

green cargo

ANNUAL REPORT INCLUDING
SUSTAINABILITY REPORT **2018**





Five-year overview

PROFIT/LOSS ITEMS	2018	2017	2016	2015	2014
Net sales	4,208	4,337	4,208	3,907	4,154
Earnings	-122	1	-78	15	-121
Earnings adjusted for items affecting comparability ¹	-122	8	-36	-40	-84
Operating margin	-2.9%	0.0%	-2.0%	0.6%	-3.0%
Operating margin adjusted for items affecting comparability ¹	-2.9%	0.2%	-0.9%	-1.0%	-2.0%
Net financial items	-33	-33	-33	-30	-50
Loss after financial items	-155	-32	-111	-5	-175
Profit/loss after discontinued operations	-11	-73	-5	-10	4
Net loss for the year	-179	-105	-225	-27	-188
	Dec 31,	Dec 31,	Dec 31,	Dec 31,	Dec 31,
	2018	2017	2016	2015	2014
BALANCE-SHEET ITEMS					
TOTAL ASSETS	2,679	3,067	3,320	3,413	4,174
Equity	596	755	851	1,092	1,096
Total external liabilities	2,083	2,312	2,469	2,321	3,078
TOTAL EQUITY AND LIABILITIES	2,679	3,067	3,320	3,413	4,174
CASH FLOW					
Cash flow from operating activities	33	216	85	-43	67
Cash flow from investing activities	83	-76	-67	549	-233
Cash flow from financing activities	-213	-235	122	-534	182
Cash flow from discontinued operations	-	-	-	-	-
Cash flow for the year	-98	-95	140	-28	16
KEY PERFORMANCE INDICATORS ¹					
Return on operating capital	neg.	neg.	neg.	0.6%	neg.
Return on equity	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio	22%	25%	26%	32%	26%
Net debt/equity ratio (multiple)	2.1	1.9	1.8	1.4	1.3
Gross investments, continuing operations	151	85	74	179	163
Average number of employees, continuing operations	1,800	1,897	1,918	1,861	2,002
ITEMS AFFECTING COMPARABILITY					
Earnings	-122	1	-78	15	-121
<i>Items affecting comparability</i>					
Impairment of locomotives and wagons in conjunction with restructuring	-	-	-	-	-41
Set-up costs for new operations	-	-5	-42	-	-
Restructuring program	-	-25	-	-	-
Divestments of land facilities	-	23	-	-	-
Divestments of locomotives in conjunction with restructuring	-	-	-	65	-
<i>Total items affecting comparability</i>	-	-7	-42	65	-41
Earnings adjusted for items affecting comparability	-122	8	-36	-50	-80

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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Kalle Strömberg, train driver

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 2018 fiscal year. The company is domiciled in Solna, Sweden. All amounts in this Annual Report are stated in millions of Swedish kronor unless otherwise stated.

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 company SeaRail OY. All of the companies are controlled through board representation and all intra-Group transactions are subject to market terms and conditions.

In 2017 Green Cargo decided to terminate the partnership with the associated company DB Cargo Scandinavia, which was carried out in 2018. As of the timetable change in December, T19, Green Cargo has its own license and operates both wagon load solutions to Kolding, Denmark and the Belgium Direct line as a first step. Additionally, an improvement program has begun with several measures to improve our internal efficiency and reduce costs.

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 47.

Operating environment and market

In 2018, 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 by operating its own transportation from the timetable change, T19, in December. Approximately 35 percent of Green Cargo's sales are in foreign currencies, mainly the euro. The weakening of the Swedish krona against the euro strengthened Green Cargo's competitiveness in the international market.

During the year, Green Cargo signed new freight agreements with a total contract value of about SEK 880 million (748). These included new freight agreements with SSAB, Scandifibre Logistics, Stena Recycling and Valsabinn.

The Group's revenue and earnings

In 2018, net sales for the Group totaled SEK 4,208 million (4,337), down 3 percent on the preceding year. Freight volumes were 6 percent lower year-on-year.

The operating loss totaled SEK 122 million (profit: 1). Revenue has been positively affected by climate compensation, lower personnel costs and improved revenue in Norwegian operations. However, this does not compensate for reduced freight volumes, increased maintenance costs and higher IT and consultant costs.

The share in profits from associated companies was SEK 3 million (3). The net financial expense for the period was SEK 33 million (expense: 33). The net interest expense was SEK 27 million (expense: 28). Market valuations of financial items that affected net financial items were a positive SEK 1 million (negative: 1).

The loss for the year from continuing operations amounted to SEK 169 million (loss: 32). Tax on profit for the period was SEK 14 million (0) and was attributable to the impairment of deferred tax assets. The loss from discontinued operations amounted to SEK 11 million (loss: 73) and pertained to currency effects related to purchase and loan payments for the Danish associated company. The loss for the year totaled SEK 179 million (loss: 105).

Investments

The Group's gross investments in intangible assets and property, plant and equipment during the quarter totaled SEK 151 million (85) and pertained primarily to Transmontana locomotives, reinvestments in the locomotive fleet, converting wagons and investments in IT.

Financing

At the closing date, the Group's interest-bearing liabilities were SEK 1,333 million (1,554), of which SEK 546 million (652) pertained to financial leases and SEK 772 million (882) to

loan financing. Leases and loans mature between 2019 and 2023, and the debt portfolio has an average term of 1.5 years. Liabilities, including fixed-income derivatives, have an average fixed-interest term of slightly more than 2.5 years.

During the year, interest-bearing liabilities decreased by a net amount of SEK 220 million, including revaluation of liabilities in foreign currencies. A loan of SEK 150 million was raised under the framework of revolving credit facilities. Ongoing amortization of loans and leasing liabilities totaled SEK 121 million. Loan repayments and leasing amounted to SEK 242 million.

Interest-bearing assets decreased by SEK 97 million. On the closing date, interest-bearing net debt totaled SEK 1,288 million (1,411).

Cash and cash equivalents at the closing date totaled SEK 45 million (142). In addition, Green Cargo has unutilized credit facilities of SEK 200 million and an unutilized working capital credit totaling SEK 75 million.

Cash flow

Consolidated cash flow for 2018 was negative SEK 98 million (neg: 95). Cash flow from operating activities amounted to SEK 33 million (216). Acquisitions and net sales of property, plant and equipment and intangible assets during the year amounted to an expense of SEK 146 million (expense: 79) and pertained primarily to investments in the new Transmontana locomotives and reinvestments in the locomotive fleet, the conversion of wagons and investment in IT.

Cash flow from financing activities was a negative SEK 213 million (neg: 235) and was attributable to the amortization of loans and leasing liabilities as well as borrowings.

Events after the closing date

Ted Söderholm was appointed as the new President and CEO for Green Cargo on 7 January.

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, but despite this, freight volumes for Green Cargo decreased. This is primarily due to Swedish operations. Sales in the Norwegian operations have increased, though not to a satisfying level. 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 the Group. In Denmark, Green Cargo is investing in increased efficiency and enhanced customer solutions between Scandinavia and the rest of Europe by managing its own transportation.

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 2.1 (1.9) as at December 31, 2018. This deterioration in the net debt/equity ratio was mainly due to the Group's operating loss. The return on operating capital should amount to not less than 10 percent measured over a business cycle. Return on operating capital in 2018 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 2018.

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. Each area is further described in the Group's sustainability report.

Identifying financial risks

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. 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 29.

Other risk areas

In other areas, Green Cargo has no separate risk management function since assessment and management are an integrated part of operations and control of operations.

A description of the business activities' risk exposures follows on the next page, as does a description of how Green Cargo acts to mitigate these risks.

Green Cargo AB (Parent Company)

The above comments on the Group's figures are, overall, also applicable to the Parent Company.

Net sales in the Parent Company, Green Cargo AB, were SEK 3,796 million for the year compared with SEK 3,960 million last year. The Parent Company's operating loss was SEK 88 million (profit: 16). The loss from financial items amounted to SEK 90 million (loss: 53) and was negatively impacted by a SEK 51 million (neg: SEK 24 million) impairment of receivables in the Norwegian subsidiary. Tax on profit for the period was SEK 14 million (0) and was attributable to the impairment of deferred tax assets.

The loss for the year totaled SEK 192 million (loss: 37). The Parent Company's net debt on the opening date increased SEK 142 million to a total of SEK 1,300 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 2018 fiscal year

Green Cargo AB is wholly owned by the Swedish State and administered by the Ministry of Enterprise and Innovation. Green Cargo has no separate societal mission from the Swedish parliament, except to be operated in an environmentally-friendly manner.

CORPORATE GOVERNANCE

Green Cargo is guided based on both external and internal regulations.

Green Cargo's external regulations:

- Laws and permits
- The state's 2016 ownership policy with applicable guidelines for external reporting and guidelines for remuneration and other employment terms
- The Swedish Corporate Governance Code (the Code)

Green Cargo's internal regulations:

- Articles of Association
- The Board's written rules of procedure, instructions to the CEO and instructions for financial reporting
- Green Cargo's Supplier Code of Conduct
- Group policies
- Policy documents
- Green Cargo's values

In the state's ownership policy, the government accounts for its approach in important policy issues related to the corporate governance of all state-owned enterprises. It was resolved that all majority state-owned companies are to apply the Swedish Corporate Governance Code. The Code is applied according to the "comply or explain" principle, which means that departures from the Code are permitted but must be explained.

Green Cargo's Articles of Association, previous corporate governance reports and AGM minutes are available at www.greencargo.com under "Corporate Governance."

DEVIATIONS FROM THE CODE

Green Cargo applies the Code. The company's deviations are a result of Green Cargo being wholly owned by the Swedish state. Deviations have been made from the following Code rules:

1.2–1.3 and 2.1–2.7, 8.1 and 10.2

Code requirement: The company is to have a nomination committee to represent the company's shareholders.

Deviation: No nomination committee has been established.

Explanation: The nomination committee has been replaced by the owner's nomination procedure.

4.5–4.6

Code requirement: The Corporate Governance Report is to contain information about the independence of Board members vis-à-vis major shareholders.

Deviation: Independence vis-à-vis major shareholders is not reported.

Explanation: The state's ownership policy maintains that the relevant regulation in the Code is aimed primarily at protecting minority shareholders in companies with diverse ownership. Therefore, in a wholly state-owned company, there is no reason to report such independence.

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Code requirement: The Board is to annually evaluate its work as well as that of the CEO.

Deviation: There has been no evaluation of the CEO's work.

Explanation: In 2018, no evaluation of the CEO's work was conducted because the CEO at that time had stepped down on July 7, and during the remainder of the year was acting CEO.

CORPORATE GOVERNANCE

State-owned companies are governed exactly like privately owned companies, with the Companies Act (2005:551) as the overarching framework and the Annual General Meeting (AGM) as the company's highest decision-making body. The company's Board is responsible for the company's organization and management of the company's affairs. This includes continuously assessing the company's financial position and ensuring that the company has adequate internal controls. Operating activities are administered by the company's management. The owner exercises its shareholder rights at the AGM and has established Green Cargo's Articles of Association and financial targets. Green Cargo's Articles of Association stipulate that the company is to manage logistics and freight transportation services to national and international customers primarily within rail transportation.

The owner's financial targets for Green Cargo are:

- Profitability: Return on operating capital 10 percent.
- Capital structure: Net debt/equity ratio 0.6–0.9.
- Dividends: 50 percent of the after-tax profit for the year, taking the net debt/equity ratio into consideration.

Sustainable business goals:

The Swedish state requires all state-owned companies to have goals for sustainable business. The goals are to be relevant for the operations conducted, measurable and sufficiently ambitious.

Green Cargo's sustainable business goals are long-term, with a target of 2020 and a base year of 2013:

- All diesel locomotives are to have idling controls installed (2020).
- New rules for diesel locomotive engine idling are to be developed and all drivers are to be trained in them.
- Train drivers are to receive training in ECO driving (from 300 individuals in 2013) (2020).
- The number of accidents is to be halved (2020) (from 300 in 2013).
- Sickness absence is to be under 4 percent during the long term (2020).
- The proportion of women in management positions is to increase by 50 percent (2020) (from 17 percent in 2013).

THE AGM

The AGM is the company's highest decision-making organ, where the shareholder's influence is exercised. Matters to be addressed at the meeting are regulated by the Companies Act. In accordance with the Companies Act, the meeting is to be held annually and, according to the state's ownership policy, no later than April 30. Members of Swedish parliament have the right to participate in the meeting, including asking questions. The opportunity to attend the meeting is also to be offered to the general public. The AGM is to appoint the Board of Directors and auditors, resolve on fees to the same and determine the profit or loss and the balance sheet. At the AGM, the Board is also to present proposals for principles for remuneration to senior executives. The meeting's resolutions are decided by simple majority of the given votes. Resolutions to revise the Articles of Association, however, require a qualified majority.

2018 AGM

The 2018 AGM for Green Cargo AB was held on April 23, 2018. The meeting was open to the public and the minutes are available on Green Cargo's website.

Board members Henrik Højsgaard, Michael Thorén and Jan Sundling were newly elected at the AGM, and Board members Margareta Alestig Johnson, Anna Elgh, Ann-Christine Hvittfeldt and Ingvar Nilsson were re-elected. Jan Sundling was elected Chairman of the Board.

The AGM approved the 2017 annual report given by the Board and the President and discharged the Board and the President from liability for the 2017 fiscal year. The meeting also resolved, in accordance with the Board's proposal, that no dividend would be distributed to the owner.

It was further resolved to approve guidelines for remuneration to senior executives.

The next AGM for Green Cargo AB will be held on April 29, 2019 in Solna, Sweden.

BOARD NOMINATION PROCEDURE

For companies that are wholly-owned by the Swedish state, a nomination procedure is applied that replaces the Code's regulations regarding the appointment of Board members. The Board nomination procedure within the Government Offices of Sweden are coordinated by the Ministry of Enterprise and Innovation. According to the State's ownership policy, skills needs are analyzed for every company based on its operations, situation and future challenges, the Board's composition and any completed board evaluations. The Government Offices of Sweden's work on the Board nomination procedure includes a continuous self evaluation of all boards at state-owned enterprises. Any need for recruitment is established thereafter and recruitment efforts are introduced. When the procedure is complete, official nominations are published on the company's website according to the Code's provisions, except those on independence.

BOARD OF DIRECTORS

According to the Articles of Association, the Board is to consist of no less than three and no more than eight members, without deputies. According to Swedish law, labor organizations have the right to appoint ordinary members with deputies. Green Cargo's

chief legal counsel is the Board's secretary. The President is not part of the Board, but reports to the Board's meetings. None of the Board members are part of the company's executive management. Relevant disclosures on the appointment and dismissal of Board members are available in the regulations of the state's ownership policy.

The Board's work and responsibility

According to the Companies Act and the State's ownership policy, Green Cargo's Board is responsible for the company's organization and management of the company's operations. Each year, the Board establishes the written rules of procedure, instructions for the allocation of work and responsibilities between the Board and the President as well as for financial reporting to the Board. The Board's duties are, inter alia, to establish the company's overall strategies and goals, ensure that there are appropriate systems for following up and governing the company's operations and the risks for the company that its operations are associated with. The Board manages the company sustainably and responsibly to ensure long-term value creation. The Chairman's duties and information to the Board are set out in the written rules of procedure.

According to the written rules of procedure, at least six ordinary Board meetings are to be held per calendar year, in addition to the statutory Board meeting. Extra meetings to address matters of great importance are included here. The Board is responsible for the financial reporting and has regular meetings with the company's auditors via the Audit Committee. Additionally, the auditors meet the entire Board at least once per year without any members of corporate management. The Board continuously evaluates its work, along with that of the President, and addresses this issue specifically at least once per year.

Composition of the Board

Up until the AGM on April 23, 2018, Green Cargo's Board consisted of seven members elected at the AGM, including the Chairman. From the 2018 AGM onwards, the Board consists of seven members elected at the AGM. The Board had two additional ordinary employee representatives with two deputies.

Page 98 provides every Board member's age, education, primary work experience, other material assignments outside the company and number of years as a Board member at Green Cargo. The Board's members include three women (43 percent) and four men (57 percent). The Board achieves the government's targets for gender balance according to the state's ownership policy. In 2018, the employee representatives were four men. The average age of Green Cargo's Board members, including employee representatives, is 54.

Chairman of the Board

The Chairman of the Board is elected by the AGM. According to the written rules of procedure for Green Cargo's Board, the Chairman is to ensure that the work of the Board is conducted efficiently and that the Board fulfills its duties. The Chairman is to organize and manage the work of the Board, maintain regular contact with the President, and ensure that the Board

receives sufficient information and decision data for its work. The Chairman of the Board is also responsible for coordinating the Board's inspection in connection to the owner in issues of essential importance for the company, as well as conducting owner dialogues regarding follow up of sustainability and financial targets, and distributing them within the Board.

The Board's work in 2018

In 2018, the Board held 11 ordinary meetings, one statutory meeting and two extraordinary meetings. During the year, the Board of Green Cargo continued and intensified its initiatives addressing the profitability challenges that face the company. During 2018, the owner, along with the Board and management, conducted strategic maintenance and a self-critical review of the company. The review was the impetus for the streamlining program and the change project that started after the summer – The Journey of Change. The program entails a systematic improvement initiative where Green Cargo prioritizes measures within management, procedures and customer satisfaction to thereby achieve increased control, quality and profitability.

In 2018, the Board has addressed the following main issues:

- The Journey of Change
- Investments in the new Transmontana locomotives
- Risks and risk management
- Financial statements
- Reporting from internal and external audits
- Safety
- Punctuality
- Recruitment of CEO
- The owner's review
- Profitability in customer agreements

The Board of Directors, Board functions and attendance in 2018

Of the AGM-elected members	Main Board	Board meeting attendance	Year elected	Audit Committee attendance
Lennart Pihl	Chairman	3/11		2/5
Margareta Alestig Johnson	Board member (Remuneration Committee Chairman)	11/11		5/5
Anna Elgh	Board member	10/11		
Ann-Christine Hvittfeldt	Board member	11/11		
Ingvar Nilsson	Board member	10/11		3/5
Tryggve Sthen	Board member	3/11		
Erik Tranaeus	Board member	3/11		2/5
Jan Sundling	Chairman	8/11	2018	
Henrik Höjsgaard	Board member	8/11	2018	
Michael Thorén	Board member	8/11	2018	3/5
<i>Employee representatives</i>				
Jonas Blomqvist	Employee representative	11/11		
Anders Gustafsson	Deputy	7/11		
Jerker Liljeberg	Deputy	6/11		
Donny Sjöberg	Employee representative	11/11		

The Board's committee work

Green Cargo's Board has an Audit Committee and a Remuneration Committee. The committees prepare matters prior to Board meetings. Guidelines for the committee work are in each committee's written rules of procedure. The Audit Committee is tasked with preparing and assuring the quality of the company's financial reports and maintaining an ongoing dialogue with the company's auditors.

The Audit Committee had five minuted meetings in 2018. During the year, the Audit Committee managed financial reports, continuous risk reporting, internal control and the external audit report of the internal controls. The committee has also evaluated internal and external auditors, reviewed and supervised the external auditor's impartiality and independence as well as ensured that the external auditor did not offer any consulting services that would have affected impartiality. The committee thereafter made its recommendation for external auditor to the AGM. Since the 2018 statutory board meeting, the Audit Committee has consisted of Margareta Alestig Johnson, Ingvar Nilsson and Michael Thorén. The committee appointed Margareta Alestig Johnson as chair.

The Remuneration Committee is tasked with preparing issues of remuneration and other employment terms and conditions for senior executives. Additionally, the Committee is to evaluate compliance with the AGM's resolutions concerning remuneration. The Remuneration Committee had three meetings in 2018. The Remuneration Committee recruited a new President, Ted Söderholm, with a start date of January 7, 2019. Since

the 2018 statutory board meeting, the Remuneration Committee has consisted of Jan Sundling, Henrik Höjsgaard and Michael Thorén. The Committee appointed Jan Sundling as chair.

Evaluation of the Board's work in 2018

On the Chairman's initiative, during the year the Board was evaluated by an external, independent party according to a systematic and structured procedure. The evaluation aims to develop a solid foundation for the Board's own development agenda. The results of the evaluation are presented to the Board, and then presented to the owner by the Chairman of the Board. Based on the evaluation, the Board establishes measures to develop its working method and efficiency.

Remuneration of the Board

Directors' fees are determined by the AGM. The fee for the Chairman of the Board amounted to SEK 410,000, and for each Board member, SEK 160,000. At Green Cargo's AGM, it was also resolved, in accordance with the state's ownership policy, that no fees be awarded to Board members who are employed by the Government Offices of Sweden or to employee representatives. It was resolved to pay a fee to the Chairman of the Audit Committee of SEK 55,000 and SEK 40,000 to each of the Committee members. No fees were paid to the Remuneration Committee.

PRESIDENT AND CEO AND GROUP MANAGEMENT

The Board appoints the President and CEO of the company. On July 9, 2018 CFO Erik Johansson was appointed as acting President and CEO. The CEO is responsible for the ongoing management of the company according to the Board's guidelines and instructions. Within the frameworks established by the Board, the CEO manages operations and keeps the Chairman of the Board continuously updated regarding significant business transactions. The CEO is to organize the company's management so that appropriate governance and control of operations is achieved. Other members in the group management are appointed by the CEO. Group management is an information, discussion and decision forum for Group-wide issues. Group management's meetings are led by the CEO and occur monthly. Green Cargo's Group management, including the CEO, is reported in more detail on page 100.

Remuneration of senior executives

At Green Cargo's AGM on April 23, 2018, the owner established guidelines for remuneration and other employment terms and conditions for senior executives. Green Cargo applies the government's guidelines for the remuneration and other employment terms and conditions for senior executives in state-owned enterprises decided December 22, 2016. Equivalent principles are applied in Green Cargo's subsidiaries. Green Cargo does not apply variable remuneration for senior executives.

Subsidiaries and associated companies

Green Cargo had six subsidiaries at year-end 2018: TGOJ Trafik Aktiebolag, Green Cargo Loco & Wagon Trading AB, Green Cargo Fastigheter AB, Green Cargo Händelö AB, Nordisk Transport Rail Aktiebolag and Green Cargo Norge AS. Green Cargo Norge AS is, in turn, Parent Company to Green Cargo Togdrift AS and Green Cargo Terminaljenester AS. Green Cargo also has one associated company, SeaRail OY, in which Green Cargo does not have controlling influence. All subsidiary companies in the Group have a member of Green Cargo's Group management on their boards.

AUDITORS

External audit

According to the State's ownership policy and the relevant auditing guidelines from the 2018 AGM, the company's Board of Directors is to propose the choice of auditors based on recommendations from the Audit Committee. The final election of auditors is determined by the owner at the AGM.

The auditor is to review the company's and the Group's financial reporting as well as the Board and President's administration of the company. At Green Cargo's AGM on April 23, 2018, the accounting firm KPMG was elected as auditor. The audit assignment extends to the close of the 2019 AGM. KPMG appointed Authorized Public Accountant Jenny Jansson as Auditor in Charge. Jenny Jansson has not had assignments from other companies that affect her independence as an auditor for Green Cargo. A fee has been paid to the auditors and the accounting firm for auditing and for audit-related consulting.

THE BOARD'S REPORT ON 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 for 2018 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. In conjunction with the proposal establishing an independent internal auditing function, there will be assessed maximum amounts, guidelines and judgments for risk assessment to review.

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. Risk analyses were conducted in 2018 in accordance with earlier principles and with the available control environment. In 2018, 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.

After examining the company, and with the support of SOU 2003:93, which can be applied to state-owned companies, the company recommends establishing an independent internal auditing function. The internal auditing is to be conducted in accordance with regulation-based best practices, and it is to be objective, independent, professional, with great integrity and with generally accepted working methods applied. With consideration given to the requirement for independence, internal auditing is not to be aligned with operative participation in the business activities being audited. The company will propose a procedure for establishing an internal audit function at the next Audit Committee meeting on April 25.

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 report three times a year 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	507,205,239
Fair-value reserve	-18,666,365
Loss for the year	-192,425,179
Total	296,113,695

The Board of Directors proposes that profits be distributed as follows:

To be carried forward	296,113,695
<i>Of which to the fair-value reserve</i>	<i>-18,666,365</i>

Consolidated income statement

SEK million	Note	GROUP	
		2018	2017
CONTINUING OPERATIONS			
<i>Operating income</i>			
Net sales	4, 5	4,208	4,337
Other operating income	6	106	27
Total operating income		4,314	4,364
<i>Operating expenses</i>			
Operating costs	4, 7	-2,358	-2,304
Personnel costs	8	-1,372	-1,402
Other external costs	9	-473	-427
Amortization and depreciation	15, 16	-236	-233
Share in profit of associated companies	18	3	3
Earnings		-122	1
<i>Profit/loss from financial items</i>			
Interest income and similar profit/loss items	12	1	1
Interest expense and similar profit/loss items	13	-34	-34
Loss after financial items		-155	-32
Tax on profit for the year	14	-14	0
Loss for the year from continuing operations		-169	-32
DISCONTINUED OPERATIONS			
Earnings, net of tax, from discontinued operations	32	-11	-73
Loss for the year		-179	-105

Statement of comprehensive income

SEK million	Note	GROUP	
		2018	2017
Loss for the year		-179	-105
Items that cannot be reclassified to profit or loss			
Revaluation of defined-benefit pension plans		1	-2
Tax attributable to items that cannot be reclassified to profit or loss	14	0	1
Items that have been or can be reclassified to profit or loss			
Cash-flow hedges		13	4
Hedging of net investments in operations abroad		7	-5
Translation differences		1	11
Tax attributable to items that have been or can be reclassified to profit or loss	14	-3	0
Total other comprehensive income, net after tax		20	9
Total comprehensive income for the year		-159	-96

Consolidated balance sheet

ASSETS SEK million	Note	GROUP	
		Dec 31, 2018	Dec 31, 2017
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		10	6
Ongoing capitalized development expenditure		23	19
Total intangible assets		33	25
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		16	18
Transport equipment		1,348	1,390
Leased transport equipment	17	474	529
Equipment, fixtures and fittings		36	23
Construction in progress		100	51
Total property, plant and equipment		1,975	2,011
<i>Other non-current assets</i>			
Participations in associated companies	18	0	2
Deferred tax assets	19	4	24
Total other non-current assets		4	26
Total non-current assets		2,012	2,062
Current assets			
Inventories	20	26	19
Accounts receivable	28	468	424
Receivables from associated companies	4	–	1
Other receivables		11	14
Current tax assets		2	3
Prepaid expenses and accrued income	23	115	128
Cash and cash equivalents	27	45	142
Assets held-for-sale	32	–	274
Total current assets		668	1,005
TOTAL ASSETS		2,679	3,067

Consolidated balance sheet

EQUITY AND LIABILITIES SEK million	Note	GROUP	
		Dec 31, 2018	Dec 31, 2017
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		-20	-40
Profit brought forward		-452	-347
Loss for the year		-179	-105
Total equity	25	596	755
Liabilities			
<i>Non-current liabilities</i>			
Pension provisions	29	14	19
Other provisions		-	17
Non-current leasing liabilities	17	473	543
Other non-current liabilities	28	746	285
Derivative instruments	28	24	39
Total non-current liabilities		1,258	903
<i>Current liabilities</i>			
Accounts payable		189	231
Current leasing liabilities	17	73	109
Other liabilities	28	57	421
Accrued expenses and deferred income	21	499	446
Other provisions	22	8	15
Liabilities attributable to assets held-for-sale	32	-	187
Total current liabilities		826	1,409
TOTAL EQUITY AND LIABILITIES		2,679	3,067

Change in Equity, Group

GROUP		Share	Other		Profit/loss	Profit/loss	
SEK million	Note	capital	capital con-	Reserves	brought	for the year	Total
		tributions	tributions		forward		
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, after tax				11			11
Revaluation of defined-benefit pension plans, after tax				-1			-1
<i>Total other comprehensive income</i>		-	-	9	-	-	-16
Total comprehensive income		-	-	9	-	-105	-96
Closing balance, Dec 31, 2017	26	200	1,047	-40	-347	-105	755
Opening balance, Jan 1, 2018		200	1,047	-40	-347	-105	755
Allocation of preceding year's profit/loss					-105	105	0
Comprehensive income							
Loss for the year						-179	-179
Other comprehensive income							
Cash-flow hedges, after tax				10			10
Hedging of net investments, after tax				7			7
Translation difference, after tax				1			1
Revaluation of defined-benefit pension plans, after tax				1			1
<i>Total other comprehensive income</i>		-	-	20	-	-	20
Total comprehensive income		-	-	20	-	-179	-159
Closing balance, Dec 31, 2018	26	200	1,047	-20	-452	-179	596

Consolidated cash-flow statement

SEK million	Note	GROUP	
		2018	2017
<i>Operating activities</i>			
Loss after financial items		-155	-33
Adjustments for non-cash items	26	251	251
Provisions made		-29	-11
Tax paid		-25	-26
Cash flow from operating activities before changes in working capital		42	181
Cash flow from changes in working capital			
Increase/decrease in current receivables		4	-38
Increase/decrease in current liabilities		-13	73
Cash flow from operating activities		33	216
<i>Investing activities</i>			
Acquisition of intangible assets		-12	-7
Acquisition of property, plant and equipment		-139	-76
Sale of property, plant and equipment		5	4
Sale of financial assets		225	0
Dividends from associated companies		3	3
Cash flow from investing activities		83	-76
<i>Financing activities</i>			
Borrowings		150	50
Amortization of leasing liabilities and loans		-363	-285
Cash flow from financing activities	26	-213	-235
Cash flow for the year		-98	-95
Cash and cash equivalents at the beginning of the year		142	237
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	45	142

Parent Company income statement

SEK million	Note	PARENT COMPANY	
		2018	2017
<i>Operating income</i>			
Net sales	4, 5	3,796	3,960
Other operating income	6	104	4
Total operating income		3,900	3,964
<i>Operating expenses</i>			
Operating costs	4, 7	-2,043	-2,018
Personnel costs	8	-1,269	-1,296
Other external costs	9	-442	-404
Amortization and depreciation	15, 16	-234	-230
Earnings		-88	16
<i>Profit/loss from financial items</i>			
Profit from participations in Group companies	10	1	24
Profit/loss from participations in associated companies	11	3	-23
Interest income and similar profit/loss items	12	1	1
Interest expense and similar profit/loss items	13	-95	-55
Loss after financial items		-178	-37
Tax on profit for the year	14	-14	0
Loss for the year		-192	-37

Parent Company statement of comprehensive income

SEK million	Note	PARENT COMPANY	
		2018	2017
Loss for the year		-192	-37
Other comprehensive income			
Cash-flow hedges		13	5
Tax	14	-3	-1
Total other comprehensive income, net after tax		10	4
Total comprehensive income for the year		-182	-33

Parent Company balance sheet

ASSETS SEK million	Note	PARENT COMPANY	
		Dec 31, 2018	Dec 31, 2017
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		9	4
Ongoing capitalized development expenditure		23	19
Total intangible assets		32	23
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		1	1
Leasehold improvements		0	0
Transport equipment		1,348	1,390
Leased transport equipment	17	474	530
Equipment, fixtures and fittings		36	22
Construction in progress		100	51
Total property, plant and equipment		1,958	1,994
<i>Financial assets</i>			
Participations in Group companies	18	55	55
Participations in associated companies	18	15	290
Deferred tax assets	19	5	24
Total financial assets		75	369
Total non-current assets		2,066	2,386
<i>Current assets</i>			
Inventories	20	26	19
Accounts receivable	28	375	345
Receivables from Group companies	4	47	51
Receivables from associated companies	4	–	10
Other receivables		9	12
Current tax assets		2	2
Prepaid expenses and accrued income	23	118	131
Cash and bank balances	27	23	123
Total current assets		599	693
TOTAL ASSETS		2,665	3,079

Parent Company balance sheet

EQUITY AND LIABILITIES SEK million	Note	PARENT COMPANY	
		Dec 31, 2018	Dec 31, 2017
Equity			
<i>Restricted equity</i>			
Share capital		200	200
Statutory reserve		100	100
Reserve for development expenditure		17	9
		317	309
<i>Non-restricted equity</i>			
Fair-value reserve		-19	-30
Profit brought forward		507	552
Loss for the year		-192	-37
		296	486
Total equity	25	613	795
Provisions			
Pension provisions	29	7	10
Other provisions	22	8	15
Total provisions		15	25
Liabilities			
<i>Non-current liabilities</i>			
Non-current leasing liabilities	17	473	543
Other non-current liabilities	28	746	304
Derivative instruments	28	24	39
Total non-current liabilities		1,243	886
<i>Current liabilities</i>			
Accounts payable		176	209
Liabilities to Group companies	4	14	39
Current leasing liabilities	17	73	109
Other liabilities	28	56	573
Accrued expenses and deferred income	21	474	443
Total current liabilities		793	1,373
TOTAL EQUITY AND LIABILITIES		2,665	3,079

Change in equity, Parent Company

PARENT COMPANY		Share	Statutory	Reserve for	Fair-value	Profit/loss	Profit/loss	
SEK million	Note	capital	development	development	reserve	brought	for the year	Total
			reserve	expenditure		forward		
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
<i>Total other comprehensive income</i>		-	-	-	4	-	-	4
Total comprehensive income		-	-	-	4	-	-37	-33
Closing balance, Dec 31, 2017	26	200	100	9	-29	552	-37	795
Opening balance, Jan 1, 2018		200	100	9	-29	552	-37	795
Allocation of preceding year's profit/loss						-37	37	0
Capitalized development expenditure, own work				8		-8		0
Comprehensive income								
Loss for the year							-192	-192
Other comprehensive income								
Cash-flow hedges, after tax					10			10
<i>Total other comprehensive income</i>		-	-	-	10	-	-	10
Total comprehensive income		-	-	-	10	-	-192	-182
Closing balance, Dec 31, 2018	26	200	100	17	-19	507	-192	613

Parent Company cash-flow statement

SEK million	Note	PARENT COMPANY	
		2018	2017
Operating activities			
Loss after financial items		-178	-37
Adjustments for non-cash items	26	315	317
Provisions made		-29	-11
Tax paid		-25	-25
Cash flow from operating activities before changes in working capital		83	244
Cash flow from changes in working capital			
Increase/decrease in current receivables		-31	-70
Increase/decrease in current liabilities		-22	75
Cash flow from operating activities		30	249
Investing activities			
Acquisition of intangible assets		-13	-6
Acquisition of property, plant and equipment		-138	-77
Sale of property, plant and equipment		5	4
Sale of financial assets		225	0
Dividends from associated companies		3	3
Cash flow from investing activities		83	-76
Financing activities			
Borrowings		150	50
Amortization of leasing liabilities and loans		-363	-285
Cash flow from financing activities		-213	-235
Cash flow for the year		-100	-62
Cash and cash equivalents at the beginning of the year		123	185
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	26	23	123

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Mattias Messelt, Head of Section

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 39, SE-171 11, SOLNA, SWEDEN

The financial statements were approved for publication by the Board and the President on March 19, 2019 and will be submitted to the AGM on April 29, 2019 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, 2018 have had no material impact on the Group's accounting.

IFRS 9

IFRS 9 Financial instruments entered force on January 1, 2018 and replaced 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 that are measured at amortized cost and debt instruments that are measured at FVTOCI, 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. A credit assessment is always performed before customer agreements are signed, and the majority of customer credit ratings are continuously monitored. Continuous valuation of probable credit losses is conducted at present and, in connection with loan loss allowances being made for expected credit losses in a credit loss reserve, costs for probable credit losses that could arise in operations are therefore deemed to be no higher according to the new regulations than they are in today's model for provisions for doubtful receivables. The transition from IAS 39 to hedge accounting of financial instruments and classification according to IFRS 9 has not affected the accounting policies or entailed any impact on the carrying amount, so no recalculation of comparative figures is reported.

IFRS 15

The Group and the Parent Company apply IFRS 15 Revenue from Contracts with Customers is to be applied from January 1, 2018. The effect of the transition to IFRS 15 has not entailed any adjustments in the included equity or affected reporting for 2018. IFRS 15 has entailed expanded disclosures, see the income section below and Note 5 Breakdown of revenue.

Published standards that have yet to be applied by the company

IFRS 16 will not come into effect until the next fiscal year and has 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 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 applies the simplified approach when calculating liabilities in the transition to IFRS 16 based on remaining payments for the leased asset. The agreements covered by the transition to IFRS 16 will be recognized entirely in Green Cargo AB (legal entity) from the day of application. At the day of application, this entails no effects on the opening balance of equity or deferred tax. The transition to IFRS 16 on the first day of application will entail that assets and liabilities increase approximately SEK 600 million, of which approximately SEK 200 million is current liabilities. According to the current estimate for the full-year 2019, the transition will have a positive effect of SEK 7 million on operating profit. Capitalized leases include property rentals, locomotives, wagons, load carriers and service cars. These leases were previously reported as operational. For the remaining operational leases, the simplified approach has been applied and none of these agreements have been capitalized. These agreements either have a tenor of less than 12 months and/or are of negligible value. Recognition of these will also continue to be managed as operating leases. Current financial leases are already recognized as assets and liabilities in Green Cargo AB (legal entity) and no impact on them is expected. IFRS 16 is not deemed to affect the group's ability to fulfill the maximum debt/equity ratio in the loan conditions. When establishing the lease

term for properties, extension options have been included in the cases where we deemed it reasonably certain that these will be utilized. For the remaining leases, the lease term has been established based on the contractual lease term. The Group's marginal interest rate on borrowing is used to calculate and value the lease liability at the day of application.

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 the actual investment and (iii) the ability to exercise control over the holding to affect the amount of the return. 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 associated companies 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 is 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.

To sum up, the transition to IFRS 15 has not entailed any change in how revenue has been assessed or reported, and current reporting of revenue is essentially in accordance with regulations.

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. Given Green Cargo's history of tax losses, deferred tax assets are recognized 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.

Leasing

Leasing is classified as either financial leases or operating leases. Financial leases exist when the economic risks and rewards associated with ownership are materially transferred to the lessee. Assets leased under financial leases are not, as a rule, recognized as assets in the balance sheet. The obligation to pay future leasing fees is recognized as either long-term or current leasing liabilities. The lease term is the

period the assets are to be leased for under the agreement. Under financial leases, assets are depreciated over their estimated useful lives. The payment of leasing fees is divided into interest expense and debt repayment. Lease agreements not classified as financial leases represent operating leases. Operating leases means that the leasing fee is expensed over the term of the lease based on use.

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, and derivatives. Accounts payable, borrowings, leasing liabilities and derivatives are found on the liabilities side. Financial instruments are initially recognized at cost, which corresponds to the instrument's fair value including transaction costs for all financial instruments. Financial instruments are classified on acquisition and are recognised in accordance with how they are classified according to the below. 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 market prices. The fair value of unlisted securities is established using the issuer's or bank's valuation.

The Group values its financial instruments at amortized cost or FVTPL or FVTOCI. Valuation is based on how the instruments were acquired, and whether they are being held until maturity or can be sold.

Financial assets/liabilities measured at FVTPL

Financial assets/liabilities and derivative instruments that can be sold or are being held until maturity are continuously measured at FVTPL. 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. Gains and losses attributable to changes in fair value are recognized in profit or loss in the period in which they occur.

Financial assets/liabilities measured at FVTOCI

Financial assets/liabilities and derivative instruments that are being held until maturity are continuously valued at amortized cost or at FVTOCI. Derivatives that are held to maturity include cash-flow hedges in the form of currency forward contracts and interest-rate swaps. Accumulated gains and losses attributable to changes in fair value affect profit or loss in the period in which they fall due.

Financial assets/liabilities measured at amortized cost.

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.

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.

Liabilities in foreign currencies are measured at amortized cost to hedge the value of net investments in foreign operations.

Other liabilities

Liabilities to credit institutions, leasing liabilities and accounts payable are 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 why they are being held. 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 upon acquisition as to whether the derivative instruments used will be effective in terms of offsetting changes in the cash flows of the hedged items. When critical terms do not perfectly match, a continuous quantitative assessment is performed to assess efficient and inefficient portions. 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 change in value relating to the ineffective portion is recognized directly 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 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/loss after financial items, provisions made, 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 amortization. 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. Investing activities also include investments that are 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.

PARENT COMPANY'S ACCOUNTING POLICIES

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.

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 comprehen-

sive 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, the rules in IFRS 9 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

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 transport 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.

NOTE 4 RELATED-PARTY TRANSACTIONS

Green Cargo AB is wholly owned by the Swedish State. Subsidiaries and associated companies are detailed in Note 19.

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 8 for details of salary and benefits to employees.

	Group		Parent Company	
	2018	2017	2018	2017
Sale of services				
Subsidiaries	–	–	363	312
Associated companies	–	5	–	5
Total sales of services to related parties	–	5	363	317
Purchase of services				
Subsidiaries	–	–	45	48
Associated companies	–	126	–	126
Total purchase of services from related parties	–	126	45	174

Receivables outstanding from related parties

Subsidiaries	–	–	27	51
Associated companies	–	1	–	1
Total receivables outstanding from related parties	–	1	27	52

Outstanding liabilities to related parties

Subsidiaries	–	–	8	29
Total outstanding liabilities to related parties	–	–	8	29

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 until the sale of the share in the associated company in the beginning of 2018.

NOTE 5 BREAKDOWN OF REVENUE

Industry	Group		Parent Company	
	2018	2017	2018	2017
Trade and Logistics	1,559	1,671	1,319	1,465
Forestry	1,039	991	903	868
Steel and Chemicals	1,454	1,476	1,397	1,426
Other	263	227	282	205
Total	4,314	4,364	3,900	3,964

Timing of revenue recognition

At a date	4,314	4,364	3,900	3,964
Over time	–	–	–	–
Total	4,314	4,364	3,900	3,964

The breakdown of revenue is presented in accordance with the new standard IFRS 15. Revenue from transportation services and relevant services based on customer contracts are separated according to industry sectors. Other revenue, including climate compensation, is classified in the Other category. Revenue is recognized at a date based on the accounting policies in Note 2.

NOTE 6 OTHER OPERATING INCOME

	Group		Parent Company	
	2018	2017	2018	2017
Capital gain on sale of non-current assets	5	27	5	4
Exchange-rate differences impacting earnings	2	0	0	0
Climate compensation	95	–	95	–
Other contributions	4	–	4	–
Total	106	27	104	4

NOTE 7 LEASING FEES PERTAINING TO OPERATING LEASES

Leasing fees	Group		Parent Company	
	2018	2017	2018	2017
Minimum leasing fees	190	195	190	194

Contracted future minimum leasing fees pertaining to non-cancellable contracts falling due:

	Group		Parent Company	
	2018	2017	2018	2017
Within 1 year	189	124	160	123
Between 1 and 5 years	206	224	199	224
Over 5 years	29	40	29	40
Total	424	387	388	387

Leasing income

Leasing income pertaining to objects leased to external parties	Group		Parent Company	
	2018	2017	2018	2017
	52	55	52	55

Future minimum leasing fees pertaining to objects leased to external parties

	Group		Parent Company	
	2018	2017	2018	2017
	154	101	154	101

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 8 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	2018	Of whom women, %	2017	Of whom women, %
Parent Company				
Sweden	1,718	16	1,816	14
Total – Parent Company	1,718	16	1,816	14
Subsidiaries				
Norway	82	5	81	5
Total – subsidiaries	82	5	81	5
Total – Group	1,800	15	1,897	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 three women. The Parent Company's management group (also Group Management) comprised six men and one woman.

Salaries, other benefits and social security expenses

	2018	Social security expenses	2017	Social security expenses
Salaries and benefits				
Parent Company	861	377	877	385
<i>(of which, pension costs)</i>		<i>(82)</i>		<i>(85)</i>
Subsidiaries	65	12	69	12
<i>(of which, pension costs)</i>		<i>(2)</i>		<i>(2)</i>
Total – Group	926	389	946	397
<i>(of which, pension costs)</i>		<i>(84)</i>		<i>(87)</i>

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 12 (20).

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

	2018		2017	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company	5	856	5	872
<i>(of which bonus, etc.)</i>		<i>(–)</i>		<i>(–)</i>
Subsidiaries	0	65	1	68
<i>(of which bonus, etc.)</i>		<i>(–)</i>		<i>(–)</i>
Total – Group	5	921	6	940
<i>(of which bonus, etc.)</i>		<i>(–)</i>		<i>(–)</i>

Remuneration of and other benefits to senior executives

"Senior executives" refers to the President, individuals in Group management in the company who are responsible for operations and CEOs of subsidiaries who report to the Group CEO.

Parent Company*Guidelines and decision-making*

Throughout the year, the company has followed the principles for remuneration and other employment terms and conditions for senior executives that were determined at the 2018 AGM. The principles are based on guidelines that the government issued for employment terms and conditions for senior executives in companies with state ownership. The employment terms for the CEO of the Parent Company are proposed by the Remuneration Committee and decided by the Board.

Employment terms and conditions for other senior executives are decided by the CEO after a customary meeting with the company's Remuneration Committee. The result of the agreements reached are reported to the Board. Before a decision is made regarding individual remuneration, written documentation of the company's total costs is produced as a basis for the decision. The Board ensures that remuneration follows these guidelines by comparing remuneration for equivalent senior executives in other state and privately owned comparable companies in Sweden in terms of size, complexity and sales. The Board presents proposals for principles for remuneration and other employment terms and conditions to the Group CEO and senior executives for approval at the AGM. The Remuneration Committee prepares the Board's proposals for principles for salary and other remuneration.

The members of the Remuneration Committee are Jan Sundling, Michael Thorén and Margareta Alestig Johnson.

Remuneration of the Board, 2018		Directors' fees
Amounts in SEK thousand		
Chairman of the Board	Jan Sundling ¹	273
Board member	Lennart Pihl ²	119
Board member	Henrik Höjsgaard ¹	107
Board member	Trygve Sthen ²	59
Board member	Henrik Höjsgaard ⁴	212
Board member	Ann-Christine Hvittfeldt	157
Board member	Anna Maria Elgh	157
Board member	Ingvar Nilsson ³	196
Board member	(Representing the State) Michael Thorén ³	–
Board member	(Representing the State) Erik Tranaéus ²	–
Employee representative	Jonas Blomqvist	–
Employee representative	Donny Sjöberg	–
Deputy (employee representative)	Anders Gustavsson	–
Deputy (employee representative)	Jerker Liljeberg	–
Employee representative, co-opted member	Ann-Charlotte Juliusson	–

¹ Elected to the Board on April 23, 2018. ² Stepped down from the Board on May 23, 2018. ³ Of which SEK 40,000 was remuneration as a member of the Audit Committee. ⁴ Of which SEK 55,000 was remuneration as Chairman of the Audit Committee.

Remuneration of the Board, 2017		Directors' fees
Amounts in SEK thousand		
Chairman of the Board	Lennart Pihl ¹	340
Board member	Trygve 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 Elected to the Board on April 25, 2017. ⁵ Joined the Board on April 25, 2017. ⁶ Joined the Board on August 10, 2017. ⁷ Replaced on April 25, 2017. ⁸ Replaced on August 10, 2017.

Remuneration of and other benefits to senior executives, 2018

Amounts in SEK thousand		Period in Group Management	Salary ¹	Other benefits ²	Pension cost	Pension Total obligation	
President and CEO	Jan Kilström	Jan 1 to July 8, 2018	3,133	107	573	3,813	–
Acting President and CEO and CFO	Erik Johansson ³	Jan 1 to Dec 31, 2018	2,319	2	591	2,912	–
CEO of Green Cargo Norge AS	Bengt Fors ⁶	Not a member of Group Management	669	0	224	893	–
HR Director	Caroline Frumerie	Jan 1 to Jan 9, 2018	43	1	8	52	–
HR Director	Mikael Jansson	Sep 7 to Dec 31, 2018	263	0	94	357	–
Sales Director	Richard Kirchner	Jan 1 to Dec 31, 2018	1,863	90	433	2,386	–
Operations Director	Patrik Johansson	Jan 1 to Aug 31, 2018	1,116	77	376	1,569	–
Planning Director	Patrik Saxvall	Jan 1 to Aug 31, 2018	961	85	233	1,278	–
Operations Director	Markus Gardbring ⁴	Jan 1 to Dec 31, 2018	1,663	108	437	2,208	–
Marketing & Communications Director	Sohana Josefsson	Jan 1 to Sep 6, 2018	1,089	0	380	1,469	–
IT Director	Mats Munkhammar	Jan 1 to Aug 31, 2018	1,168	69	370	1,607	–
IT Director	Klas Andersson ⁵	Sep 1 to Dec 31, 2018	299	0	87	387	–
Legal & Procurement Director	Mikael Wågberg	Jan 1 to Sep 30, 2018	1,194	93	299	1,586	–
Legal Director	Malin Fries	Oct 1 to Dec 31, 2018	300	0	103	403	–
Project Office Director	Nicole Tews	Jan 1 to Jun 30, 2018	449	1	219	669	–

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 Acting CEO July 9, 2018–January 6, 2019. 4 Head of Operations from September 1, 2018. 5 Also acting Purchasing Manager until December 16, 2018. 6 Acting from May 29, 2018

Remuneration of and other benefits to senior executives, 2017

Amounts in SEK thousand		Period in Group Management	Salary ¹	Other benefits ²	Pension cost	Pension Total 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

Board

According to the 2018 AGM, annual fees to Green Cargo AB Board members are SEK 410,000 for the Chairman of the Board and SEK 160,000 per person for other members elected by the AGM. Additionally, annual fees to members of the Audit Committee are SEK 55,000 for the Chairman and SEK 40,000 per person for other members. Other committee work entails no fees. Fees do not apply to members employed in the Government Offices of Sweden.

Group management

The overall principle is that remuneration and other employment terms and conditions, while not market leading, should nonetheless be tailored to the market to ensure that Green Cargo can attract and retain qualified senior executives. Remuneration to the CEO and other senior executives comprises basic salary, taxable benefits, health care insurance and pension. The basic salary is set individually in line with salary levels in the market where the executive is employed. The CEO and senior executives have no right to any variable remuneration or remuneration in the form of financial instruments. Benefits reported in the table refer primarily to service cars.

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 12 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 9 AUDITORS' FEES AND EXPENSES

	Group		Parent Company	
	2018	2017	2018	2017
<i>KPMG</i>				
Audit assignment	1.7	1.6	1.7	1.6
Auditing services in addition to the audit assignment	0.3	0.2	0.3	0.2
Total	2.0	1.8	2.0	1.8

Auditor's fees in the Swedish subsidiaries have been invoiced to the Parent Company.

NOTE 10 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2018	2017
Group contributions received	1	24
Total	1	24

NOTE 11 PROFIT/LOSS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	Parent Company	
	2018	2017
Dividends on shares and participations in associated companies	3	3
Impairment of shares and participations in associated companies	-	-26
Total	3	-23

NOTE 12 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2018	2017	2018	2017
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
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NOTE 13 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2018	2017	2018	2017
Fair value losses for financial instruments: derivative instruments not used for hedging	1	-1	1	-1
Financial exchange-rate differences	-22	-3	-22	-3
Interest expense, other	-11	-30	-22	-27
Expense, remission of loan	-	-	-52	-24
Total	-33	-34	-95	-55

Of which, interest expense on financial liabilities not measured at fair value

	-18	-18	-18	-18
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NOTE 14 INCOME TAX

Significant subtotals in the tax expense for the year	Group		Parent Company	
	2018	2017	2018	2017
Current tax	-	-	-	-
Deferred tax	-14	-	-14	-
Total	-14	-	-14	-

The connection between the tax expense for the year and recognized earnings before tax

	Group		Parent Company	
	2018	2017	2018	2017
Profit/loss after financial items	-155	-32	-178	-37
Tax at applicable tax rate (22%)	34	7	39	8
Tax effect of non-deductible expenses/non-taxable income	-52	-12	-52	-12
Tax effect of deficits for which no deferred tax asset was recognized	18	5	13	4
Impairment of deferred tax assets	-14	-	-14	-
Tax recognized	-14	-	-14	-

Tax attributable to components pertaining to other comprehensive income in the Group

2018	Before tax	Tax effect	After tax
Revaluation of defined-benefit pension plans	1	0	1
Cash-flow hedges	13	-3	10
Total	14	-3	11

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

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

2018	Before tax	Tax effect	After tax
Cash-flow hedges	13	-3	10
Total	13	-3	10

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

NOTE 15 INTANGIBLE ASSETS

Group	Capitalized development expenditure		Ongoing capitalized development expenditure	
	2018	2017	2018	2017
<i>Accumulated cost</i>				
Opening balance	146	146	19	14
New acquisitions	9	–	4	5
Divestments and disposals	–	–	–	–
Reclassifications	–	–	–	–
Closing balance	155	146	23	19
<i>Accumulated amortization</i>				
Opening balance	–136	–131	–	–
Amortization for the year	–5	–4	–	–
Reclassifications	–	–	–	–
Closing balance	–141	–135	–	–
<i>Accumulated impairment</i>				
Opening balance	–5	–5	–	–
Reclassifications	–	–	–	–
Closing balance	–5	–5	–	–
Recognized residual value at year end	9	6	23	19

Parent Company	Capitalized development expenditure		Ongoing capitalized development expenditure	
	2018	2017	2018	2017
<i>Accumulated cost</i>				
Opening balance	141	141	19	14
New acquisitions	9	–	4	5
Divestments and disposals	–	–	–	–
Reclassifications	–	–	–	–
Closing balance	150	141	23	19
<i>Accumulated amortization</i>				
Opening balance	–132	–128	–	–
Amortization for the year	–4	–4	–	–
Reclassifications	–	–	–	–
Closing balance	–136	–132	–	–
<i>Accumulated impairment</i>				
Opening balance	–5	–5	–	–
Reclassifications	–	–	–	–
Closing balance	–5	–5	–	–
Recognized residual value at year end	9	4	23	19

Capitalized development expenditure pertains largely to different projects for the business system, a traffic-flow planning system and adapting data integration. The average remaining amortization period was one year.

Total development expenditure	Group		Parent Company	
	2018	2017	2018	2017
Development expenditure that has been expensed	34	28	34	28
Amortization	4	4	4	4
Total	38	32	38	32

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Group	Land, land improvements and buildings		Leasehold improvements	
	2018	2017	2018	2017
<i>Accumulated cost</i>				
Opening balance	38	38	60	60
New acquisitions	–	–	–	–
Divestments and disposals	–	–	–	–
Closing balance	38	38	60	60
<i>Accumulated depreciation</i>				
Opening balance	-20	-19	-60	-60
Divestments and disposals	–	–	–	–
Depreciation for the year	-1	-1	–	–
Change in Group composition	–	–	–	–
Closing balance	-21	-20	-60	-60
Recognized residual value at year end	17	18	0	0

	Transport equipment		Leased transport equipment		Equipment		Construction in progress	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>Accumulated cost</i>								
Opening balance	3,489	3,468	1,994	1,978	165	157	51	44
New acquisitions	85	15	11	16	0	1	98	47
Divestments and disposals	-14	-26	-126	-1	-4	–	–	–
Reclassifications	819	32	-790	1	20	7	-49	-40
Closing balance	4,380	3,489	1,089	1,994	182	165	100	51
<i>Accumulated depreciation</i>								
Opening balance	-1,985	-1,840	-664	-616	-142	-134	–	–
Reclassifications	–	-6	–	6	–	–	–	–
Divestments and disposals	13	25	127	–	3	–	–	–
Depreciation for the year	-168	-164	-55	-54	-7	-8	–	–
Closing balance	-2,140	-1,985	-592	-664	-146	-142	–	–
<i>Accumulated impairment</i>								
Opening balance	-114	-114	-801	-801	–	–	–	–
Divestments and disposals	–	–	–	–	–	–	–	–
Reclassifications	-778	–	778	–	–	–	–	–
Impairment recognized in profit or loss	–	–	–	–	–	–	–	–
Closing balance	-892	-114	-23	-801	0	0	–	–
Recognized residual value at year end	1,348	1,390	474	529	36	23	100	51

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 38 million (46). Purchases during the year totaled SEK 11 million (16).

Parent Company	Land, land improvements and buildings		Leasehold improvements	
	2018	2017	2018	2017
<i>Accumulated cost</i>				
Opening balance	2	3	60	60
Closing balance	2	3	60	60
<i>Accumulated depreciation</i>				
Opening balance	-1	-1	-60	-60
Depreciation for the year	0	0	0	0
Closing balance	-1	-1	-60	-60
<i>Accumulated impairment</i>				
Opening balance	0	-1	-	-
Closing balance	0	-1	-	-
Recognized residual value at year end	1	1	0	0

	Transport equipment		Leased transport equipment		Equipment		Construction in progress	
	2018	2017	2018	2017	2018	2017	2018	2017
<i>Accumulated cost</i>								
Opening balance	3,493	3,472	1,995	1,979	156	148	51	44
New acquisitions	85	15	11	16	0	1	98	47
Divestments and disposals	-14	-26	-126	-1	-4	-	-	-
Reclassifications	819	32	-790	1	20	7	-49	-40
Closing balance	4,384	3,493	1,090	1,995	173	156	100	51
<i>Accumulated depreciation</i>								
Opening balance	-1,990	-1,844	-665	-617	-134	-126	-	-
Reclassifications	-	-6	-	6	-	-	-	-
Divestments and disposals	13	24	127	-	4	-	-	-
Depreciation for the year	-168	-164	-55	-54	-7	-8	-	-
Closing balance	-2,145	-1,990	-592	-665	-137	-134	-	-
<i>Accumulated impairment</i>								
Opening balance	-113	-113	-801	-801	-	-	-	-
Divestments and disposals	-	0	-	-	-	-	-	-
Reclassifications	-778	0	778	0	-	-	-	-
Impairment recognized in profit or loss	-	-	-	-	-	-	-	-
Closing balance	-892	-113	-23	-801	-	-	-	-
Recognized residual value at year end	1,348	1,390	474	529	36	22	100	51

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 38 million (46). Purchases during the year totaled SEK 11 million (16).

NOTE 17 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	2018		
	Amortiza- tion	Interest	Total payment due
Within one year	73	5	82
Between one year and five years	473	7	476
Longer than five years	–	–	–
Total	546	12	558

Allocation of the liability by currency (trans- lated into SEK million), Group and Parent Company	Average interest rate over the year, %	
EUR	95	0.12
SEK	451	0.70
Total	546	0.60

	2017		
	Amortiza- tion	Interest	Total payment due
Within one year	108	4	112
Between one year and five years	271	36	307
Longer than five years	272	11	284
Total	652	52	703

Parent Company	2018		
	Amortiza- tion	Interest	Total payment due
Within one year	73	5	82
Between one year and five years	473	7	476
Longer than five years	–	–	–
Total	546	12	558

	2017		
	Amortiza- tion	Interest	Total payment due
Within one year	108	4	112
Between one year and five years	271	36	307
Longer than five years	272	11	284
Total	652	52	703

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 18 PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

Participations in Group companies, Parent Company	Corporate Registration Number	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	Corporate Registration Number	No. of shares in % ¹	Value of participating interest in the Group	Carrying amount at Parent Company
<i>Held directly</i>				
SeaRail OY, FI	FO 0206390-2	50	0	15
Total			0	15

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	2018	2017
Opening balance	1	340
Impairment	–	–73
Reclassification	–	–274
Dividends received	–3	–3
Share of profit	3	3
Exchange-rate differences	–1	8
Closing balance	0	1

The associated company DB Cargo Scandinavia was divested in 2018 and recognized in earnings from discontinued operations, net after tax.

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

2018	Country of domicile	Assets	Of which, current assets	Of which, non-current assets	Liabilities	Of which current liabilities	Revenue	Earnings	Participating interest, %
SeaRail OY	Finland	17 ¹	12 ¹	5 ¹	3 ¹	3 ¹	23 ¹	6 ¹	50

¹ Pertains to the December 2017 to November 2018 period due to different reporting dates.

2017	Country of domicile	Assets	Of which, current assets	Of which, non-current assets	Liabilities	Of which current liabilities	Revenue	Earnings	Participating interest, %
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.

NOTE 19 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		Parent Company	
	2018	2017	2018	2017
Leasing	-67	-143	-67	-143
Property, plant and equipment (declining balance method)	-510	-496	-510	-496
Loss carryforwards ¹	577	690	577	708
Other	19	57	24	39
Total temporary differences	19	109	23	109

Specification of deferred tax on temporary differences	Group		Parent Company	
	2018	2017	2018	2017
Leasing	-14	-31	-14	-31
Property, plant and equipment (declining balance method)	-109	-109	-109	-109
Loss carryforwards ¹	123	152	123	156
Other	4	13	5	9
Total deferred tax assets	4	24	5	24

¹ The total accumulated tax loss carryforwards amounted to around SEK 1,600 million.

Deferred tax liabilities recognized in profit or loss:	Group		Parent Company	
	2018	2017	2018	2017
Loss carryforwards	-14	-	-14	-
Total	-14	-	-14	-

Deferred tax liabilities recognized in other comprehensive income:	Group		Parent Company	
	2018	2017	2018	2017
Other	-3	-	-3	-1
Total	-3	-	-3	-1

NOTE 20 INVENTORIES

Carrying amount	Group		Parent Company	
	2018	2017	2018	2017
Diesel inventory	1	1	1	1
Spare parts inventory	25	18	25	18
Total carrying amount	26	19	26	19

NOTE 21 ACCRUED EXPENSES AND DEFERRED INCOME

	Group		Parent Company	
	2018	2017	2018	2017
Employee-related expenses	145	148	145	148
Infrastructure charges	55	22	55	22
Interest expense	6	5	6	5
Freight costs	135	86	124	76
Other accrued expenses	106	156	92	143
Other deferred income	52	49	52	49
Total	499	466	474	443

NOTE 22 PROVISIONS

Group	Restructuring		Total
	measures	Other provisions	
Opening balance	5	9	14
Provisions made during the year	13	0	13
Provisions utilized during the year	-15	-4	-19
Closing balance	3	5	8
of which current portion	3	5	8

Parent Company	Restructuring		Total
	measures	Other provisions	
Opening balance	5	9	14
Provisions made during the year	13	0	13
Provisions utilized during the year	-15	-4	-19
Closing balance	3	5	8
of which current portion	3	5	8

Other provisions relate to onerous contracts.

NOTE 23 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2018	2017	2018	2017
Prepaid rent and similar items	13	13	13	13
Other prepaid expenses	15	69	15	69
Accrued freight revenue	72	33	72	33
Other accrued revenue	15	12	18	16
Total	115	127	118	131

NOTE 24 PLEDGED ASSETS AND CONTINGENT LIABILITIES

Contingent liabilities	Group		Parent Company	
	2018	2017	2018	2017
Guarantees issued for associated companies	5	133	5	133
Total contingent liabilities	5	133	5	133

NOTE 25 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**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).

Specification of reserves

	2018			2017		
	Hedging reserve	Translation reserve	Revaluation reserve	Hedging reserve	Translation reserve	Revaluation reserve
Opening balance	-30	-4	-6	-32	-11	-5
Items that may be subsequently reclassified to profit or loss						
Opening balance, reclassification						
Cash-flow hedges, currency futures:						
Recognized in statement of comprehensive income	13			4		
Deferred tax	-3			-1		
Hedging of net investments in operations abroad:						
Recognized in statement of comprehensive income					-5	
Deferred tax					1	
Exchange-rate differences:						
Associated companies/subsidiaries		1			11	
Items that will not be reclassified to profit or loss						
Remeasurements of post-employment benefit obligations			1			-1
Deferred tax			0			0
Items reclassified to profit or loss						
Hedging of net investments in operations abroad:						
Recognized in statement of comprehensive income		7				-1
Closing balance	-19	4	-5	-30	-4	-6

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**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.

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	2018	2017
Opening balance	-30	-32
Cash-flow hedges, currency futures:		
Recognized in statement of comprehensive income	13	4
Deferred tax	-3	-1
Closing balance	-20	-30

NOTE 26 CASH-FLOW STATEMENTS, SUPPLEMENTARY DISCLOSURES

	Group		Parent Company	
	2018	2017	2018	2017
Interest paid and received				
Interest received	1	0	1	0
Interest paid	-28	-23	-28	-23
Adjustments for non-cash items, etc.				
Depreciation/amortization and impairment of assets	237	306	287	255
Capital gain/loss on sale of non-current assets	-5	-4	-5	-4
Exchange-rate differences in cash and cash equivalents	-	-	-	-
Currency revaluations	3	0	21	0
Currency revaluation, shareholdings	-	-	-7	-
Group contributions received/paid, unpaid/paid	-	-	-1	24
Provisions	20	17	20	17
Share in profit of associated companies	-3	-	-	-
Other	-	3	-	2
Total	251	322	315	294

Group	Closing balance 2017	Cash flows	Non-cash items	
			Revaluation	Closing balance 2018
Liabilities to credit institutions	851	-103		748
Leasing liabilities	652	-111	5	546
Derivative instruments	32	0	-8	24
Parent Company				
Liabilities to credit institutions	851	-103		748
Leasing liabilities	652	-111	5	546
Derivative instruments	32	0	-8	24

Cash and cash equivalents includes the following sub-components:	Group		Parent Company	
	2018	2017	2018	2017
Cash and bank balances	45	142	23	123

NOTE 27 OVERDRAFT FACILITY

	Group		Parent Company	
	2018	2017	2018	2017
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 200 million.

NOTE 28 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. The financial policy states that financial risks are to be minimized and controlled, and that liquidity must be secured. The Treasury Unit is responsible for managing financial risks.

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, 2018	Carrying amount	Contracted cash flows (of which interest)					
		6 months or less (of which interest) ¹	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)	748	748	0	2	746	0	0
Leasing liabilities	546	546	46	31	396	74	0
Fixed-income derivatives	24	24	5	5	7	5	2
		(24)	(5)	(5)	(7)	(5)	(2)

Liabilities on Dec 31, 2017

Liabilities to credit institutions (excl. leasing)	851	Contracted cash flows (of which interest)					
		6 months or less (of which interest) ¹	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)	
Leasing liabilities	652	703	81	31	88	219	284
Fixed-income derivatives	32	32	6	6	9	9	1
		(52)	(2)	(2)	(6)	(30)	(11)
		(32)	(6)	(6)	(9)	(9)	(1)

Maturity structure for borrowings, Parent Company:

Liabilities on Dec 31, 2018	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)	748	748	0	2	746	0	0
		(12)	(3)	(4)	(5)	–	–
Leasing liabilities	546	546	46	31	396	74	0
		(12)	(2)	(3)	(5)	(2)	–
Liabilities to Group companies ²	14	14	14				
		(0)	(0)				
Fixed-income derivatives	24	24	5	5	7	5	2
		(24)	(5)	(5)	(7)	(5)	(2)
Liabilities on Dec 31, 2017							
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)

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 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 2018, 93 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's business model includes using currency forward contracts to hedge projected transactions in foreign currencies. Forward contracts are held until maturity and measured at FVTOCI. Green Cargo's foreign currency contracts are primarily in EUR.

The fair value of forward contracts used to hedge projected flows totaled a net amount of SEK 0.3 million (neg: 7) at December 31, 2018. Of this amount, SEK 0 million (7) is recognized in the balance sheet as liabilities and SEK 0.3 million (0) as assets. In 2018, a negative amount of 37 (neg: 3) was transferred from the hedging reserve to net profit for the year.

The impact of currency derivatives on operating profit totaled negative 40 (neg: 3). The value of outstanding contracts, not taken up as revenue, is detailed in the following table.

Hedging of currency flows at Dec 31, 2018	EUR/SEK	Volume¹	Rate²
First quarter	2019	13	10.26
Second quarter	2019	14	10.26
Third quarter	2019	13	10.26
Fourth quarter	2019	13	10.35
Total		54	10.28
Closing-date rate	Dec 31, 2018		10.28
Unrealized gains/losses (SEK million) recognized in the hedging reserve ³	Dec 31, 2018		0.3
Hedging of currency flows at Dec 31, 2017	EUR/SEK	Volume¹	Rate²
First quarter	2018	19	9.76
Second quarter	2018	19	9.72
Third quarter	2018	16	9.75
Fourth quarter	2018	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

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.

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

Dec 31, 2018	Change	Impact on earnings	Impact on equity
EUR/SEK	+/-2.5%	+/-1 MSEK	+/-14 MSEK
Dec 31, 2017	Change	Impact on earnings	Impact on equity
EUR/SEK	+/-2.5%	+/-0 MSEK	+/-18 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- and loan-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, 2018, the Group had ten (11) open fixed-income derivatives, whereby floating interest rates were swapped for fixed interest rates, with maturities of between 17 months (11) and nine years (ten). Nominal amounts and interest rates for these are as follows:

SEK	Nominal amount (SEK million)	Fixed interest rate	Floating interest rate
2018	750	1.72	-0.35
2017	850	1.75	-0.59

The net fair value of fixed-income derivatives was a negative amount of SEK 24 million (neg: 32) at December 31, 2018 and comprised liabilities of SEK 24 million (32).

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

The interest-rate risk for the debt portfolio is +/- SEK 7 million (-/+ SEK 5 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 0 million (+/- SEK 1 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	2018		2017	
	Gross	Provision	Gross	Provision
Not past due	419	0	385	0
< 30 days	41	0	28	0
30–90 days	7	0	6	0
91–180 days	-1	0	6	1
> 180 days	4	5	7	7
Total	470	6	432	8

Parent Company	2018		2017	
	Gross	Provision	Gross	Provision
Not past due	345	0	313	0
< 30 days	32	0	23	0
30–90 days	0	0	5	0
91–180 days	-2	0	5	1
> 180 days	5	5	5	5
Total	379	5	351	6

Provision for doubtful accounts receivable:

	Group		Parent Company	
	2018	2017	2018	2017
Opening balance, provisions	8	11	6	11
Provision for probable losses	6	8	5	6
Reversal of previous provisions	-8	-11	-6	-11
Realized losses	0	0	0	0
Closing balance, provisions	5	8	5	6
Expense for the year for doubtful receivables	0.6	1	0.6	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, 2018	FVTPL	FVTOCI, liability instruments	Amortized cost	Total carrying amount	Fair value
Financial assets					
Other non-current investments	–				
Accounts receivable (external)			467	467	467
Derivative instruments	–	0			
Current investments	–				
Cash and bank balances			45	45	45
Total	–	0	512	512	512
Financial liabilities					
Leasing liabilities			546	546	546
Accounts payable (external)			189	189	189
Derivative instruments	0	24		24	24
Liabilities to credit institutions			746	748	748
Total	0	24	1,481	1,507	1,507

For more exhaustive information about the recognition of hedging instruments and hedged items, refer to Note 2 Summary of significant accounting policies.

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. Market prices have been used to this end.

Group and Parent Company

2018	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	–	0	–	–
Total	–	0	–	–
Financial liabilities				
Financial liabilities measured at FVTPL:				
– Derivative instruments	–	0	–	–
– Derivative instruments used for hedging	–	24	–	–
Total	–	24	–	–

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.

Financial assets and liabilities are measured in accordance with level 2. 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. Market prices have been used to this end.

Hedge accounting

At the end of 2018, hedge accounting was applied in accordance with IFRS 9 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.

For information about the amounts recognized in equity and the amounts removed from equity and recognized in profit or loss, see **Note 26** 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		Parent Company	
	2018	2017	2018	2017
Of which financial instruments categorized as:				
Assets/liabilities	1.5	–1.4	1.5	–1.4
Hedge accounting	–36.6	–2.8	–36.6	–2.8
Loans and accounts receivable	3.0	6.9	3.0	6.9
Other liabilities	–4.6	–3.3	–4.6	–3.3

NOTE 29 PENSIONS**General description of pension plans**

Employees at Green Cargo AB are covered by the Spårtrafikavtal, the Swedish rail workers' collective agreement, which stipulates that no distinction is to be made between salaried and non-salaried employees. Every employee at Green Cargo AB, regardless of role, belongs to the ITP plan, a collective agreement occupational pension.

ITP complements the statutory insurance covering illness, retirement pension and death. The plan consists of a defined-contribution occupational pension plan, ITP 1, and a primarily defined-benefit plan, ITP 2. Whether the employee is covered by ITP 1 or ITP 2 depends, as a rule, on the employee's age. Employees born in 1979 or later are part of ITP 1, and employees born in 1978 or earlier are part of ITP 2.

The ITP plan is insured through Alecta and administered by Collectum. Prior 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 (personnel on sick leave since the incorporation and for that reason could not be moved to another plan) 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. No personnel are part of the PA91 or the PA16 plans.

Forfeitable pensions also exist at Green Cargo AB. These were taken over from the subsidiary TGOJ Trafik AB as of January 1, 2011. The obligation and costs for these pensions are recognized in the Group in accordance with IAS 19.

The year's charges for pension insurances taken up with Alecta amounted to SEK 41 million (39). Alecta's surplus may be distributed to the policy holders and/or the insured parties.

According to a statement from the Swedish Financial Reporting Board, UFR 10, this is a multi-employer, defined-benefit plan. For the 2018 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.

At the end of 2018, Alecta's surplus in the form of its collective consolidation level was set at 142 percent (154). 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.

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 0.16 percent and 0.18 percent respectively (2017: 0.17 and 0.18, respectively).

Defined-benefit pension plans

Group	2018	2017
Present value of wholly or partly funded obligations	75	73
Fair value of plan assets	-68	-65
Deficit/(Surplus) in funded plans	7	8
Present value of unfunded obligations	7	11
Total deficit of defined-benefit pension plans	14	19
Balance-sheet liability including special payroll tax	14	19

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	Fair value of plan assets	Total
At January 1, 2018	84	-65	19
Service costs for the year	0	-	0
Interest expense	2	-2	0
Return on plan assets, excluding amounts included in interest expense	-	-3	-3
(Gain)/loss from change in demographic assumptions	-	-	0
(Gain)/loss from change in financial assumptions	3	-	3
Experience-based (gains)/losses	-3	-	-3
Special payroll tax related to remeasurements	-	-	0
Payments from the employer	-	0	0
Benefits paid	-4	2	-2
At December 31, 2018	82	-68	14

Plan assets are comprised

as follows:	Listed	Unlisted	Total
Equity instruments/shares	15	7	22
Interest-bearing securities	30	-	30
Property	7	-	7
Other (Business-strategic assets, raw materials, infrastructure, loan portfolio and other debt investments)	9	-	9
Total	61	7	68

Pension cost recognized in profit for the year

Group	2018	2017
Service costs during the current period	3	3
Interest expense	0	0
Pension costs including special payroll tax	3	3

The Group estimates that SEK 2 million will be paid in 2019 to funded (and unfunded) defined-benefit plans (recognized as defined-benefit plans) and that SEK 86 million will be paid in 2019 to defined-benefit plans (recognized as defined-contribution plans).

Assumptions pertaining to defined-benefit obligations

Key actuarial assumptions as of the closing date.

Group	2018	2017
Discount rate at December 31	2.20%	2.40%
Expected rate of salary increase	2.70%	2.60%
Change in income base amount	3.00%	2.90%
Inflation	2.00%	1.90%
Employee turnover	3.50%	3.50%
Utilization rate of forfeitable pensions	100.00%	100.00%
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	2018	2017
Present value of wholly or partly funded pension plans (-)	6	8
Present value of unfunded pension plans (-)	1	2

Net amount recognized pertaining to pension obligations

	7	10
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Change in net liability

Parent Company	2018	2017
Net liability at beginning of year pertaining to pension obligations	7	10
Cost of the company's own pensions recognized in profit or loss, excl. taxes (+)	3	3
Pension payments (-)	-3	-3
Net liability at year end	7	10

Net liability

	2018	2017
Non-forfeitable pension liability	6	8
Forfeitable pension liability	1	2
	7	10

Of which insured through PRI	7	10
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Of the net liability SEK 7 million is covered by the Pension Obligations Vesting Act.

Pension costs

Parent Company	2018	2017
<i>The company's own pensions</i>		
Service cost of pensions, etc.	3	2
Cost of the company's own pensions excl. taxes	3	2

Pensions through insurance

Insurance premiums or equivalents (+)	83	82
Pension cost for year excl. taxes	86	84

Recognized net cost attributable to pensions excl. taxes	86	84
--	----	----

Of the net recognized cost SEK 86 million (84) was in operations and SEK 0 million (0) in net financial items.

Group	2018	2017
<i>The company's own pensions</i>		
Service cost of pensions, etc.	3	2
Cost of the company's own pensions excl. taxes	3	2
<i>Pensions through insurance</i>		
Insurance premiums or equivalents (+)	84	85
Pension cost for year excl. taxes	87	87
Recognized net cost attributable to pensions excl. taxes	87	87

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

NOTE 30 APPROPRIATION OF PROFITS

Appropriation of profits

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

Profit brought forward	507,205,239
Fair-value reserve	-18,666,365
Loss for the year	-192,425,179
Total	296,113,695

The Board of Directors proposes that profits be distributed as follows:

To be carried forward	296,113,695
Of which to the fair-value reserve	-18,666,365

NOTE 31 EVENTS AFTER THE CLOSING DATE

Ted Söderholm was appointed as the new CEO for Green Cargo on January 7.

NOTE 32 ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

In 2017 Green Cargo decided to terminate the partnership with the associated company DB Cargo Scandinavia. An impairment of SEK 73 million was recognized in 2017 when valuing the holding at fair value under the item, Loss from discontinued operations, net after tax. Currency effects related to purchase and loan payments are reported under this point for 2018.

Assets classified as held-for-sale

Group	2018	2017
Current assets	-	274
	-	274

Liabilities attributable to assets held-for-sale

Group	2018	2017
Current liabilities	-	187
	-	187

Loss from discontinued operations, net after tax

Group	2018	2017
Share in associated companies	-11	-73
	-11	-73

Signatures

The Board and the CEO declare that 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 in Sweden 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, 2019

Jan Sundling

Chairman of the Board

Henrik Højsgaard

Board member

Margareta Alestig Johnson

Board member

Ann-Christine Hvittfeldt

Board member

Ingvar Nilsson

Board member

Michael Thorén

Board member

Anna Elgh

Board member

Jonas Blomqvist

Employee representative

Donny Sjöberg

Employee representative

Ted Söderholm

President and CEO

Our auditors' report was submitted on March 20, 2019

KPMG AB

Jenny Jansson

Authorized Public Accountant





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

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