 2017 and, accordingly, no variable remuneration was paid to the CEO or other senior executives during the year.

Pensions
The retirement age for the Parent Company's CEO and other senior executives is 65 and these individuals are all covered under the ITP plan (Swedish supplementary pension for salaried workers), or another solution at a corresponding cost, whereby the alternative rule applies and, therefore, continued pension obligations do not exist. All pension benefits comply with the government guidelines for remuneration of senior executives.

Severance pay
Between the company and the CEO, a notice period of six months applies if notice is given by the company and a notice period of six months applies if notice is given by the CEO. In case of termination by the company, severance pay amounting to eight months' salary is payable. New income from other employment or own operations can be used to offset pay during the notice period and severance pay. If notice is given by the CEO, no severance pay is payable.

Between the company and other senior executives, a notice period of six months applies if notice is given by the company and a notice period of six months applies if notice is given by the executive. In case of termination by the company, severance pay amounting to six months' salary is payable. New income from other employment or own operations can be used to offset pay during the notice period and severance pay. If notice is given by the senior executive, no severance pay is payable.

NOTE 8 AUDITORS' FEES AND EXPENSES

	Group		Parent Company	
	2017	2016	2017	2016
KPMG				
Audit assignment	1.6	1.6	1.6	1.6
Other services	0.2	0.0	0.2	0.0
Total	**1.8**	**1.6**	**1.8**	**1.6**

NOTE 9 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2017	2016
Group contributions received	24	2
Impairment of shares and participations in Group companies	0	–59
Dividends on shares and participations in Group companies	0	0
Total	**24**	**–57**

NOTE 10 PROFIT/LOSS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	Parent Company	
	2017	2016
Dividends on shares and participations in associated companies	3	2
Impairment of shares and participations in associated companies	–26	0
Total	**–23**	**2**

NOTE 11 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2017	2016	2017	2016
Interest income, other	1	1	1	1
Fair value gains for financial instruments: derivative instruments not used for hedging	0	0	0	0
Total	**1**	**1**	**1**	**1**
Of which, interest income on financial assets not measured at fair value	*0*	*0*	*0*	*0*

NOTE 12 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2017	2016	2017	2016
Fair value losses for financial instruments: derivative instruments not used for hedging	–1	–1	–1	–1
Financial exchange-rate differences	–3	–6	–3	–6
Interest expense, other	–30	–27	–51	–29
Total	**–34**	**–34**	**–55**	**–35**
Of which, interest expense on financial liabilities not measured at fair value	*–18*	*–18*	*–18*	*–18*

NOTE 13 INCOME TAX

Significant subtotals in the tax expense for the year	Group		Parent Company	
	2017	2016	2017	2016
Current tax	–	–	–	–
Deferred tax	–	–109	–	–107
Total	**–**	**–109**	**–**	**–107**

The connection between the tax expense for the year and recognized earnings before tax	Group		Parent Company	
	2017	2016	2017	2016
Profit/loss after financial items	–32	–111	–37	–126
Tax at applicable tax rate (22%)	7	25	8	28
Tax effect of non-deductible expenses/non-taxable income	–12	–15	–12	–15
Tax effect of deficits for which no deferred income tax asset was recognized	5	–10	4	–13
Revaluation of deferred tax assets	0	–109	0	–107
Tax recognized	**0**	**–109**	**0**	**–107**

Tax attributable to components pertaining to other comprehensive income

2017	Before tax	Tax effect	After tax
Hedging of net investments in operations abroad	–5	1	–4
Revaluation of defined-benefit pension plan	–2	1	–1
Cash-flow hedges	4	–1	3
Total	**–3**	**1**	**–2**

2016	Before tax	Tax effect	After tax
Hedging of net investments in operations abroad	–8	2	–6
Revaluation of defined-benefit pension plan	–5	2	–3
Cash-flow hedges	–12	3	–9
Total	**–25**	**7**	**–18**

Tax attributable to components pertaining to other comprehensive income, Parent Companyt

2017	Before tax	Tax effect	After tax
Cash-flow hedges	5	–1	4
Total	**5**	**–1**	**4**

2016	Before tax	Tax effect	After tax
Cash-flow hedges	–12	3	–9
Total	**–12**	**3**	**–9**

NOTE 14 INTANGIBLE ASSETS

	Capitalized development expenditure		Ongoing capitalized development expenditure	
Group	2017	2016	2017	2016
Accumulated cost				
Opening balance	146	146	14	8
New acquisitions	–	–	5	6
Divestments and disposals	–	–	–	–
Reclassifications	–	–	–	–
Closing balance	**146**	**146**	**19**	**14**
Accumulated depreciation				
Opening balance	–131	–125	–	–
Depreciation for the year	–4	–6	–	–
Reclassifications	–	–	–	–
Closing balance	**–135**	**–131**	**–**	**–**
Accumulated impairment				
Opening balance	–5	–5	–	–
Reclassifications	–	–	–	–
Closing balance	**–5**	**–5**	**–**	**–**
Recognized residual value at year-end	**6**	**10**	**19**	**14**

	Balanserade utvecklings-utgifter		Pågående balanserade utvecklings-utgifter	
Parent Company	2017	2016	2017	2016
Accumulated cost				
Opening balance	141	141	14	8
New acquisitions	–	–	5	6
Divestments and disposals	–	–	–	–
Reclassifications	–	–	–	–
Closing balance	**141**	**141**	**19**	**14**
Accumulated depreciation				
Opening balance	–128	–122	–	–
Depreciation for the year	–4	–6	–	–
Reclassifications	–	–	–	–
Closing balance	**–132**	**–128**	**–**	**–**
Accumulated impairment				
Opening balance	–5	–5	–	–
Reclassifications	–	–	–	–
Closing balance	**–5**	**–5**	**–**	**–**
Recognized residual value at year-end	**4**	**8**	**19**	**14**

	Group		Parent Company	
Total development expenditure	2017	2016	2017	2016
Development expenditure that has been expensed	28	43	28	43
Amortization and depreciation	4	6	4	6
Total	**32**	**49**	**32**	**49**

A significant portion of capitalized development expenditure pertains to a project for a traffic-flow planning system as well as SAP and software development for the CRM system. The average remaining amortization period was one year.

NOTE 15 PROPERTY, PLANT AND EQUIPMENT

Group	Land, land improvements and buildings 2017	Land, land improvements and buildings 2016	Leasehold improvements 2017	Leasehold improvements 2016
Accumulated cost				
Opening balance	38	39	63	63
New acquisitions	–	–	–	–
Divestments and disposals	–	–1	–	–
Closing balance	**38**	**38**	**63**	**63**
Accumulated depreciation				
Opening balance	–19	–18	–63	–62
Divestments and disposals	–	1	–	–
Depreciation for the year	–1	–2	–	–1
Closing balance	**–20**	**–19**	**–63**	**–63**
Recognized residual value at year-end	**18**	**19**	**0**	**0**

	Transport equipment 2017	Transport equipment 2016	Leased transport equipment 2017	Leased transport equipment 2016	Equipment 2017	Equipment 2016	Construction in progress 2017	Construction in progress 2016
Accumulated cost								
Opening balance	3,468	3,444	1,978	1,974	157	153	44	38
New acquisitions	15	24	16	4	1	2	47	37
Divestments and disposals	–26	–28	–1	–	–	–1	–	–
Reclassifications	32	28	1	0	7	3	–40	–31
Closing balance	**3,489**	**3,468**	**1,994**	**1,978**	**165**	**157**	**51**	**44**
Accumulated depreciation								
Opening balance	–1,840	–1,696	–616	–566	–134	–124	–	–
Reclassifications	–6	–3	6	3	–	–	–	–
Divestments and disposals	25	24	–	–	–	–	–	–
Depreciation for the year	–164	–165	–54	–53	–8	–10	–	–
Closing balance	**–1,985**	**–1,840**	**–664**	**–616**	**–142**	**–134**	**–**	**–**
Accumulated impairment								
Opening balance	–114	–117	–801	–801	–	–	–	–
Divestments and disposals	0	3	–	–	–	–	–	–
Reclassifications	0	0	0	0	–	–	–	–
Impairment recognized in profit or loss	–	–	0	0	–	–	–	–
Closing balance	**–114**	**–114**	**–801**	**–801**	**0**	**0**	**–**	**–**
Recognized residual value at year-end	**1,390**	**1 514**	**529**	**561**	**23**	**23**	**51**	**44**

Leased transport equipment includes investments financed with own funds. It is not physically possible to separate these investments from transport equipment and, accordingly, these are classified as leased transport equipment. The total carrying amount of self-financed equipment included under leased transport equipment was SEK 46 million (27). Purchases during the year totaled SEK 16 million (4).

Parent Company	Land, land improvements and buildings 2017	Land, land improvements and buildings 2016	Leasehold improvements 2017	Leasehold improvements 2016
Accumulated cost				
Opening balance	3	3	61	61
Closing balance	**3**	**3**	**61**	**61**
Accumulated depreciation				
Opening balance	–1	–1	–61	–60
Depreciation for the year	0	0	0	–1
Closing balance	**–1**	**–1**	**–61**	**–61**
Accumulated impairment				
Opening balance	–1	–1	–	–
Closing balance	**–1**	**–1**	**–**	**–**
Recognized residual value at year-end	**1**	**1**	**0**	**0**

	Transport equipment 2017	Transport equipment 2016	Leased transport equipment 2017	Leased transport equipment 2016	Equipment 2017	Equipment 2016	Construction in progress 2017	Construction in progress 2016
Accumulated impairment								
Opening balance	3,472	3,442	1,979	1,974	148	145	44	38
New acquisitions	15	24	16	5	1	1	47	37
Divestments and disposals	–26	–22	–1	–	–	–1	–	–
Reclassifications	32	28	1	0	7	3	–40	–31
Closing balance	**3,493**	**3,472**	**1,995**	**1,979**	**156**	**148**	**51**	**44**
Accumulated depreciation								
Opening balance	–1,844	–1,698	–617	–566	–126	–118	–	–
Reclassifications	–6	–2	6	2	–	–	–	–
Divestments and disposals	24	21	–	–	–	1	–	–
Depreciation for the year	–164	–165	–54	–53	–8	–9	–	–
Closing balance	**–1,990**	**–1,844**	**–665**	**–617**	**–134**	**–126**	**–**	**–**
Accumulated impairment								
Opening balance	–113	–113	–801	–801	–	–	–	–
Closing balance	**–113**	**–113**	**–801**	**–801**	**–**	**–**	**–**	**–**
Recognized residual value at year-end	**1,390**	**1 515**	**529**	**561**	**22**	**22**	**51**	**44**

Leased transport equipment includes investments financed with own funds. It is not physically possible to separate these investments from transport equipment and, accordingly, these are classified as leased transport equipment. The total carrying amount of self-financed equipment included under leased transport equipment was SEK 46 million (27). Purchases during the year totaled SEK 16 million (4).

NOTE 16 DISCLOSURES REGARDING FINANCIAL LEASES

Liabilities pertaining to financial leases relate to future leasing fees attributable to contracts under financial leases. Obligations under financial leases fall due as follows:

	Group						Parent Company					
	2017			2016			2017			2016		
	Amortization	Interest	Total payment due	Amortization	Interest	Total payment due	Amortization	Interest	Total payment due	Amortization	Interest	Total payment due
Within one year	109	4	113	139	4	142	109	4	113	139	4	142
Between one year and five years	271	36	307	533	20	553	271	36	307	533	20	553
Longer than five years	272	11	284	53	1	54	272	11	284	53	1	54
Total	**652**	**52**	**703**	**724**	**25**	**749**	**652**	**52**	**703**	**724**	**25**	**749**

Allocation of the liability by currency (translated into SEK million), Group and Parent Company		Average interest rate over the year, %
EUR	105	0.14
SEK	548	0.55
Total	**652**	**0.51**

The debt-amortization portion of leasing fees that fall due within one year is recognized as a current liability. The items financed are locomotives and freight wagons. The agreements are subject to a floating base interest rate and have residual values that correspond with their estimated salvage values.

NOTE 17 PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

Participations in Group companies, Parent Company	Corp. Reg. No.	No. of shares	Share in %[1]	Carrying amount
Green Cargo Fastigheter AB, Stockholm	556167-6197	4,200	100.0	0
Green Cargo Händelö AB	556888-8696	500	100.0	–
Green Cargo Norge AS	916783434	3,600,000	100.0	3
Green Cargo Togdrift AS	815794532	30,000	100.0	–
Green Cargo Terminaltjenster AS	915692478	60,000	100.0	–
Loco & Wagon AB	556875-8865	50,000	100.0	0
Nordisk Transport Rail AB, Trelleborg	556336-9270	100,000	100.0	42
Nordisk Transport Rail GmbH, Berlin, DE	HRB 89700 B	–	100.0	–
TGOJ Trafik AB, Eskilstuna	556157-6587	5,000	100.0	10
Total				**55**

1 Pertains to participating interest in capital, which also corresponds to the number of votes for the total number of shares.

Participations in associated companies, Parent Company and Group	Corp. Reg. No.	Number of shares in %[1]	Value of participating interest in the Group	Carrying amount at Parent Company
Held directly				
DB Schenker Rail Scandinavia A/S	DK CVR 26092485	49	0	275
SeaRail OY, FI	FO 0206390-2	50	1	15
Total			**1**	**290**

1 Pertains to participating interest in capital, which also corresponds to the number of votes for the total number of shares.

Participations in associated companies, Group	2017	2016
Opening balance	340	340
Impairment	–73	–
Reclassification	–274	–
Dividends received	–3	–2
Share of profit	3	–1
Exchange-rate differences	8	3
Closing balance	**1**	**340**

The holding in the joint venture, DB Cargo Scandinavia, is reported as held-for-sale, in accordance with the decision by the management and Board. Price levels in that company are not competitive and prevent Green Cargo from developing favorable customer solutions between Scandinavia and the rest of Europe. Divestment is expected to take place in 2018. At December 31, 2017, the assets amounted to SEK 274 million.

An impairment of SEK 73 million was recognized when valuing the holding at fair value and was recognized under the item, Loss from discontinued operations, net after tax in profit or loss. See Note 31.

Summary of financial information pertaining to significant associated companies, total amounts by company:

2017	Country of domicile	Assets	Of which, current assets	Of which, non-current assets	Liabilities	Of which, current liabilities	Revenue	Earnings	Partici-pating inte-rest, %
DB Schenker Rail Scandinavia A/S	Denmark	883[1]	322[1]	561[1]	455[1]	455[1]	783[1]	2[1]	49
SeaRail OY	Finland	15[1]	11[1]	4[1]	2[1]	2[1]	21[1]	6[1]	50

1 Pertains to the December 2016 to November 2017 period due to different reporting dates.

2016	Country of domicile	Assets	Of which, current assets	Of which, non-current assets	Liabilities	Of which, current liabilities	Revenue	Earnings	Partici-pating inte-rest, %
DB Schenker Rail Scandinavia A/S	Denmark	908[1]	306[1]	602[1]	500[1]	500[1]	617[1]	–9[1]	49
SeaRail OY	Finland	14[1]	11[1]	3[1]	3[1]	3[1]	20[1]	6[1]	50

1 Pertains to the December 2015 to November 2016 period due to different reporting dates.

NOTE 18 DEFERRED INCOME TAX

Deferred tax assets and tax liabilities are offset when a legal right exists to offset current tax assets and tax liabilities and when deferred income taxes pertain to the same tax authority.

Specification of temporary differences	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Leasing	–143	–194	–143	–194
Property, plant and equipment[1]	–360	–	–360	–
Loss carryforwards[2]	633	249	633	260
Other	–21	54	–39	43
Total temporary differences	**109**	**109**	**109**	**109**

Specification of deferred tax on temporary differences	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Leasing	–31	–43	–31	–43
Property, plant and equipment (declining balance method)	–109	–	–109	–
Loss carryforwards[1]	169	55	173	57
Other	–5	12	–9	10
Total deferred tax assets	**24**	**24**	**24**	**24**

1 Temporary differences in property, plant and equipment due to the transition to the declining balance method.
2 The total accumulated tax loss carryforwards amounted to SEK 1,292 million.

Deferred tax liabilities recognized in profit or loss:	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Leasing	0	–57	0	–57
Loss carryforwards	0	–52	0	–50
Total	**0**	**–109**	**0**	**–107**

Deferred tax liabilities recognized in other comprehensive income:	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Other	0	5	–1	3
Total	**0**	**5**	**–1**	**3**

NOTE 19 INVENTORIES

Carrying amount	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Diesel inventory	1	1	1	1
Spare parts inventory	18	16	18	16
Total carrying amount	**19**	**17**	**19**	**17**

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Prepaid rent and similar items	13	17	13	17
Other prepaid expenses	69	10	69	10
Accrued freight revenue	33	43	33	43
Other accrued revenue	12	8	16	24
Total	**127**	**78**	**131**	**94**

NOTE 21 PROVISIONS

Group	Restructuring measures	Other provisions	Totalt
Opening balance	5	18	**23**
Provisions made during the year	14	0	**14**
Provisions utilized during the year	–13	–9	**–22**
Closing balance	**6**	**9**	**15**
of which current portion	6	9	**15**

Parent Company	Restructuring measures	Other provisions	Totalt
Opening balance	5	18	**23**
Provisions made during the year	15	0	**15**
Provisions utilized during the year	–14	–9	**–23**
Closing balance	**6**	**9**	**15**
of which current portion	6	9	**15**

Other provisions relate to onerous contracts.

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Employee-related expenses	148	148	148	148
Infrastructure charges	22	24	22	24
Interest expense	5	7	5	7
Freight costs	86	118	76	99
Other accrued expenses	156	117	143	117
Other deferred income	49	35	49	35
Total	**466**	**449**	**443**	**430**

NOTE 23 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2017	**2016**	**2017**	**2016**
Pledged assets				
Other pledged assets	–	–	–	–
Total pledged assets	**–**	**–**	**–**	**–**
Contingent liabilities				
Other contingent liabilities on behalf of subsidiaries	–	7	–	7
Other contingent liabilities on behalf of associated companies	133	143	133	143
Other contingent liabilities	0	1	0	1
Total contingent liabilities	**133**	**151**	**133**	**151**

Contingent liabilities pertain primarily to guarantees issued. Pledged assets and contingent liabilities have decreased over the year, primarily due to amortization. The Parent Company has also acted as guarantor for Green Cargo Norge AS.

NOTE 24 SEPARATE DISCLOSURES PERTAINING TO EQUITY

Management of capital

Capital is defined as equity and borrowed capital. The Group's target for management of capital is to ensure the Group's continued existence and scope for maneuver as well as to ensure the owner continues to receive a return on its invested funds. The division between equity and borrowed capital should be sufficient to secure a healthy balance between risk and return. The capital structure is adapted if necessary to changed financial conditions and other external factors. The Group may distribute funds, increase its equity by issuing new shares or through capital injections, or alternatively decrease or increase liabilities to maintain and adapt its capital structure. The Group's liabilities and equity are detailed in the balance sheet. The various components of equity are detailed in the Statement of changes in equity, and this note contains a specification of the various components included in reserves. The owner's financial targets for the Green Cargo Group comprise a requirement that the net debt/equity ratio should be a minimum of 0.6 and a maximum of 0.9. The return on operating capital should amount to not less than 10 percent measured over a business cycle.

GROUP

Other capital contributions

Refers to equity that has been provided by the owners. This includes the premium from the new issue of shares of SEK 100 million and shareholders' contributions received of SEK 947 million. SEK 347 million of shareholders' contributions are subject to conditions.

Reserves

Hedging reserve

The hedging reserve includes the effective portion of the accumulated net change in fair value of a cash-flow hedging instrument attributable to transactions that have not yet occurred.

Translation reserve

The translation reserve includes all exchange-rate differences arising on the translation of the financial statements from foreign operations that have prepared their financial statements in a different currency to the currency in which the consolidated financial statements are presented. The Parent Company and the Group present their financial statements in Swedish kronor (SEK).

Retained earnings and net profit for the year

Profits earned in the Parent Company and its subsidiaries and associated companies are included in retained earnings, including net profit for the year.

PARENT COMPANY

Share capital

The total number of shares was 2,000,000 and the quotient value is SEK 100 per share. All shares are fully paid up. No shares are held by the company or its subsidiaries.

Restricted and non-restricted equity

Restricted equity may not be reduced through the distribution of profits. Restricted equity comprises share capital of SEK 200 million, a statutory reserve of SEK 100 million and a reserve for development expenditure of SEK 9 million. Non-restricted equity comprises the fair-value reserve, retained earnings and net profit for the year.

Specification of the fair-value reserve	2017	2016
Opening balance	**–32**	**–23**
Cash-flow hedges, currency futures:		
Recognized in statement of comprehensive income	4	–12
Deferred tax	–1	3
Closing balance	**–30**	**–32**

Specification of reserves	2017 Hedging reserve	2017 Translations reserve	2017 Revaluation reserve	2016 Hedging reserve	2016 Translations reserve	2016 Revaluation reserve
Opening balance	**–32**	**–11**	**–5**	**–23**	**–8**	**–2**
Items that may be subsequently reclassified to profit or loss						
Opening balance, reclassification						
Cash-flow hedges, currency futures:						
Recognized in statement of comprehensive income	4			–12		
Deferred tax	–1			3		
Hedging of net investments in operations abroad:						
Recognized in statement of comprehensive income		–5			–8	
Deferred tax		1			2	
Exchange-rate differences:						
Associated companies/subsidiaries		11			3	
Items that will not be reclassified to profit or loss						
Remeasurements of post-employment benefit obligations			–1			–5
Deferred tax			0			2
Closing balance	**–30**	**–4**	**–6**	**–32**	**–11**	**–5**

NOTE 25 CASH-FLOW STATEMENTS, SUPPLEMENTARY DISCLOSURES

Interest paid and received	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Interest received	0	1	0	1
Interest paid	–1	–27	–23	–27
Adjustments for non-cash items, etc				
Depreciation/amortization and impairment of assets	306	237	255	278
Capital gain on sale of non-current asset	–4	–2	–4	–3
Exchange-rate differences in cash and cash equivalents	–	–2	–	–
Group contributions received, unpaid	–	–	24	–
Non-cash transaction costs	–	–2	0	–
Provisions	17	–16	17	–17
Other	3	8	2	3
Total	**322**	**223**	**294**	**261**

	Carrying amount in balance sheet	As per Cash-flow statement (above)	As per quarterly cash-flow statement from accounting: Non-cash items		Reconciled against balance sheet
Group	Closing balance 2016	Cash flows	Revalu-ation	Reclassi-fication	Closing balance 2017
Liabilities to credit institutions	997	–160		14	851
Leasing liabilities	724	–75	3		652
Fixed-income derivatives	46			–14	32
Parent Company					
Liabilities to credit institutions	992	–160	–4	14	842
Leasing liabilities	724	–75	3		652
Fixed-income derivatives	46			–14	32
Other adjustments			4		4

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Cash and cash equivalents includes the following sub-components				
Cash and bank balances	142	237	123	185

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Cash flow from discontinued operations	–	–	–	–

NOTE 26 OVERDRAFT FACILITY

	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Credit limit granted	75	75	75	75
Unutilized portion	75	75	75	75
Credit utilized	**–**	**–**	**–**	**–**

Green Cargo also has a total unutilized revolving credit facility of SEK 500 million.

NOTE 27 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Financial risk management

Green Cargo is exposed to various financial risks as part of its operations. The most significant financial risks are liquidity, refinancing, currency, interest-rate, counterparty and customer credit risks. The management of all of these risks is governed by the financial policy established by the Board and the company's credit policy.

Liquidity and refinancing risk

Liquidity risk is the risk of being unable to discharge payment commitments as a consequence of having insufficient cash funds available, or that financial holdings cannot be realized at their estimated value. Accordingly, Green Cargo maintains a minimum level of liquidity corresponding to 4 percent of the Group's annual sales, which comprises bank balances and unutilized, committed credit facilities.

Refinancing risk is the risk that Green Cargo is unable to obtain financing or that financing can only be secured at a considerably increased cost. The maturity of the Group's loans should also be allocated so that the loans mature evenly or are adapted to coincide with expected inflows. Not more than 30 percent of the credit facilities are permitted to mature in the next 12 months.

Maturity structure for borrowings, Group:

Liabilities on Dec 31, 2017	Carrying amount	Contracted cash flows (of which interest)[1]	6 months or less (of which interest)	6–12 months (of which interest)	1–2 years (of which interest)	2–5 years (of which interest)	More than 5 years (of which interest)
Liabilities to credit institutions (excl. leasing)	851	870	241	318	312	0	0
		(19)	(2)	(3)	(14)	–	–
Leasing liabilities	652	703	81	31	88	219	284
		(52)	(2)	(2)	(6)	(30)	(11)
Fixed-income derivatives	32	32	6	6	9	9	1
		(32)	(6)	(6)	(9)	(9)	(1)
Liabilities on Dec 31, 2016							
Liabilities to credit institutions (excl. leasing)	997	1,007	445	21	540	1	0
		(10)	(2)	(2)	(5)	(1)	–
Leasing liabilities	724	749	38	103	112	441	54
		(25)	(2)	(2)	(5)	(14)	(1)
Fixed-income derivatives	46	46	7	7	13	17	2
		(46)	(7)	(7)	(13)	(17)	(2)

Maturity structure for borrowings, Parent Company:

Liabilities on Dec 31, 2017	Carrying amount	Contracted cash flows (of which interest)[1]	6 months or less (of which interest)	6–12 months (of which interest)	1–2 years (of which interest)	2–5 years (of which interest)	More than 5 years (of which interest)
Liabilities to credit institutions (excl. leasing)	841	860	231	318	312	0	0
		(19)	(2)	(3)	(14)	–	–
Leasing liabilities	652	703	81	31	88	219	284
		(52)	(2)	(2)	(6)	(30)	(11)
Liabilities to Group companies[2]	39	39	39	–	–	–	–
		(0)	(0)	(0)	(0)	(0)	(0)
Fixed-income derivatives	32	32	6	6	9	9	1
		(32)	(6)	(6)	(9)	(9)	(1)
Liabilities on Dec 31, 2016							
Liabilities to credit institutions (excl. leasing)	992	1,002	445	21	536	1	0
		(10)	(2)	(2)	(5)	(1)	–
Leasing liabilities	724	749	38	103	112	441	54
		(25)	(2)	(2)	(5)	(14)	(1)
Liabilities to Group companies[2]	16	16	16	–	–	–	–
		(0)	(0)	(0)	(0)	(0)	(0)
Fixed-income derivatives	46	46	7	7	13	17	2
		(46)	(7)	(7)	(13)	(17)	(2)

1 Contracted future cash flows include estimated interest payments and other expenses. Undiscounted amounts.

2 Includes Group accounts and borrowings.

Currency risk

Currency risk is the risk that changes in exchange rates negatively impact cash flow. Changes in exchange rates also affect the income statement and balance sheet when revenue and costs, as well as assets and liabilities. are translated from foreign currencies to Swedish kronor.

Green Cargo is exposed to various financial risks as part of its operations. The foremost exposure pertains to the Group's sales and purchases in foreign currencies. These currency risks comprise, on the one hand, the risk of fluctuations in the value of financial instruments, accounts receivable and accounts payable, and, on the other hand, currency risks in expected and contracted payment flows. These risks are known as transaction exposure. The Group is also exposed to currency risks pertaining to payment flows and revaluations of assets and liabilities in foreign currency (financial exposure). The Group's net profit for the year included exchange-rate differences of SEK 4 million (6) in operating profit and of negative SEK 5 million (neg: 6) in net financial items.

The risk that changes in exchange rates will impact earnings and profitability is managed by hedging forecast revenue and costs in foreign currencies through selling currency forwards, and to a lesser extent through currency options. The target for hedging is that 60 percent of net exposure should be hedged. In 2017, 78 percent of transaction exposure was hedged through currency derivatives. Hedge accounting is applied in the financial statements when the requirements for hedge accounting are met, see Note 2 Summary of significant accounting policies.

Green Cargo classifies its forward contracts used for hedging forecast transactions as cash-flow hedges. Green Cargo's foreign currency contracts are primarily in EUR. The fair value of forward contracts used to hedge forecast flows totaled a net amount of negative SEK 7 million (positive: 3) at December 31, 2017. Of this amount, SEK 7 million (0) is recognized in the balance sheet as liabilities and SEK 0 million (3) as assets. In 2017, a negative amount of SEK 3 million (neg: 6) was transferred from the hedging reserve via other comprehensive income to net profit for the year as part of sales.

The impact of currency derivatives on operating profit totaled negative SEK 3 million (neg: 7). The value of outstanding contracts, not taken up as revenue, is detailed in the following table.

Hedging of currency flows at Dec 31, 2017		EUR/SEK Volume[1]	Rate[2]
First quarter	2017	19	9.76
Second quarter	2017	19	9.72
Third quarter	2017	16	9.75
Fourth quarter	2017	18	9.75
Total		**71**	**9.75**
Closing-date rate	Dec 31, 2017		9.85
Unrealized gains/losses (SEK million) recognized in the hedging reserve[3]	Dec 31, 2017		–7.4

Hedging of currency flows at Dec 31, 2016		EUR/SEK Volume[1]	Rate[2]
First quarter	2016	18	9.59
Second quarter	2016	18	9.60
Third quarter	2016	15	9.63
Fourth quarter	2016	18	9.61
Total		**67**	**9.61**
Closing-date rate	Dec 31, 2016		9.57
Unrealized gains/losses (SEK million) recognized in the hedging reserve[3]	Dec 31, 2016		2.6

1 The volume is expressed in EUR million.

2 The exchange rate comprises the spot exchange rate.

3 Fair value, excluding deferred tax, recognized in reserves in equity on cash-flow hedges where hedge accounting is applied.

As part of managing translation risks pertaining to net investments abroad, Green Cargo has taken up loans in foreign currencies amounting to EUR 19 million to hedge the associated company DB Schenker Rail Scandinavia A/S. The effectiveness of this currency hedge is continuously measured. The carrying amount for the loan was SEK 187 million at December 31, 2017. During the period, a currency loss of SEK 5 million (loss: 8) was recognized in other comprehensive income and accumulated in a separate component of equity in consolidated other comprehensive income (the translation reserve) in conjunction with translation of the loan to SEK.

Sensitivity analysis for changes in exchange rates, Group and Parent Company

Dec 31, 2017	Change	Impact on earnings	Impact on equity
EUR/SEK	+/– 2.5%	+/– 0 MSEK	+/– 18 MSEK

Dec 31, 2016	Change	Impact on earnings	Impact on equity
EUR/SEK	+/– 2.5%	+/– 3 MSEK	+/– 16 MSEK

The sensitivity analysis is based on all other factors (for example, interest rates) remaining unchanged.

Interest-rate risk

The risk that changes in market interest rates negatively influence cash flow or the fair value of financial assets and liabilities comprises an interest-rate risk. A major portion of Green Cargo's interest-bearing liabilities pertains to lease-financed investments subject to floating interest rates. Interest-bearing assets primarily comprise cash funds and current and non-current investments. Fixed-income derivatives in the form of interest-rate swaps are mainly used for managing interest-rate risk pertaining to liabilities. Interest-rate risk is measured each week and the fixed-interest term for the liabilities is permitted to vary between 12 and 36 months.

At December 31, 2017, the Group had 11 (ten) open fixed-income derivatives, whereby floating interest rates were swapped for fixed interest rates, with maturities of between 11 months (nine) and ten years (eight). Nominal amounts and interest rates for these are as follows:

SEK	Nominal amount (SEK million)	Fixed interest rate	Floating interest rate
2017	850	–1.75	–0.59
2016	710	–2.09	–0.60

The net fair value of fixed-income derivatives was a negative amount of SEK 32 million (neg: 46) at December 31, 2017 and comprised liabilities of SEK 32 million (46).

Sensitivity analysis of interest-rate risk, Group and Parent Company

The interest-rate risk for the debt portfolio is -/+ SEK 5 million (–/+ SEK 8 million), including interest-rate swaps, measured as the change in annual interest expense with a +/– 1 percent change in interest rates.

The interest-rate risk for cash balances is +/– SEK 1 million (+/– SEK 2 million), measured as the change in annual interest income with a +/– 1 percent change in interest rates.

Credit risk

Credit risk, comprising customer credit risk and counterparty risk, is the risk that the counterparty in a transaction is unable to discharge its contracted financial obligations and that any collateral provided does not cover the company's claim.

Customer credit risk

Credit granted in conjunction with new agreements and contract extensions can be decided by contracts administration within a preset framework. Other credit granting decisions are taken centrally by Treasury or by the company's credit committee.

Age distribution of accounts receivable:

Group	2017		2016	
	Gross	Provision	Gross	Provision
Not yet due	385	0	386	0
< 30 days	28	0	27	0
30–90 days	6	0	7	0
91–180 days	6	1	4	0
> 180 days	7	7	11	11
Total	**432**	**8**	**435**	**11**

Parent Company	2017		2016	
	Gross	Provision	Gross	Provision
Not yet due	313	0	322	0
< 30 days	23	0	19	0
30–90 days	5	0	5	0
91–180 days	5	1	3	0
> 180 days	5	5	11	11
Total	**351**	**6**	**360**	**11**

Provision for doubtful accounts receivable:

	Group		Parent Company	
	2017	2016	2017	2016
Opening balance, provisions	11	6	11	6
Provision for probable losses	8	10	6	10
Reversal of previous provisions	–11	–5	–11	–5
Realized losses	0	0	0	0
Closing balance, provisions	**8**	**11**	**6**	**11**
Expense for the year for doubtful receivables	1	1	1	1

Counterparty risk

Credit risk related to financial counterparties arises in the management of liquidity. These counterparty risks are regulated in the financial policy and investments are only permitted in instruments issued by counterparties with high credit ratings, together with clear limits per counterparty and for the risk class that applies for the counterparty. At the end of the year, the company had no holdings of financial investments.

Carrying amounts and fair value of financial instruments

Group, 2017	Assets/ liabilities measured at FVTPL[1] *Fair value*	Derivatives used in hedge accounting *Fair value*	Loans and accounts receivable *Amortized*	Held-to-maturity investments *Amortized*	Other liabilities *Amortized cost*	Total carrying amount	Fair amount
Financial assets							
Accounts receivable	–	–	424	–	–	**424**	**424**
Receivables from associated companies	–	–	1	–	–	**1**	**1**
Derivative instruments[3]	–	–	–	–	–	**0**	**0**
Cash and bank balances	–	–	142	–	–	**142**	**142**
Total	**0**	**0**	**567**	**–**	**–**	**567**	**567**
Financial liabilities							
Leasing liabilities	–	–	–	–	652	**652**	**652**
Accounts payable (external)	–	–	–	–	231	**231**	**231**
Derivative instruments	1	39	–	–	–	**40**	**40**
Liabilities to credit institutions	–	–	–	–	842[2]	**842**	**842**
Total	**1**	**39**	**–**	**–**	**1,725**	**1,765**	**1,765**

1 Assets and liabilities measured at FVTPL pertain to those classified as held for trading under IAS 39.
2 Of this amount, SEK 187 million pertains to loans in foreign currencies regarding the hedging of net investments abroad.
3 The fair value of fixed-interest and currency derivatives has been calculated as the costs/revenue that would have arisen if the contracts had been terminated on the closing date.

Group and Parent Company 2017	Level 1[1]	Level 2[2]	Level 3[3]	Total carrying amount
Financial assets				
Financial assets measured at FVTPL:				
– Cash and bank balances	–	–	–	–
– Derivative instruments	–	–	–	–
– Derivative instruments used for hedging	–	–	–	–
Total	**–**	**0**	**–**	**0**
Financial liabilities				
Financial liabilities measured at FVTPL:				
– Derivative instruments	–	1	–	1
– Derivative instruments used for hedging	–	39	–	39
Total	**–**	**40**	**–**	**40**

1 According to prices listed in an active market for the same instrument.
2 Based on directly or indirectly observable market data not included in Level 1.
3 Based on inputs not observable in the market.

Hedge accounting

At the end of 2017, hedge accounting was applied in accordance with IAS 39 as follows:

- Cash-flow hedges of currency derivatives were used to hedge future payments in foreign currencies.
- Cash-flow hedges of fixed-income derivatives were used to hedge future interest payments on loans with floating interest rates.
- Hedge accounting of net investments abroad. Green Cargo has foreign currency loans of EUR 19 million, which were taken in conjunction with the acquisition of the associated company DB Schenker Rail Scandinavia A/S to meet value changes in equity in DB Schenker Rail Scandinavia A/S.

For information about the amounts recognized in equity and the amounts removed from equity and recognized in profit or loss, see Note 24 Separate disclosures pertaining to equity. No ineffectiveness applies to cash-flow hedges. For more exhaustive information about the recognition of hedging instruments and hedged items, refer to Note 2 Summary of significant accounting policies.

Gains/losses on financial instruments recognized in profit or loss

The table below shows the following items that have been recognized in profit or loss:

- Gains and losses from exchange-rate differences that impacted earnings, including gains and losses attributable to hedge accounting of cash flows.
- Gains and losses pertaining to financial exchange-rate differences.
- Fair value earnings for financial assets/liabilities measured at FVTPL.

Net gains/losses:	Group 2017	Group 2016	Parent Company 2017	Parent Company 2016
Of which financial instruments categorized as:				
Assets/liabilities	–1	0	–1	–2
Hedge accounting	–3	–6	–3	–6
Loans and accounts receivable	7	11	7	11
Other liabilities	–3	–6	–3	–6

NOTE 28 PENSIONS

General description of pension plans

FPrior to the incorporation of Statens Järnvägar (the Swedish State Railways) at the end of 2000, the State was responsible for vested and unpaid pension rights to Parent Company employees who were employed by the state-owned public utility Statens Järnvägar. These employees are covered by the government pension plans PA 91 or PA 16, which are administered by the National Government Employee Pensions Board (SPV). PA 91 is a defined-benefit plan and PA 16 is both a defined-benefit and defined-contribution plan. Under these plans, a number of employees are entitled to retire at 60 or 63, known as forfeitable pension rights. The employees have been given the option of remaining in these plans. Since the defined-benefit portion of PA 16 is assessed as insignificant for the Group, it has been classified in its entirety as a defined-contribution plan. All new employees are covered by the ITP occupational pension plan, which normally applies a retirement age of 65. The commitments for retirement pensions and family pensions for salaried employees are secured within the ITP framework through insurance with Alecta (a Swedish occupational pensions company). According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer, defined-benefit plan. For the 2017 fiscal year, the company did not have access to information to enable it to recognize this plan as a defined-benefit plan. Accordingly, ITP pension plans that are secured through an insurance in Alecta are recognized as defined-contribution plans. The year's charges for pension insurances taken up with Alecta amounted to SEK 39 million (41). Alecta's surplus may be distributed to the policy holders and/or the insured parties. At the end of 2017, Alecta's surplus in the form of its collective consolidation level was set at 154 percent (149). The collective consolidation level is determined as the market value of Alecta's assets as a percentage of insurance commitments calculated in line with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. Those born in 1979 and later are covered by a defined-contribution ITP plan. The Group's share of the total contributions to the plan and the Group's share of the total number of active members in the plan amounts to 0.17 per cent and 0.18 percent respectively (2016: 0.18 and 0.19 respectively). Forfeitable pensions also exist at Green Cargo AB. These were taken over from the subsidiary TGOJ Trafik AB as of January 2011. The obligation and costs for these pensions are recognized in the Group in accordance with IAS 19. .

Defined-benefit pension plans

Group	2017	2016
Present value of wholly or partly funded obligations	73	68
Fair value of plan assets	−65	−62
Deficit/(Surplus) in funded plans	8	6
Present value of unfunded obligations	11	9
Total deficit of defined-benefit pension plans	19	15
Balance-sheet liability including special payroll tax	**19**	**15**

Overview of defined-benefit pension plans

The securing of defined-benefit pensions presented in the balance sheet consists of the ITP-S plan, PA 91 and forfeitable early-retirement pensions. The ITP-S plan is similar to the ITP plan and, for Green Cargo AB, is secured through insurance with an insurance company. The PA 91 plan comprises primarily retirement pensions, disability pensions and survivor's pensions. Securing retirement pensions in PA 91 is carried out through provisions in the balance sheet.

The change in the defined-benefit obligation over the year was as follows:

Group	Present value of the obligation	Present value of unfunded obligations	Total
Per 1 januari 2017	**78**	**−62**	**16**

Plan assets are comprised as follows:	Listed	Unlisted	Total
Equity instruments/shares	18	6	24
Interest-bearing securities	25	–	25
Property	8	–	8
Other (Business-strategic assets, raw materials, infrastructure, loan portfolio, other debt investments)	8	–	8
Total	**59**	**6**	**65**

Pension cost recognized in profit for the year

Group	2017	2016
Service costs during the current period	3	2
Interest expense	0	0
Pension costs including special payroll tax	**3**	**2**

The Group estimates that SEK 3 million will be paid in 2018 to funded (and unfunded) defined-benefit plans (recognized as defined-benefit plans) and that SEK 84 million will be paid in 2018 to defined-benefit plans (recognized as defined-contribution plans).

Assumptions pertaining to defined-benefit obligations

Key actuarial assumptions as of the closing date.

Group	2017	2016
Discount rate at December 31	2.40%	2.40%
Expected rate of salary increase	2.60%	2.50%
Change in income base amount	2.90%	2.50%
Inflation	1.90%	1.50%
Employee turnover	3.50%	3.50%
Utilization rate of forfeitable pensions	100.00%	60.00%
Life expectancy	DUS14 w-c	DUS14 w-c

Basis of assumptions

Under IAS 19, the discount rate is established based on market returns on corporate bonds at the closing date. The maturity period of the obligation is 15 years. The expected pace of salary increases and changes in the income base amount are expected to track each other. This assumption builds on a rate of increase that is reasonable in relation to other parameters, primarily inflation and the expected labor market trend. The Riksbank's, Sweden's central bank, long-term targets for inflation have been applied. Employee turnover and the utilization rate of forfeitable pensions have been determined based on historical experience.

Defined-benefit pensions recognized in accordance with RFR 2

Net liability in the balance sheet

Parent Company	2017	2016
Present value of wholly or partly funded pension plans (-)	8	5
Present value of unfunded pension plans (-)	2	4
Net amount recognized pertaining to pension obligations	**10**	**9**

Change in net liability

Parent Company	2017	2016
Net liability at beginning of year pertaining to pension obligations	10	12
Cost of the company's own pensions recognized in profit or loss, excl. taxes (+)	3	–1
Pension payments (-)	–3	–2
Net liability at year-end	**10**	**9**

Net liability	2017	2016
Non-forfeitable pension liability	8	5
Forfeitable pension liability	2	4
	10	**9**
Of which insured through PRI	10	9

Of the net liability SEK 10 million is covered by the Pension Obligations Vesting Act.

Pension costs

Parent Company	2017	2016
The company's own pensions		
Service cost of pensions, etc.	2	2
Cost of the company's own pensions excl. taxes	**2**	**2**
Pensions through insurance		
Insurance premiums or equivalents (+)	82	80
Pension cost for year excl. taxes	**82**	**80**
Recognized net cost attributable to pensions excl. taxes	84	82

Of the net recognized cost SEK 84 million (82) was in operations and SEK 0 million (0) in net financial items.

Group	2017	2016
The company's own pensions		
Service cost of pensions, etc.	2	2
Cost of the company's own pensions excl. taxes	**0**	**0**
Pensions through insurance		
Insurance premiums or equivalents (+)	85	81
Pension cost for year excl. taxes	**85**	**81**
Recognized net cost attributable to pensions excl. taxes	87	83

Of the net recognized cost SEK 87 million (83) was in operations and SEK 0 million (0) in net financial items.

NOTE 29 APPROPRIATION OF PROFITS

Appropriation of profits

The following funds are at the disposal of the AGM (SEK):

Profit brought forward	552,161,422
Fair-value reserve	–29,784,978
Loss for the year	–37,043,827
Total	**485,332,617**

The Board of Directors and the President propose that profits be distributed as follows:

To be carried forward[1]	485,332,617
Total	**485,332,617**

1 Of which a negative amount of SEK 29,784,978 is to be transferred to the fair-value reserve..

NOTE 30 EVENTS AFTER THE CLOSING DATE

GGreen Cargo has formally terminated the joint venture agreement pertaining to DB Cargo Scandinavia. Price levels in that company are not competitive and prevent Green Cargo from developing favorable customer solutions between Scandinavia and the rest of Europe.

For more than ten years, Green Cargo has reported a decreasing trend for accidents and since 2002 the number of accidents has halved. This trend was dealt a painful blow on January 3, 2018 when an employee was seriously injured in a shunting accident and passed away a few days later. The reason for the accident is still under investigation.

NOTE 31 ASSETS HELD–FOR–SALE AND DISCONTINUED OPERATIONS

The holding in the joint venture, DB Cargo Scandinavia, is reported as held-for-sale, in accordance with the decision by the management and Board. Price levels in that company are not competitive and prevent Green Cargo from developing favorable customer solutions between Scandinavia and the rest of Europe. Divestment is expected to take place in 2018. At December 31, 2017, the assets amounted to SEK 274 million.

An impairment of SEK 73 million was recognized when valuing the holding at fair value and was recognized under the item, Loss from discontinued operations, net after tax in profit or loss.

Assets classified as held-for-sale

Group	2017
Current assets	274
	274

Liabilities attributable to assets held-for-sale

Group	2017
Current liabilities	187
	187

Earnings from discontinued operations, net after tax

Group	2017	2016
Share in associated companies	–73	–5
	–73	**–5**

Measurement at fair value

Fair values for assets held-for-sale amounted to SEK 274 million and was calculated from input data and valuations.

Signatures

The consolidated financial statements and annual report have been prepared in accordance with international accounting standards as adopted by the European Parliament and Council Regulation (EC) No 1606/2002 of July 19, 2002 in respect of the application of international accounting standards and generally accepted accounting principles, and provide a fair and accurate overview of the Group's and the Parent Company's financial positions and results.

The Administration Report provides a fair and accurate overview of the Group's and the Parent Company's operations, position and results, and describes material risks and uncertainties faced by the Parent Company and the companies included in the Group.

Solna, March 19, 2018

Lennart Pihl
Chairman of the Board

Tryggve Sthen
Board member

Margareta Alestig Johnson
Board member

Ann-Christine Hvittfeldt
Board member

Ingvar Nilsson
Board member

Erik Tranaeus
Board member

Anna Elgh
Board member

Jonas Blomqvist
Employee representative

Donny Sjöberg
Employee representative

Jan Kilström
President and CEO

Our auditors' report was submitted on March 19, 2018

KPMG AB

Jenny Jansson
Authorized Public Accountant

Thank you for your interest in Green Cargo's Annual Report.

For more information please see: www.greencargo.com

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Text: Green Cargo. Production: Green Cargo and Sjö&Berg. Translation: The Bugli Company. Photographers: Pär-Johan Wedell, Peter Lydén, Kasper Dudzik and Apelöga.

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