green cargo

ANNUAL REPORT INCLUDING SUSTAINABILITY REPORT

2019


green cargo
Pure Performance

Contents

The sustainability report is presented on pages 10–38, 44–46 and 92–98 in the Annual and sustainability report 2019 and is the company's statutory sustainability report in accordance with the Swedish Annual Accounts Act.

Financial calendar 2020

Annual General Meeting	April 27, 2020
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Q4 interim report	February 13, 2021

On the right track

From day one, my first year as CEO of Green Cargo has been an exciting journey, one that has only just started and that I confidently anticipate continuing. It is a proud and ambitious company that I've had the opportunity to join and during the year I've met several skilled and experienced employees with drive and expertise in rail generally as well as Green Cargo and our customers in particular.

I've also met many engaged customers that have expressed high expectations in rail as a form of transportation and in Green Cargo as a supplier. There's a lot to be desired in many cases, and as a market leader it's our responsibility to improve what we can as quickly as possible and to otherwise actively steer the industry in a positive direction. Competitive logistics is a precondition for a functioning economy and we at Green Cargo are aware that we play an important role in our customers' success. We are determined to reach a level of quality that combines sustainability and a competitive edge. Our ongoing transformation has led to a number of positive trends in safety, punctuality and profitability but we can't for a second assume that we're done or take our customers for granted. We're aware that the increase in rail freight has to continue.

The economic situation in the operating environment have begun to show in the form of lower rail shipment volumes. But our strong base among Swedish industry means that changes in economic trends and economic downturns create challenges in our efforts to conduct operations profitably. The start of an economic downturn, lower transportation income and high transformation costs are the primary reasons for Green Cargo's weak performance in 2019.

> Rail is an industry of the future and a naturally important part of the solution to many of tomorrow's challenges, including climate change.

Our priorities are safety, punctuality and profitability, in that order

The company's priorities have gained recognition and it is clear in our annual employee surveys that our employees have increasingly more confidence in management and the direction we've taken. A great deal of work remains, so we can't rest on our laurels yet. A positive financial performance and permanent improvements require staying power. But we can see that we're doing makes a difference.

We operate in an industry where even one accident can have tremendous consequences. Safety needs to be our top priority no matter what. The most important and principal target is that no Green Cargo employee should lose their life or be injured due to operations. It is therefore incredibly painful that during the year we had a serious level crossing accident in an industrial area that led to the death of one of our employees. Our internal investigation, in collaboration with the industrial company, didn't reveal any deviations from prevailing shunting procedures and we're awaiting the completion of the investigation from the authorities.

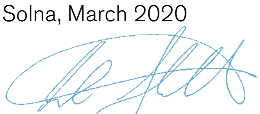
I'm not alone in thinking that the past year was characterized by hard work. The entire industry, and not least Green Cargo, began a necessary change for the continued appeal of rail as a form of shipment. We're working systematically with the portion of the system we can control. We're also working together with others in the industry, such as JBS (Järnvägsbranschens samverkansforum, the Railway Industry Forum) and TTT (Together for Punctual Trains) to address and improve robustness in the entire railway system and put the puzzle together piece by piece.

In autumn 2019 the industry and employer association Tågföretagen appointed me chairman, starting spring 2020. I'm putting on the chairman hat with equal parts humility and pride. Rail is an industry of the future and a naturally important part of the solution to many of tomorrow's challenges, including climate change. We have strong growth in the entire industry and interest is increasing for rail traffic for goods as well as people. At the same time, we're facing a major need for investment both in terms of new capacity and maintaining existing facilities.

Given Green Cargo's financial performance, we will continue to have challenges for a time going forward. During this time, we need to stay persistent and continue as before, executing and scaling up initiatives to streamline and stabilize internal processes and make broad improvements within structure, control and quality.

The honeymoon period is over for me and I hope that everyone feels we're on the right track. I know that we are. Full speed ahead!

Solna, March 2020



Ted Söderholm, CEO

We want to sharpen Sweden's competitive edge with an attractive rail freight offering

Rail transportation has a competitive advantage through its low impact on the environment. When it comes to freight transportation, this hasn't been enough. The share of rail freight in Sweden has remained relatively constant during the last few decades, while road freight has increased. There are many reasons for this, connected both to the ability of individual cargo operators but also the rules of the political game in the transportation market. Competition within and between different forms of transportation is good and benefits operators as well as customers. But it has to be on sound and clear terms. Transportation regulations need to be well thought-out and suited for a comprehensive transportation model where different forms contribute to, and are faced with, goals in both transportation and climate politics.

Silence on rail freight despite a clear political will

A sustainable and functioning cargo transportation is essential for Sweden's key industries and for Sweden as a trading nation. All forms of transportation are necessary, both today and in the future, but rail's role has never been more essential. The resounding silence on rail freight is therefore noteworthy. Last year Green Cargo transported 22 million tonnes of goods. If the same amount of goods had been transported by road, this would equate to nearly one million truckloads with each truck needing to drive roughly 500 km. It's exciting to see how quickly important changes are being made in all areas of transportation. But the size of the ton kilometrage on railways and its meaning for Swedish basic industries – both today and in the future – must be clear to us.

We need to shift focus from treating Sweden's transportation system like a permanent exhibition at the World's Fair to making it a permanent global operation. Train operators can not do it all themselves – like all the other transportation forms, rail needs a functioning infrastructure as well as functioning politics that govern based on established targets.

In 2018, the government proposed a new cargo transportation strategy for efficient, capacity-strengthened and sustainable freight transportation. It is concrete and clear with a realistic focus, which is gratifying and inspires confidence Now we have to move from words to deeds. Operators, the Swedish Transport Administration and not least trade and industry need to accept the consequences of the strategy and its prerequisites. Now we have to realize this strategy together to see its effects.

Being sustainable means being responsible

Rail is an advanced process industry that needs all major operators in the system to strive for operational excellence. Agreement and collaboration in the industry are essential. During the spring, Green Cargo's CEO Ted Söderholm will assume the role of chairman in the industry and employer association Tågföretagen. He has also already been a member of the board of JBS for a year. The largest actors in every industry need to take the

> A sustainable and functioning cargo transportation is essential for Sweden's key industries and for Sweden as a trading nation.

most responsibility, so as market leader Green Cargo is especially focused on actively developing a sustainable transportation system.

Although definition of sustainable development is 30 years old, it has never been more important than today. We still need development which meets the needs of current generations without compromising the ability of future generations to meet their own needs. As far as I'm concerned, corporate governance isn't just an obligatory part of the Administration Report. Governance and leadership in a company need to be engaging and clear for everyone. When Green Cargo was founded in 2001, the choice in name was a deliberate strategy. Taking societal, environmental and financial responsibility is how the company wanted to conduct its operations.

Today, when the company's financial situation is challenging, we know that we have to stick to the course we laid and remain constant in our priorities: safety, punctuality, profitability. These priorities apply from the board, through Ted and his management, to all regions where Green Cargo is represented.

Solna, March 2020

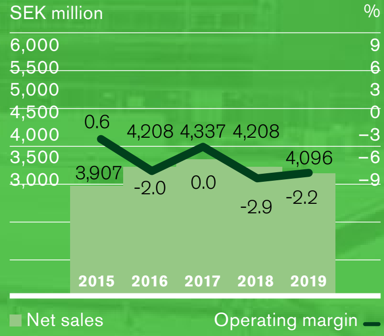
Jan Sundling, Chairman

Green Cargo in brief

Net sales SEK
4,096
million (4,208)

Earnings SEK
–93
million (–122)

Net sales and operating margin



Freight volumes SEK
10.5
billion net tonne kilometers

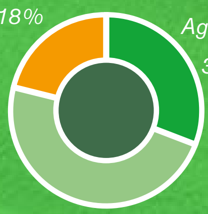
Number of employees
1,700

Number of locomotives
360

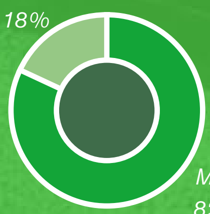
Number of wagons
5,000

Network of freight forwarders
50

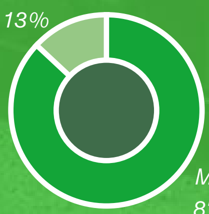
Age distribution



Gender balance in the company



Gender balance in management



Traffic-safety index
95.4
(93.7)

Punctuality, %
90.7
(89.4)

Customer satisfaction
3.33
(3.16)
Scale from 1 to 5

Read more about all of our goals on page 25.

Significant events during the year

Business won but volumes decline
The company saw the beginning of an economic downturn in 2019, which has generated lower transportation volumes. Despite this, demand for the company's services remains healthy. During the year, new freight agreements were signed including those with IKEA, DB Schenker AS (Norway), Holmen and Scanlog. Green Cargo signed a total of SEK 550 M in new freight agreements.

Green Cargo establishes a framework for green finance
The company's goals are for the primary portion of new financing to be classified as green or otherwise related to sustainability and during the year developed a framework for green finance. The framework aims to strengthen the company's sustainability efforts in all areas.

A serious workplace accident
There was a serious workplace accident in 2019 at a level crossing in an industrial area in Piteå. One of our employees suffered fatal injuries.

Ted Söderholm appointed as the new CEO for Green Cargo
Ted Söderholm was appointed as the new CEO for Green Cargo AB in early January 2019. Ted joins from DHL Express Sweden where he served as CEO.

New Board members
New members were elected to the Board of Green Cargo: Charlotte Gaarn Hansson, own operations at Scandinavian Insight Consulting; Catarina Fritz, CFO and vice-CEO of Akademiska Hus and Håkan Åkerström, CEO of Bergendahls Food AB.

Recipe for success for shorter sickness absence
The goal for sickness absence in 2019 was 4.8% and the final outcome was 4.1%. The effort to lower sickness absence has been a prioritized area for quite some time. Analyses and follow-up on the company as well as individual level provides us a solid foundation for choosing health-promoting activities in which early initiatives were essential.

Railway transportation essential for a sustainable transportation sector

Among modes of transport, rail is the most energy efficient and has the least negative impact on the environment, even if other modes of transport will be more electric driven in the future. Collaboration between modes of transport remains important but space- and energy-efficient transportation will be key in meeting both the EU's and Sweden's ambitious climate goals. Rail traffic also has clear traffic safety advantages.

According to the European Commission's report, the rail market employs more than one million people through rail companies and infrastructure managers. European rail traffic transports around 1.6 billion tonnes of freight and nine billion passengers every year. The rail market contributes considerably to the EU's economy as well as financial and social cohesion and strengthens the bonds between citizens within and between EU countries. Railway transportation is therefore significant in the EU's strategy for a more sustainable transportation sector.

EU transportation politics in brief

Shift2Rail, founded in 2009, is the first joint European railway collaboration for the railway system of tomorrow. It is a public-private collaboration that includes the Swedish Transport Administration. The project focuses on research, innovation and market-driven solutions as well as accelerating the implementation of new and advanced technological solutions, products and services. Its goals are to realize the EU's ambitions for the transition from road to rail and to support the competitiveness of the European rail industry and the development of a joint European railway system.

In 2010, the EU adopted an ordinance describing nine freight corridors to drive development towards more efficient and attractive rail freight on the inner EU market, the "Trans-European transportation network" – TEN-T. The TEN-T ordinance aims to reduce bottlenecks and build, maintain and upgrade infrastructure between member states.

The EU is also working to open up the European railway system for competition. In the EU's plan, the railroad plays an important role in tomorrow's travel and transportation, particularly when it comes to reducing greenhouse gas emissions from the transportation sector.

Before the 2018 COP24 climate conference in Katowice, Poland, the EU commission presented a new long-term strategy for reducing greenhouse gas emissions, with a goal of climate neutrality by 2050. In this strategy, railways are named as one of the most efficient solutions for freight transportation over medium-to-long distances. The commission also states that operational and technological barriers need to be eliminated and that innovation needs to be supported.

A clear national plan in Sweden

The national plan for the transportation system for the 2018–2029 period was adopted in May 2018. It is characterized by increased appropriations to the railway system. The Swedish Transport Administration's focus in relation to the plan is primar-

* The sixth report on monitoring development of the rail market – from the European Commission to the European Parliament and Council (February 2019).

ily to address acute bottlenecks as well as operating, maintaining and reinvesting in the existing system.

In June 2018, the government presented a freight strategy for efficient, capacity-strengthened and sustainable freight transportation. The strategy aims for a modern, forward-looking freight transportation system where freight transportation is efficient and smart, taking advantage of the railway's full potential and using a larger portion of maritime shipping capacity. The Swedish government has identified freight transportation's significance for several political goals, including goals within transportation politics, business politics and Agenda 2030 and Sweden's climate strategy. In addition to the freight transportation strategy, in 2018 the government assembled a freight transport advisory council and voted on several important tasks for bodies including the Swedish Transport Administration.

During the third quarter of 2019, the Administration presented one of its tasks connected to the strategy. Its conclusion was that the Administration's strategy needs to be more goal-oriented, systematic and orderly to increase the share of rail and maritime freight. Possible initiatives highlighted by the Administration's report include early implementation of measures to enable transportation with longer and heavier trains, extending existing by-passes and passing loops as well as discounted track fees for certain stretches and traffic. To work with a clearer and more comprehensive concept, the Administration will now develop a concrete plan for transitioning freight from road to rail and water. This also includes strengthened planning, closer collaboration with all operators in the transportation chain and increased intermodal freight expertise.

Rail traffic has increased considerably. In Sweden alone, passenger traffic has increased 120% over the last 25 years, while freight has remained relatively constant. According to the industry and employer association Tågföretagen, there are favorable preconditions for doubling freight capacity by 2030 compared to 2014, assuming several political instruments are in place.

Nordic investments in railways

The current national transportation plan in Norway runs from 2018 to 2029 and efforts to develop the next plan, for 2022 to 2033, are under way. The current plan has major investments related to passenger rail traffic, preferably across shorter distances. The plan also includes a specific "freight package" that aims to improve rail freight competition. Some points include:

- Upgrading Alnabru terminal
- Electrification of certain stretches of track
- Modernizing the freight terminal in Bergen
- New passing loops or extensions of existing passing loops.

The conditions for transporting goods via rail in Norway are challenging. The topography of the Norwegian railway system has gradients up to 0.026%, compared to up to 0.017% in Sweden. The overall passing loop length does not permit trains longer than 475 meters. This is a major limitation in relation to Sweden, where the system has capacity for trains up to 650 meters in length. Another precondition necessary for longer trains is prioritizing freight trains in tactical and operative planning.

Green Cargo's view of the freight transportation strategy and the Swedish Transport Administration's work for the government

We are able and willing to be part of the solution by realizing the Swedish freight transportation strategy developed in 2018 and we welcome many of the measures that the Administration presented in its work for the government. Several proposals are excellent. For example, a revised measurement of carbon emissions in socio-economic calculations, efficiency-enhancing measures like improving bearing capacity to minimize speed reductions for heavy trains, improved train acceleration and electrification, extending existing passing loops, new passing loops, streamlining marshalling yards and increased vehicle clearance profiles. In its report, the Swedish Transport Administration also recommends implementing the measures in the national plan ahead of schedule if finances allow. We are pleased with this.

Obviously we have areas we need to work on internally to ensure not only that the railway remains an attractive form of transportation overall, but also that Green Cargo remains an attractive freight transportation supplier. We know several solutions for improved quality and punctuality are under our control.

If climate goals are going to be reached, political drive is also required to incentivize transitioning ton kilometrage from road to rail. We already know that the transportation sector is facing a major transition. Focus is on energy and emissions, traffic safety and congestion as well as creating favorable transportation opportunities that connect the country and that strengthen competition in the Swedish economy. We believe that politicians need to have the courage to base transportation politics on the climate challenge and to make more political decisions that increase competitive neutrality between forms of transportation.

Green Cargo is a sustainable logistics partner with environmentally friendly transportation solutions

Green Cargo's vision is world-class rail logistics. The vision governs how we think, act and communicate. Sustainability has been a natural topic in our operations for a long time, and we take societal, environmental and financial responsibility. When we talk of sustainable logistics, we don't just consider the climatic element, but also the traffic safety, punctuality and cost-efficiency of our shipments.

Green Cargo is wholly owned by the Swedish State and administered by the Ministry of Enterprise and Innovation. As a state-owned company, Green Cargo is to set a positive example for sustainable business. In Green Cargo's case, this entails applying broader perspective than the mere financial to the control and leadership of the company using a balanced scorecard that we call Måltavlan. Sustainable business operations in terms of societal, environmental and economic sustainability are ensured by using the company's vision, business concept and values as a foundation. Read more about each of our objectives on pages 24–36.

Today, Swedish industry holds a world-class position and contributes to growth. Export revenue is essential for the welfare of Sweden. Competition is fierce in the now global market, and Sweden's geographical position could leave it at a disadvantage considering the distances from production facilities to customers. To overcome this, a well-functioning transportation system is essential. In some basic industries, rail transportation is the only alternative, and for others it is the obvious choice for climatic reasons. For others, rail transportation is an important part of a logistics that includes collaboration with maritime and road transportation.

Green Cargo is a sustainable logistics partner and crucial for Sweden's trade and industry. Round the clock, our freight trains transport raw materials from forests and mines to the process industries, and consumer goods to the retail sector. The logistic system is the foundation of Sweden's prosperity and consumption, and in many cases, the products traveled by train before arriving in the hands of consumers.

A large network with destinations to the entire continent

Green Cargo connects 300 locations in Sweden, Norway and Denmark, and meets transportation needs that vary from one wagon to entire train sets. The freight network consists of some 50 road carriers in Sweden who supply truckloads to and from the train. Combining rail with road solutions allows many companies

VISION

"World-class rail logistics"

BUSINESS CONCEPT

We develop and deliver efficient and sustainable rail logistics with Scandinavia as our home market

VALUES

We are competent, We accept the challenge, We care, We deliver

OBJECTIVES

Safety, Employee, Environment, Customer & Quality, Finance.

to choose rail even when not connected to a track. Together with partners, Green Cargo links the Swedish market to nearly 2,000 destinations in continental Europe. Green Cargo's system has approximately 5,000 wagons, 360 locomotives and employees in all of Scandinavia to meet the transportation needs of the economy. Green Cargo is also Norway's second largest rail freight operator with daily traffic between Oslo and the main cities of Bergen, Stavanger and Trondheim.

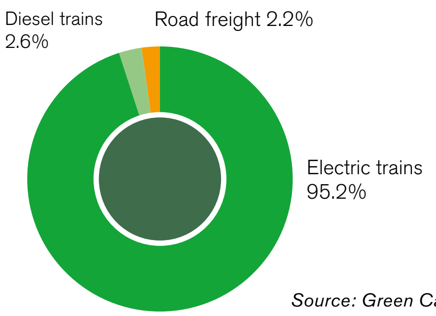
Slightly more than 95 percent of Green Cargo's ton kilometrage is carried out by electric trains, about 3 percent by diesel trains, and about 2 percent by truck. By engaging Green Cargo, you can rest assured in the knowledge that your shipment is delivered with minimal climate impact, high safety and sound employee working conditions.

Surface- and energy-efficient transportation

The railway's share of long-haul freight transportation in the Swedish market has, in terms of volume, remained relatively stable at around 20% during the last few decades. Traditionally, railway's strength is in large volumes and long distances. Together with its environmental aspects, this gives rail its primary competitive advantages. Transporting freight via rail is not only the most climate-smart option, but it is also one of the more surface-efficient transportation alternatives. An average freight train (wagon load) represents around 20 trucks. That is why we believe it is entirely natural that rail freight is a central part of reaching climate goals with limited encroachment on cities and the landscape.

Green Cargo is an important actor for realizing the government's freight strategy. We are already delivering large-scale, fossil-free freight shipments via electric train. Our shipments are carried out with low energy consumption using renewable energy. Electric trains make up over 95 percent of our ton kilometrage, meaning the climate impact relative to the weight of goods transported is next to zero.

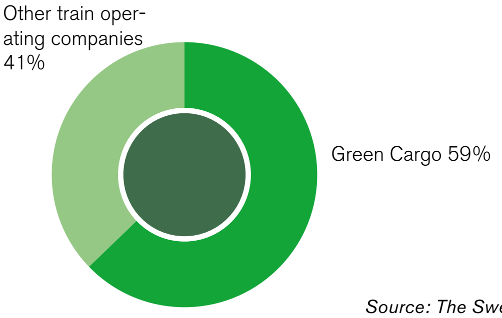
Distribution of Green Cargo's ton kilometrage by type of transportation, 2019



Source: Green Cargo

Green Cargo's share of rail freight in Sweden 2019

Kilometers, rail:



Source: The Swedish Transport Administration

The key to sustainable logistics is in collaboration between different forms of transportation. Rail transportation should be chosen when possible and connected with other forms of transportation when needed.

Extensive experience and broad industry expertise for better logistics solutions

Green Cargo is the largest train operator in Sweden. There is a wealth of experience on freight transportation within the company, whether it concerns rail logistics or road transportation. With a sales organization that encompasses and takes responsibility for a range of different industries, the company has a great understanding of the needs of the market and its customers. We are developing logistics solution to manage industry parameters such as cost efficiency, delivery stability, varied load sizes, flexibility and sustainability.

The company's customers are found in the basic industries, where forestry, steel and paper dominate. But our customers also represent other sectors such as the chemical, energy, engineering and automotive industries, as well as the grocery retail sector. A large portion of Green Cargo's customers have international freight flows and to deliver international transportation, we collaborate with skilled partners on the continent.

Industry: Steel and Chemicals

Green Cargo has customers in Steel and Chemicals who have large, investment-intensive facilities. They have complex and varying flows and goods are transported both nationally and internationally between harbors and industries. Freight typically consists of finished steel products, ore, scrap iron and chemicals such as hydrogen peroxide and sulfur products. For steel customers, transportation capacity is of the utmost importance and Green Cargo provides unique transportation solutions that can be integrated into the customer's production processes. Quality and safety are important when transporting chemicals, which are classified as hazardous goods. Transportation is tailored for regular flows in specialized freight transport as well as for single freight transportation in Green Cargo's wagon load system.

Industry: Forestry

Our services in Forestry include transporting forestry products within the timber/pulpwood, woodchip/biofuel, cellulose/pulp, paper, waste paper and sawn timber segments. Most of the volumes are exported to Europe and, through ports, to the rest of the world. Paper mills and saw mills, which need to transport large volumes every day, fit well into Green Cargo's network. Large, regular flows are shipped in specialized freight transport arrangements. Transportation solutions are based on customer needs, where volume, frequency, wagon and load carrier solutions are components that impact how the logistics solution is designed. When all the included components work together, it creates cost-efficient, stable and punctual shipments, which is an important part of the customer's entire distribution chain.

Industry: Trade and Logistics

We offer our Trade and Logistics customers transportation for supermarkets, the automobile industry, shipping lines, freight forwarders and the construction sector. Transportation is based on customers' needs for freight transportation by rail, or road in conjunction with rail, and runs both nationally and internationally. High delivery precision is important and close collaboration with the customer is essential to customize the transportation solution to their needs.

Fleet strategy for increased capacity and reduced transportation costs

The lack of capacity in parts of the railway system is significant and, combined with the need for more rail transportation in order to meet Sweden's climate goals, heavier and longer shipments are a necessity. Stronger locomotives and wagons with increased payloads are required to achieve the government's targets.

As part of the company's fleet strategy and to meet customer needs, Green Cargo has strengthened its fleet of assets and purchased new Softronic Transmontana Co-Co electric locomotives (MB locomotives). The locomotives create increased capacity and generate possibilities for more efficient logistics solutions, especially for heavier traffic plans. Moreover, the increased tractive power means a lower environmental impact since, in total, less energy is used compared with running a higher number of lighter trains. In 2019, six locomotives were delivered to Green Cargo. In 2020, six locomotives will be delivered and in 2021, four more. In total, we will have 16 MB locomotives operating by 2022.

Efficient vehicle maintenance for an accessible and reliable vehicle fleet

Maintenance includes both technical and administrative measures during a vehicle's life to maintain and improve the vehicle system's safety, expected quality and customer delivery and value such as production resources and equipment.

As older vehicles are phased out and new vehicles are acquired, Green Cargo needs to future proof the development of more efficient methods, facilities and resources. By taking the initiative and producing new facilities, or expanding existing ones, and working closely with relevant suppliers and other stakeholders, we create opportunities to develop facilities, roles and responsibility allocation.

Green Cargo's own workshops are essential for creating healthy competition but also for further developing our customer maintenance expertise and increasing vehicle accessibility. Expertise at maintenance depots is a precondition for, with input from locomotive and wagon technicians, making maintenance more proactive.

Monitoring the condition of vehicles and infrastructure will grow considerably and enable more predicative and preventative maintenance. This applies to system support and measuring methods as well as collaboration with the Swedish Transport Administration on mutual monitoring, etc. Monitoring contributes to more robust traffic as well as cost-effective maintenance.

Improving preventive maintenance requires systematic work with maintenance optimization and constant improvements. This will lead to increased vehicle accessibility and improve punctuality and regularity. Another project that we are conducting is developing automatic wagon coupling, which improves the work environment as well as efficiency.

Customer oriented business development

In light of the company's financial position, Green Cargo launched a transformation program in the autumn of 2018. With an increase of internal checks and stability we will improve safety, punctuality and profitability. The program focuses on both commercial and operational areas and includes a number of measures to improve profitability and our corporate culture.

Green Cargo's main priorities are safety, punctuality and profitability. The first two are not guarantees for long-term profitability, but are categorical prerequisites. The economic situation today is strained and our customers are affected by needlessly large gaps in quality. We see potential for improving structure and organization within as well as between departments and have therefore started a transformation program. Focus is primarily on creating robust processes that benefit our customers, employees and the company's profitability and on strengthening our improvement culture.

Green Cargo has chosen work and improvement areas for the program that will lead to a healthy balance between fast and long-term results. Consideration is given to the extent the organization has to carry out the changes.

In 2019, several measures were carried out with satisfactory results and we are beginning to see their effects. For example, there are already positive trends in the traffic-safety index and punctuality. Profitability-enhancing measures have also started to yield results.

Three concrete examples of work flows in the program:

1. Continually and systematically working to improve our punctuality

- Production quality groups have been established and are working continuously to analyze the trains that lead to significant delays in the network. The focus is on understanding the cause for delay so that it can be addressed and avoided in the future.
- Establishing new processes for systematic problem solving in the Locomotive and Wagon departments to identify and prevent recurring problems that cause unplanned stops on the line.
- To increase commitment and understanding, we have visualized the connection between punctuality and regularity with the customer's experience of Green Cargo's performance.

Effect: Increased punctuality to our customers and a better work environment for our employees through the systematic removal of obstacles that make it difficult for trains to leave on time.

2. Strong focus on safety has led to results in the marshalling yards in Gävle and Sävenäs. Rollouts at other marshalling yards will continue gradually

- The program has a strong focus on safety. Identifying and highlighting risks contributes to positive developments in the number of reported incidents and dangerous conditions.
- By reporting more incidents and dangerous conditions, we can better prevent and thus reduce the number of accidents.
- More comprehensive reporting in our deviation management system can also be used as a foundation for prioritizing between implementing measures in different areas.

Effect: Safer work environments for our employees through proactive and systematic work to eliminate dangerous environments and behavior in our operations.

3. Optimizing resources and production based on our customers' needs

- We have further developed our manpower planning tools and processes for better control over train driver needs so we can create a better balance between need and access.
- Highly focused work is also being conducted to create agreement and joint processes between the marketing and planning departments to enable continuously optimized production for any changes in customers' needs.

Effect: Higher regularity and better quality for our customers as well as a healthy balance between customer needs and our capacity is an important precondition for creating profitability.

The sustainable choice

Green Cargo is a sustainable logistics partner. By collaborating with us, you can rest assured that shipments are made safely, with minimal environmental impact and fair and safe working conditions for employees.

Societal responsibility

We always take our environment into consideration and we are responsible for promoting a well-functioning society and Swedish industry. Our operations comprise a safe and attractive workplace, and we welcome and maintain an open dialogue with our stakeholders.

Small climate impact

We work continuously to minimize the climate impact of our operations. We offer our customers climate-smart and clear logistics solutions and create increased insight into and understanding of freight transportation's impact on the environment.

Economic sustainability

The sustainable undertakings in our offering lead to long-term customer relationships. The goal is to meet our owners' financial requirements for sustainable long-term financial performance and to make our customers more competitive.

Green Cargo's network

Green Cargo has a transportation network that offers sustainable, safe and punctual transportation within Scandinavia and to and from the rest of Europe. Green Cargo makes effective use of marshalling yards and maintains frequent deliveries between them. We connect around 300 locations in Sweden, Norway and Denmark, and we operate 400 freight trains every day, shipping the equivalent of around 8,800 truckloads. With our partners, Green Cargo is able to reach thousands of destinations in Europe.

››› Green Cargo has a complete offering with door-to-door delivery to the vast majority of European destinations. Green Cargo's network in Sweden is linked through the following connections:

- Routes (BelgiumDirect, ItalyDirect, DenmarkDirect, AustriaDirect)
- Custom tailored solutions between destinations in the Nordic region and the rest of Europe
- Connections between Sweden and Norway via Oslo and Narvik
- Haparanda – Torneå
- Ferry connections between Trelleborg and Rostock

››› Green Cargo has its own license and operates wagon load solutions to Kolding in Denmark.

››› Green Cargo is a member of Xrail, a production alliance between seven European train operators that simplifies the transportation of cargo through the wagon load system in Europe.
Other members in Xrail include:

- CFL Cargo, Luxembourg
- DB Cargo, Germany
- Rail Cargo Group, Austria
- SBB Cargo, Switzerland
- Lineas, Belgium
- Fret SNCF, France

Logistics should be simple

Green Cargo offers cost-efficient and eco-friendly shipments from A to B, and door-to-door solutions with rail-based freight. We manage large quantities of goods, with high frequency and wide distribution. Through customized transportation solutions, we ensure that freight arrives at the right place and the right time in the right condition.

As a cog in the Swedish economy and with full overview with customer-unique logistics solutions, Green Cargo helps the Swedish economy achieve the ambitious climate goals set by the EU and Sweden's government. Green Cargo has extensive experience customizing traffic plans based on customer needs and assembling all the elements of the logistics chain. We understand that we are one part of the logistics chain, and apply a cost-effective approach to the greatest degree possible. Operations method, type of wagon, power and timetable are adapted based on customer needs.

Different steps in the transportation chain can require different forms of transportation and we do not maintain that rail transportation is optimal for everyone. The key to sustainable logistics is in collaboration between different forms of transportation. Rail transportation should be chosen when possible and connecting rail with other forms of transportation when needed is an unbeatable combination. We know that many are surprised at how effective, cost-optimized, safe, reliable and environmentally sustainable a rail transportation solution is. Especially when the railway comes into the chain early on, and when large volumes of freight need to be transported long distances.

FLEXIBILITY

WAGON LOAD

Green Cargo is the only company in Sweden that conducts wagon load traffic. The applicable model of wagon load traffic is based on combining specialized freight transportation, intermodal freight and classic wagon load volumes in the same train as efficiently as possible to achieve high frequency, short lead times and maximum efficiency. Transportation operates where available or as an offering where capacity is guaranteed.

We help our customers transport one or more rail wagons with fixed delivery times in existing train departures. We have wagons suited to all types of freight. Wagons, retrievals and deliveries at loading places are included. Wagon loads are also available as a door-to-door solution, that is even to destinations that are not connected to the rail network. Wagon load transportation suits operations that require freight transportation on both regular and temporary bases.

REGULARITY

SPECIALIZED FREIGHT TRANSPORT

Specialized freight transportation includes customer-unique system solutions for transporting large volumes between fixed destinations. This solution is for customers who need regular transportation capacity between fixed destinations in the block train that can be integrated into the customer's production process. Together with the customer we create a transportation solution entirely customized to the customer's own internal logistics and needs within quality, flexibility and volumes. Specialized freight transport usually involves the utilization of an entire train. The timetable, wagon and load-carrier solutions, etc. are based on customer requirements.

POSSIBILITIES

INTERMODAL

Intermodal traffic is suitable for customers with no direct rail connection and is the most efficient and environmentally friendly transportation alternative for loose load carriers. Where the rail network coverage is insufficient, we combine rail and road, by offering transportation of intermodal units, such as trailers, swap bodies and containers. We offer transportation between 40 terminals according to a fixed timetable. The traffic plan suits customers who require the transportation of standardized units between terminals and ports and destinations outside the rail network.

COLLABORATION

ROAD FREIGHT

For increased flexibility and operations that require long-distance and local transportation by road, or a combination of road and rail freight, we can complement our rail-freight services with tailored solutions for transportation to and from the train, ferry and other local transportation as well as distribution.

SPECIALIST EXPERTISE

SPECIAL LOADS

Special loads are customer-unique transportation of wagons that require special handling due to weight, measure, fragile goods, complicated loading and unloading, etc. Our special loads team has excellent expertise, track familiarity and contact with the Swedish Transport Administration, which simplifies planning special loads with the customer.

TOTAL SOLUTIONS

OTHER FREIGHT-HANDLING SERVICES

For the best possible total solution, Green Cargo can offer loading and unloading of containers from one transportation alternative to another. We also offer warehousing, storage and freight lifting. We have the capacity to launch, operate or outsource terminal operations thanks to our extensive network of contacts, which also supports our local connections throughout Sweden.

A reliable transportation solution to Primagaz's end customer

Primagaz has decided to reduce its climate impact. Environmentally friendly transportation is an important part of this decision. Today they primarily use rail solutions for longer stretches and tank trucks for end customers who are close by, or for places outside the rail network. The share is currently equal between road and rail.


Photo: Primagaz

> Our customers' needs and conditions are unique. A reliable, safe transportation solution for reaching the end customer with a minimal environmental impact is of the utmost importance.
>
> Martin Svensson, CEO of Primagaz Gasol Sverige AB

Primagaz Gasol Sverige AB delivers LPG from its operations in Karlshamn to large parts of Scandinavia and further out in Europe. LPG is transported by boat to Primagaz's own import terminal in Karlshamn and then distributed to customers across the country by rail, tank trucks or their own LPG network. Exports from the terminal are mainly via boat.

"Our customers' needs and conditions are unique. A reliable transportation solution for reaching the end customer is of the utmost importance. As long as the customer's facilities are accessible through tank truck, rail or boat, we can deliver LPG to our end customers efficiently, safely and with minimal impact on the environment," says Martin Svensson, CEO of Primagaz Sverige AB.

In 2019, Green Cargo transported a total weight of approximately 65,000 tonnes for Primagaz within Sweden. By transporting freight via rail, carbon dioxide emissions are reduced by approximately 490 tonnes per year compared with transporting via road.

According to Primagaz, rapid developments in the energy industry mean that rail has several advantages and that there is potential to further develop it as a transportation alternative.

"We operate in a competitive market where logistics solutions become a competitive advantage. Trustworthy, punctual and safe transportation that has a minimal impact on the environment is something our end customers appreciate," says Martin Svensson.

Primagaz has a high level of confidence in Green Cargo. Green Cargo's extensive experience, high quality and productive collaboration is greatly appreciated. Martin continues:

"They are a trustworthy and productive collaboration partner with well-functioning machines."

The delivery quality of Green Cargo's railway solutions is quite high. With specialized freight transport of 14 wagons twice a week between the LPG terminal in Karlshamn and a major basic industry in Borlänge, punctuality is between 95 and 100 percent. Green Cargo and Primagaz have collaborated for over 20 years. In the last three years, in the contract we have today, there has been only one deviation.

"This is something we are obviously very proud of. The robust traffic plan we have created together with Primagaz is the key to our success. We cooperate closely and have very clear communication," says Lennart Andersson, sales executive and Key Account Manager at Green Cargo.

Primagaz is not Green Cargo's only specialized freight transport customer. A number of relationships are included in Green Cargo's wagon load system with final destinations in areas like Eskilstuna and Norrköping. In some transshipment depots, Green Cargo also ensures that it is efficient and easy for Primagaz to transfer LPG from train to tank trucks to reach the end customer. Meeting safety requirements and other conditions is of the utmost importance.

"We provide a logistics solution that Primagaz can trust. We are committed to a high level of punctuality and quality as well as safety in transportation," says Lennart Andersson.

Like other rail solutions, Primagaz's railway transportation faces challenges in the form of infrastructural disruptions and track improvements. That is when it is especially important to have clear communication and a close collaboration. Green Cargo's focus then is adapt the customer's specialized freight transport to conditions that lead to the least possible impact for Primagaz's end customers. Primagaz maintains that digital solutions can be a success factor in managing these transactions even more efficiently.

"In the future, I hope that there will be improved digital solutions that simplify these challenges for everyone. If our systems could talk to each other, if we could prevent system failures and reduce manual management, then I'm convinced that the transportation solution would be even more efficient," concludes Martin Svensson.

Customer's transportation challenge: Sustainable, cost-effective and punctual transportation of LPG to end customers with unique needs.

Green Cargo's solution: Specialized freight transport with two block trains with 14 wagons per weak from the LPG terminal in Karlshamn to major basic industries in Borlänge and wagon load transportation to smaller end customers. Solutions are adapted entirely based on the customer's needs.

Customer value: Trustworthy, punctual and safe transportation that has a minimal impact on the environment.

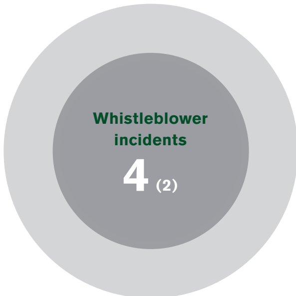
Sustainable logistics – more than just green transportation

For Green Cargo, sustainability means shipments with a minimal climate impact, a safe and healthy work environment, respect for human rights, good and decent working conditions, and sustainable finances. It also encompasses good business ethics and working actively with equal opportunity issues as well as taking diversity aspects into consideration.

In 2019, Green Cargo developed an internal code of conduct to clarify the requirements and expectations the company has for all of its employees. It includes areas such as business ethics and human rights as well as existing policies for traffic safety, ethics and communication as well as work environment and environmental policies. The code of conduct describes the importance of a transparent business climate and high business ethics. It also explains how we ensure safety and respect for all of the individuals who depend on our work and how we strive to create value for our stakeholders, and to build relationships based on our values.

The code includes several areas within sustainable business. This provides guidance for our employees and is to be used as a tool in daily operations. It is important for us that our employees feel it is easy to do the right thing and that the culture is one where people do so even when no one is watching. In 2020 our work will focus more on applying the code in the organization and training material will be developed along with additional material so that the code of conduct can be easily understood and applied in all functions at Green Cargo.

Green Cargo has a whistleblower function, which can be used by the company's employees to report hazards or suspicions that something is out of line with the company's internal Code of Conduct, conditions that could negatively impact the company or that pose a hazard to someone's life or health. Four issues were registered in 2019. Two of them fell outside the definitions of issues to be reported. The other two were related to access to sensitive information on a shared server and gaps in terminating IT authorization for temporary workers. All reported cases were handled immediately and appropriate measures taken.



Suppliers and business partners

Green Cargo's strategic suppliers are primarily suppliers connected to our core processes. These can be categorized as follows:

- Suppliers that ensure that the train works during production, such as maintenance suppliers, rental vehicle suppliers, electricity and diesel suppliers, infrastructure owners and vehicle producers.
- Services that ensure that freight reaches the customer, such as truck carriers, companies that deliver shunting services, truck and lift services, maritime carriers and train operators.
- Services that ensure the functioning of critical IT systems.

Most of our suppliers are in Sweden, Norway and Denmark, where most of our production is located.

Individual suppliers in other parts of Europe are primarily responsible for maintaining and operating trains.

Green Cargo's stakeholders have high standards for the company. As part of this work, since 2018 we have had a code of conduct for our suppliers. The code of conduct enables us to conduct a deeper dialogue about requirements with our suppliers and thus mutually increase expertise within responsible purchasing and deepen our collaboration in areas like business ethics, human rights, the climate and the environment. In 2019 we conducted a total of 22 overhauls based on the code of conduct and our safety management system with strategic suppliers. Important areas for improvement for both ourselves and our suppliers have been identified in these overhauls. Results have been managed continuously and structurally and our relationships with and knowledge of suppliers has improved.

Green Cargo does not accept or offer gifts, representation or other personal benefits that could be construed to influence a transaction. Equivalent requirements for the company's suppliers and collaboration partners are set in the agreements the companies have with each other. Green Cargo always follows national legislation and regulation in the countries where it operates.

The company does not operate in high-risk countries or in industries where bribes or corruption are common. In the materiality analysis conducted in 2015 and expanded in 2018, corruption is not a material area for stakeholders and is considered a low risk for the company. The area was therefore not prioritized in 2019.

Risk management – a natural part of our sustainability agenda

The assumption of and management of risk is a natural part of all business activities. Thorough knowledge of risks is necessary so that activities can be planned and implemented to minimize negative consequences and best manage related opportunities. Strategic choices, daily operations and events in the operating environment all entail risk. The assessment and management of risk are included as an integrated part of Green Cargo's operations. These are described on pages 44–46 in the Administration Report.

Green Cargo's stakeholders

Green Cargo's cross-country operations impact many people in many ways. We both want and are expected to live up to the stringent requirements set by many of our stakeholders. While customers, employees and the owner are at the core, many more participants are involved in Green Cargo's daily operations.

Green Cargo pursues a policy of responsible behavior and long-term perspectives for internal and external relations. A precondition for meeting the demands and expectations set on the company is understanding which issues and areas are material for our shareholders, as well as measuring and monitoring them. More about Green Cargo's monitoring is on pages 24–36.

Employees

Our employees are an important precondition for Green Cargo's future. Their commitment and performance is essential for providing efficient and sustainable rail logistics. Green Cargo strives to be an attractive employer with a clear sustainability profile and good leadership. We strive to offer a safe, comfortable work environment and to be a stimulating workplace.

Dialogue: Recurring workplace meetings, employee surveys, development dialogues and other internal channels. Dialogues are also conducted with employees' union representatives.

Follow-up: Sickness absence, traffic-safety index, number of accidents, the percentage of women at Green Cargo, annual employee surveys with a leadership and commitment index.

Customers

Our customers have high reliability requirements for rail freight in terms of punctuality and proactive behavior. In a collaboration with Green Cargo, customers should rest assured that shipments are made safely, with minimal environmental impact and fair and safe working conditions for employees, and moreover, lead to a long-term sustainable finances. Our relationship with our customers is essential for our continued success and growth.

Dialogue: Continuous dialogue with Green Cargo's marketing organization, customer meetings, project meetings, meetings at the management level and through our website and press room.

Follow-up: Measuring customer experience through a weekly customer satisfaction survey regarding the experience of quality, punctuality and regularity.

Owner

Green Cargo is wholly owned by the Swedish State and administered by the Ministry of Enterprise and Innovation. The Swedish State is of the opinion that state enterprises should act as a role model for sustainable business. Sustainable business is to permeate everything from decisions to planning, investing, purchasing and recruiting. There are requirements for market returns with relevant and clear goals but also for good business ethics and working actively with equal opportunity issues as well as taking diversity aspects into consideration.

Dialogue: Continuous dialogues with entities on state ownership in the Ministry of Enterprise and Innovation, the Board, the AGM and network meetings.

Follow-up: Interim reports, annual and sustainability reports, corporate governance reports, presentations and other continuous reporting throughout the year.

Engaging stakeholder dialogues

Dialogues with our stakeholders help us develop and improve operations, not least from a sustainability perspective. Stakeholders, who both affect and are affected by our operations, therefore have significant influence on which sustainability areas we focus on. Employees, customers and owners are our primary stakeholders.

Green Cargo conducts regular dialogues with all of our stakeholders in daily operations. Continuous in-depth conversations and workshops are also held with one or several select groups.

In 2018, Green Cargo ran a major workshop with several of our customers. The goal was to create deeper insight into what challenges customers face as well as what is essential in choosing a logistics solution, especially Green Cargo and the solutions we offer. Results indicated that customers, to a large extent, prioritize issues that impact them directly, such as quality and punctuality. They expect Green Cargo to digitalize important information flows and interruption information, report available capacity and improve and develop information on our transportation's current location.

In 2018, an in-depth workshop was conducted with employees. The group included representatives from traditional staff functions, the operative organization and production. An agenda was prepared ahead of the workshop with important sustainability aspects for Green Cargo's operations to be discussed, evaluated and prioritized.

Safety, work environment and the company's financial performance are the most important areas for employees. This stakeholder group also holds that it is important to provide them with the opportunity to do the right thing, regardless of whether it concerns safety, processes, environmental issues or any other areas. It is also important for the group to be able to trust that appropriate decisions are made in the right levels in the organization so that everyone can do their best regardless of function.

Sustainability issues are integrated into other dialogues with our owner, the Swedish state. The owner has emphasized safety and work environment in particular, but also the company's financial situation, in achieving a stable long-term financial operation. Sweden's government has ambitious climate goals. It is therefore of the greatest importance to our owners that Green Cargo helps Sweden reach its climate goals.

Suppliers and other business partners

Green Cargo has active, long-term partnerships with several suppliers and business partners both national and international. Each working relationship is important to ensure a high level of quality in ton kilometrage shipped and building on mutually set requirements. The Swedish Transport Administration is one of Green Cargo's most important partners and suppliers. Joint issues under discussions include the transportation system's robustness in terms of punctuality.

Dialogue: Continuous reconciliation meetings, agreement renegotiations and procurements.

Follow-up: Punctuality statistics, traffic safety, safety, contract review, external overhauls and monitoring supplier compliance with Green Cargo's code of conduct.

Organizations

Strategic development of railway's brand and competitiveness is important for Green Cargo, as are fair conditions for the transportation industry. Green Cargo jointly addresses issues with JBS, the joint industrial group TTT and the industry and employer association Tågföretagen.

Dialogue: Continuous reconciliation meetings, participation in board meetings.

Follow-up: Punctuality, traffic safety, safety, decisions in transportation politics.

Government agencies

As a rail company and employer, Green Cargo has an ongoing mission from government agencies to prevent the risks that operations entail. The most important partners in this are the Swedish Transport Agency, the Norwegian Railway Authority and the Danish Transport, Construction and Housing Authority as well as the Swedish Work Environment Authority. Authorization, safety management and systematic work environment measures are important issues for our contacts.

Dialogue: Collaboration with government agencies including strategic and tactical meetings as well as site visits.

Follow-up: Serious accidents, accident trends and safety management.

Society

Green Cargo's network serves some 300 locations in Sweden, Norway and Denmark. It is important for us to be a positive influence in our environment. Collaborating with schools and consideration for residents who are affected by our operations are part of our daily operations. Local media, trade press and national press are also important from a societal perspective. Green Cargo wants to be and be perceived as a transparent and open actor as well as help the media fulfill its societal duties.

Dialog: Advisory meetings with municipalities, dialogues with compulsory schools, trade schools and universities as well as a 24-hour hotline, interviews, external websites and social media.

Materiality analysis – collaboration on sustainability

Green Cargo's daily sustainability work is based on the state's ownership policy, the company's strategies and goals and the UN's Sustainable Development Goals. Close collaboration with our stakeholders drives and improves sustainability – social, environmental and financial – in our operations.

As a state-owned company, Green Cargo is to set a positive example for the entire value chain. This includes conducting and developing all aspects of the operations sustainably. This includes analysis of, and responsibility for business opportunities and risks related to the environment, human rights, labor conditions, anticorruption, business ethics, equality and diversity.

Results from different stakeholder dialogues, management's review within the framework of the company's integrated management system and business planning process form the basis for the company's materiality analysis. It is also based on the transformation program that the company started in 2018. The program entails a systematic improvement initiative where the company prioritizes measures within management and procedures to achieve increased control, quality and profitability.

We prioritized the most important sustainability issues based on impact, stakeholder expectations and requirements, and the owner directive. A total of five areas were chosen as prioritized sustainability areas: work environment, safety, punctuality, environmental performance (energy consumption and greenhouse gas emissions) and financial performance.

Each sustainability area is connected to the objectives that Green Cargo has already defined to ensure sustainable business and that are all of significance to our operations: Safety, Employees, Environment, Customers & Quality, and Finance.

Stakeholder dialogues are held continuously throughout the year, but more in-depth dialogues with different stakeholder groups are held every three years. In between, aspects are evaluated internally to asses whether anything has changed either internally or in the operating environment that would prompt a change in priorities. There were no significant changes in 2019 that would affect how the company's most important sustainability issues are prioritized.

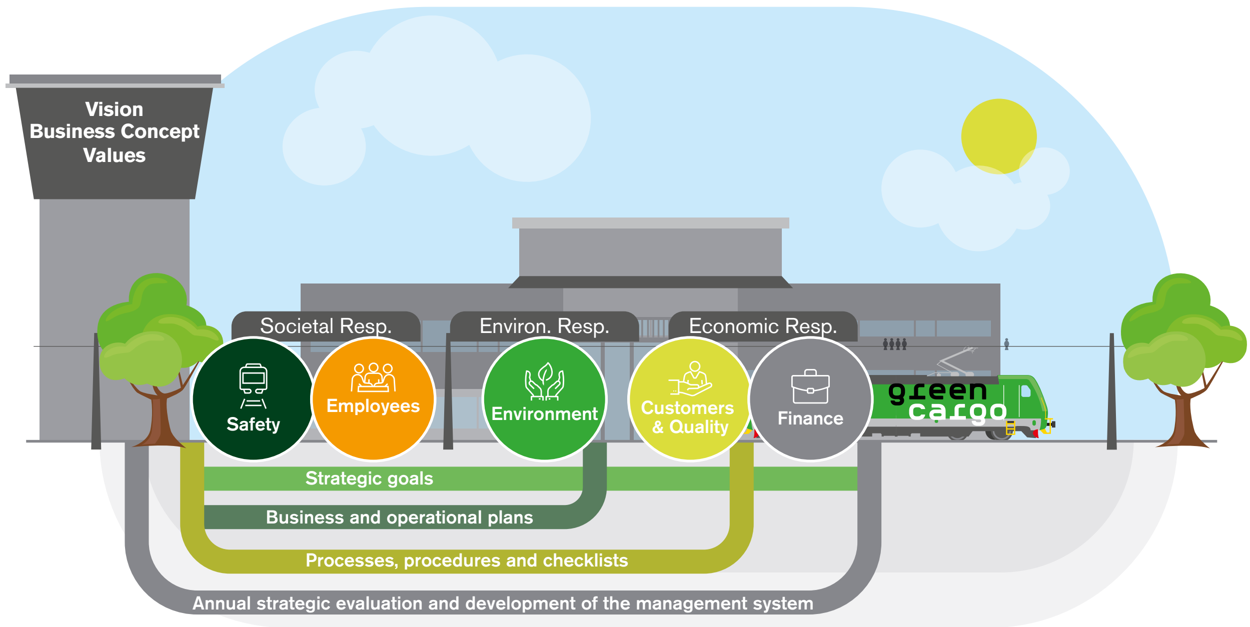
A business focused on sustainability

Green Cargo is governed so that it develops in accordance with the Board's and the owner's goal for operations and the company's vision of world-class rail logistics. This entails applying broader perspective than the mere financial to the control and leadership of the company using a balanced scorecard that we call Måltavlan. This ensures that sustainability permeates all of our operations.

Our ambition is always to meet the sustainability requirements placed on us by stakeholders. With roots in the origins of Swedish rail traffic, we are Sweden's most experienced operator in rail logistics. We are an important part of the Scandinavian economy, both as a reliable logistics supplier and as an attractive employer. Our freight trains carry both raw materials and processed products to industries in different parts of Scandinavia and the continent all hours of the day. In many cases, end products travel to consumers by train in a sustainable logistics system that sets the foundation for Sweden's prosperity and consumption.

Our five objectives (Safety, Employees, Environment, Customers & Quality, and Finance) help us govern and lead operations according to the requirements and expectations that customers, owners and other stakeholders have of us. This is how we create conditions for an efficient, stable and eventually profitable business and for offering our customers safe and punctual transportation with minimal climate and environmental impact. But obviously, a safe workplace with a positive work environment for our employees as well. Read more about each of our objectives on pages 26–36.

The Swedish State is of the opinion that state enterprises should act as a role model for sustainable business. Green Cargo considers Måltavlan, as a whole, our aggregate sustainability goals. Green Cargo's board has set long-term goals for several of the collected sustainability areas. Where relevant, the base year is 2019 and all goals must be met by 2030* unless otherwise noted.



Sustainable business is naturally an integrated part of Green Cargo's business model. Sustainable business operations in terms of societal, environmental and economic sustainability are ensured by using our vision, business concept and values as a foundation and by measuring and monitoring the five objectives in Måltavlan. Strategic goals are clarified in business and operational plans. Green Cargo's processes, procedures and checklists are to ensure that we work as efficiently as possible and take societal, environmental, and economic responsibility.

Our balanced scorecard – Måltavlan

Objective	Targets	Score 2019	Target 2019	Score 2018	Target 2030*	SDG**
Safety						
	Traffic-safety index	95.4	95.6	93.7	98	8
Employees						
	Sickness absence, %	4.1	4.8	4.8	n/a	8
	Commitment index, Green Cargo AB	74	75	72	85	
	Leadership index, Green Cargo AB	68	70	68	n/a	
	The proportion of women, Green Cargo AB, %	18	n/a	n/a	30	
Environment						
	Gram CO2e/tonne km	3.09	2.80	2.95	n/a	9, 13
	kWh/tonne km electric rail traffic	0.037	0.036	0.037	0.030	
Customer & Quality						
	Customer satisfaction, selected customers (scale of 1–5)	3.33	3.40	3.16	n/a	8, 9
	Delivery punctuality to customers, loaded wagons to customers within the appointed hour, %	90.7	95	89.4	95	
	Regularity, discontinued percentage of total trains (rolled out plan), %	96	95	n/a	n/a	
Finance						
	Operating loss, Parent Company Green Cargo AB (SEK m)	-107	n/a	-88	n/a	8, 9, 13
	Net sales, Parent Company Green Cargo AB (SEK m)	3,738	n/a	3,796	n/a	
	Return on operating capital % (Group)	-4.6	n/a	-5.8	n/a	
	Net debt/equity ratio* (Group)	3.5	n/a	2.1	n/a	

*Outcome for 2019 including IFRS 16.

The UN Sustainable Development Goals

THE GLOBAL GOALS
For Sustainable Development

Our vision contributes to a sustainable future. The UN's 17 Sustainable Development Goals (SDGs) establish what is required for the world to achieve sustainable development. Three goals are relevant for Green Cargo. For each of these goals, we have the capability to be part of the solution or to enable our customers to do so.

8 DECENT WORK AND ECONOMIC GROWTH

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

13 CLIMATE ACTION

At www.greencargo.com you can read more about how we contribute to the SDGs.

Safety – our top priority

Safety forms the basis for quality in terms of Green Cargo's deliveries to customers; it provides employees with a safer work environment and reduces costs as well as any environmental impact. Our safety efforts aim to prevent all types of accidents in our operations and to minimize the risk of incident, in addition to complying with the Railways Act and the requirements of the national transport authorities. The most important and principal safety target is that no Green Cargo employee should lose their life or be injured due to operations. This goal was not achieved in 2019.

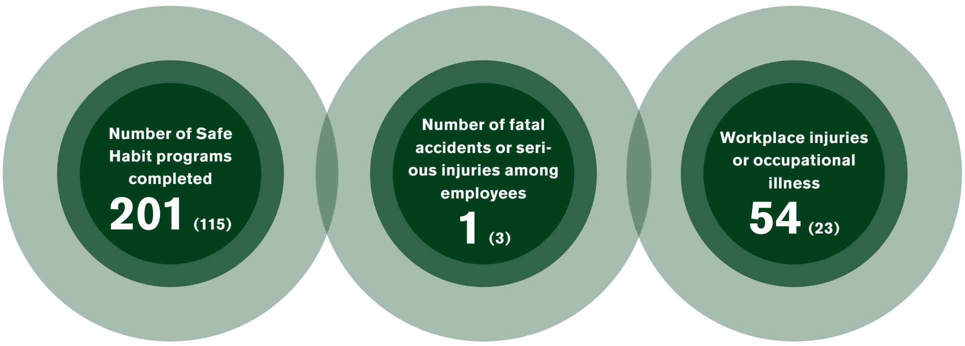
The Safety objective focuses on reducing risk in order to prevent all kind of accidents. Safety is the foundation for better deliveries to customers, it reduces any negative impact on the environment or immediate surroundings and it improves the work environment. Safety is also about preventing the railway system from being used in a way that is detrimental to society or the company. Safety is our most highly prioritized objective.

In 2019, we maintained our efforts to continuously improve safety. We can see our success in the program Safe Habits (Säkra Vanor), which is based on behavior-based safety work where employees themselves have the opportunity to influence safety culture and help improve it. Clear leadership has been introduced, with encouraging success, in some areas through daily management and process verifications while reporting unsafe conditions and behavior has started to gain traction after focused initiatives have been taken. Despite our proactive and goal-conscious efforts to improve safety, an employee tragically lost their life in a level crossing accident in 2019. This reminds us how important it is to continuously strive to improve safety in the railway system.

The traffic-safety index is an overall measure of the company's traffic-safety level performance in relation to ton kilometrage completed. The index is based on a measurement of all accidents based on the accident definitions set by the Swedish Transport Agency. The traffic-safety index result in 2019 was 95.4 (93.7), with a goal of 95.6. Even though the goal was not met, this is a clear improvement over the previous year. With continued focus and commitment, we are convinced that we can further improve the traffic-safety index.

Prioritized objectives for the years ahead are to continue to strengthen the overall safety culture in the company and to intensify safety efforts through daily management, process verifications and Safe Habits, in operations specifically but also at maintenance depots and support functions. Individual initiatives are planned to involve the entire organization in Safe Habits and to establish a culture based on openness and transparency as well as compliance and clarity in safety and its priorities.

Green Cargo is engaged in industry-wide safety initiatives through Tågföretagen and in direct work with the Swedish Transport Administration and other rail operators. We also participate in managing the traffic safety decisions for railway (TTJ). These activities are also continuing in 2020 as an important contribution to developing and improving industry-wide rules and safety issues, as well as to managing shared risks in the railway system.



Safety

Why these KPIs?	Prioritized activities in 2019	Targets and outcomes 2019	Examples of activities 2020–2022
Traffic-safety index The traffic-safety index is a volume-based measure of how safe our operations are. The degree of severity for an accident affects the index, where 100 indicates no accidents occurred. The traffic-safety index includes accidents that result from internal factors that we can directly influence (safety culture, training, technology, behavior) as well as from external factors (weather, infrastructure, other rail operators).	• Daily management and process verification has started in some areas. • Improved safety culture through increased reporting of unsafe conditions and behavior. • The new Lessons from Incidents (Lärdomar från Incidenter, LFI) concept is communicated every month for increased transparency. • Collaboration in the industry on safety, intermodal freight and level crossings started.	Outcome: 95.4 Target: 95.6	• Continued collaboration in the industry on level crossing safety, loading and securing loads. • Safe Habits introduced in the Assets unit and in Norwegian operations. • A new risk management process. • Restructuring the Safety Management system (4RP), which will be improved, simplified and clarified. • Development of innovative solutions to reduce employee exposure while riding in wagons.

Our employees are our most important competitive advantage

Green Cargo's employees are key to the company's ability to achieve its vision of world-class rail logistics and it is their skills and ambition that drives the company's success. Green Cargo strives to be an attractive employer with a safe, healthy and stimulating work environment. This requires communicative and inspiring leadership as well as a systematic focus on work environment. Our sickness absence over the long term is to remain at a low level.

The Employee Objective ensures that the company has committed employees and leaders with the right skills and ambition for developing and delivering our offering. Green Cargo is responsible for providing employees with the right training for their tasks as well as the right information and resources for carrying out their work correctly and safely. A high level of safety awareness is an important factor for a positive work environment, which in turn is a precondition for good health and low sickness absence.

The most important and principal target for Green Cargo is that no employee should lose their life or be injured due to operations. Despite this, in 2019 an employee lost their life in a tragic level crossing accident.

A systematic work environment initiative characterized by preventative measures and continuous improvements is a precondition for a safe workplace and a positive work environment. The work environment at Green Cargo were certified ten years ago in accordance with OHSAS 18001 and in 2020 we will transition to the new work environment standard ISO 45001 in order to further integrate work environment initiatives into the company's management system.

A healthy climate of collaboration and clear communication between employers and employees are critical success factors in the company's work environment initiatives. Green Cargo therefore strives continuously to provide all employees with better conditions to, based on role and responsibility, actively contribute to developing and improving the company's systematic work environment initiatives and, consequently, a safer workplace.

Intense labor market competition and Green Cargo's continued development set requirements for changed and strengthened skills. It is important for Green Cargo to work from a long-term perspective with activities that ensure the best possible conditions for stable operations. One challenge is a lack of train drivers. During the year we have worked actively to recruit train drivers in areas where we have the greatest need, work that will continue in 2020. A deeper, more frequent collaboration with vocational schools was initiated in order to hire a greater portion of train drivers from their graduates.

A high level of employee commitment is directly connected to Green Cargo's business performance. This requires visible, clear and sustainable leadership. Employee surveys identify and clarify our development areas and are a tool for management, supervisors and employees. The results support us in prioritizing the activities necessary for continuing to develop as a company and to strengthen our appeal as an employer. Supervisors, together with employees, develop action plans for the entire year.

The transformation program and its various initiatives, which Green Cargo began in autumn 2018, require changes in working methods and behavior if our improvements are going to be sustainable over the long term. To succeed in this, we need to continue to provide our leaders with methods and tools to deliberately implement successful changes in management. One part of this is providing our supervisors with the communicative support they need so that all employees can understand their part in the whole and how each employee can contribute based on their preconditions and in their function. When an employee understands their own initiative and participation in changes, it leads to the drive to strengthen the cross-functional collaboration and contribute to the company's targets and goals. To succeed in this, we need visible leadership to both monitor and support employees in their daily work.

Why these KPIs?	Prioritized activities in 2019	Targets and outcomes 2019	Examples of activities 2020–2022
Sickness absence Healthy, thriving employees perform well and grow. Sustainable employees are a profitability issue.	• Monthly analysis and review meetings between the central HR function and supervisors. • Timely responses to recurring short-term absences. • Ergonomics training in marshalling yards.	Outcome: 4.1% Target: 4.8%	• Review and analysis of reasons for sickness absence at the aggregate and individual level informs the choice of wellness activities. • Strong collaboration with occupational health. • Monthly analysis and review meetings between the central HR function and supervisors.
Commitment index Committed employees are a precondition for Green Cargo's growth and efficiency.	• Rooting Green Cargo's overall objectives across all operations. • Completing activities related to employee surveys.	Outcome: 74 Target: 75	• Active follow-up with employee surveys. • Clarifying goals on the individual level. • Including employees in improvement initiatives.
Leadership index Visible, clear and sustainable leadership with leaders who encourage cooperation and create the necessary conditions for performance lead to committed employees.	• When recruiting for supervisors, the diversity of internal and external candidates is evaluated as well as gender for a dynamic management group. • Completing activities related to employee surveys.	Outcome: 68 Target: 70	• Active follow-up with employee surveys. • Increase visible leadership by continuing the introduction of group leaders in Operations.
Proportion of women at Green Cargo An equal workplace invigorates and strengthens Green Cargo.	• When hiring new employees, consideration is given to increasing the proportion of women at Green Cargo.	Outcome: 18% Target: n/a	• The women's network Wrail, with the goal of attracting more women to the railway industry and strengthening Green Cargo's appeal as an employer. • When hiring new employees, consideration is given to increasing the proportion of women at Green Cargo.

Wrail – strong women strengthen other women

Never before have so many people and so much freight been transported by rail. Close to fifty train companies operate today, a ten-fold increase over the last 25 years, and more are expected. The railway industry is an important factor in Sweden's growth.

Green Cargo is initiating a network for women to attract more women to the railway industry. We call it Wrail. We are starting internally at Green Cargo during spring 2020 and gradually opening up the network to women in other rail companies and organizations.

We believe that there is power in a network for meeting sharing expertise, insights, perspectives and experiences.

An equal workplace leads to better health from an improved work climate, increased creativity and increased productivity among our employees. Existing as well as future employees are an important precondition for Green Cargo's future. Their commitment and performance is essential for providing efficient and sustainable world-class rail logistics.

Wrail is intended to attract more women to the railway industry. The goal is to actively contribute and create conditions for Wrail's members to develop across the industry.

Diversity, equality and gender equality

Green Cargo strives to offer attractive employment terms and we want our employees to feel proud about working for us. We strive for a workplace characterized by diversity, where all kinds of skills contribute.

Green Cargo's internal code of conduct clarifies how all employees are to conduct themselves as ethical and responsible role models. No employees are to be discriminated against due to their sex, gender identity or expression, ethnic affiliation, religion or other profession of faith, disability, sexual orientation, age or similar.

Harassment, sexual harassment or abusive treatment are not accepted under any circumstances, regardless of forum, context or form, whether in words or deeds.

Employees have the right to join and participate in unions and are covered by collective agreements.

Sara Borén, radio controlled locomotive operator

Surface- and energy-efficient transportation

The Swedish government and the EU have set high targets for reducing climate impact. Sweden aims to become one of the world's first fossil-free welfare nations with no net emissions of greenhouse gases by 2045. Sweden also has a target of reducing emissions from domestic transportation of at least 70 percent by 2030 compared with 2010. Among modes of transport, rail is the most space- and energy-efficient and has the least negative impact on the environment. An average freight train (wagon load) represents around 20 trucks. Other forms of transportation are also gradually reducing their environmental impact, but transition takes time and is largely counteracted by increases in volume. If climate goals are going to be reached, more freight needs to be transported via rail.

The transportation sector accounts for about 30 percent of carbon dioxide emissions in Sweden. According to the Swedish Transport Administration, road traffic accounts for 92%. More reports to be published this year show that the political climate measures taken are not reducing emissions from the transportation sector fast enough. Compared with 2010, emissions have declined around 18% according to the Swedish Transport Administration's calculations. To reach the climate goal of a 70% reduction in greenhouse gas emissions from transportation, emissions need to decrease 8% per year, every year, until 2030.

Looking ahead, the policies in place today are estimated to reduce emissions 31% to 37% by 2030 compared with 2010. This means that we will come about halfway to the goal for 2030. New policies will be needed to cover the gap between the predicted development and the goal. Transferring road freight to rail freight is therefore a key component in achieving the Swedish climate goals. The environmental impact of transportation is of increasing significance when choosing transportation solutions and Green Cargo already delivers large-scale, fossil-free freight shipments.

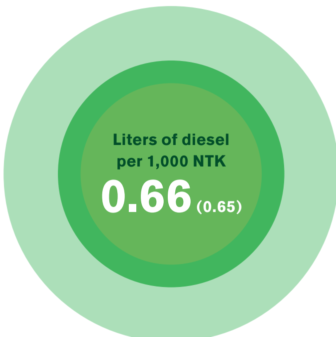
Over 95 percent of our total ton kilometrage and more than 97 percent of rail shipments are conducted with electric locomotives, where the electricity is produced exclusively from renewable sources with low emissions and low energy consumption (2019). Surface- and energy-efficient transportation with minimal environmental impact is the ideal solution in so many ways and we want to ensure that Green Cargo is equipped to enable a transfer of freight to railways with a high degree of customer satisfaction and quality.

Despite an already favorable environmental performance, we need to continue to work systematically to reduce our remaining environmental impact. The company's locomotive fleet is 63 percent electric locomotives and 37 percent diesel locomotives. This is why we have clear ambitions to reduce diesel consumption and increase energy efficiency as well as place relevant environmental requirements on our road freight forwarders and carriers.

Green Cargo measures and annually reviews the environmental impact the company has in relation to ton kilometrage carried out. In 2019, Green Cargo noted a significant economic downturn and declining volumes, which affects targets. Declining volumes reduce efficiency, which together with somewhat lowered resource utilization in locomotives and wagons has a negative effect on our figures. The environmental impact in relation to ton kilometrage carried out increases.

Today, the weight of the goods on board a train constitutes around 50 percent (+/-10 percent) of the total weight of the train. An increased volume of goods has a positive effect on the outcome in the Environment objective. Possible ways to optimize our internal efficiency include wider use of more efficient locomotives, switching to electric locomotives to reduce diesel consumption, using the most energy-efficient vehicles for assignments with the highest ton kilometrage, running the same number of wagons but with fewer trains or working more systematically with initiatives such as Ecodriving. Green Cargo's fleet strategy is based on creating opportunities to, in the most efficient way, pull heavier and longer trains.

In addition to our internal activities, we envision external impacts like the electrification of sidings and investments in efficient terminals that make it possible to operate more electric locomotives and allow more customers to choose rail as their mode of transportation. Moreover, if we can make freight train management more efficient and focus on initiatives that allow us to ship more goods on our wagons, then positive outcomes will be achieved.



Environment

Why these KPIs?	Prioritized activities in 2019	Targets and outcomes 2019	Examples of activities 2020–2022
Gram CO2e/tonne km The minimal greenhouse gas emissions from electric trains give us an important competitive edge over our competitors. Green Cargo uses large quantities of electricity, but electricity usage only constitutes a small proportion of carbon dioxide equivalent emissions. Most of the emissions by Green Cargo's operations are due to diesel locomotives and road transportation.	• Prototype developed for installing idling controls on T44 locomotives. • Testing renewable fuel, for example hydrogenated vegetable oils • Developing a fleet strategy.	Outcome: 3.09 gram CO2e/ tonne km Target: 2.80 gram CO2e/ tonne km	• Series installation of idling controls on T44 locomotives. • Putting new locomotives into service • Reviewing plans for the diesel locomotive fleet. • Prioritize TD/T44 locomotives when diesel is required. • Establish relevant requirements for our truck logistics suppliers.
kWh/tonne km (electric rail traffic) Green Cargo uses a considerable amount of electricity for the operation of its trains. Energy consumption is determined to a great extent by the weather, the number of stops and the speed. Measures to increase energy efficiency therefore create long-term results when it comes to total consumption.	• EcoDriving as a training module in the ordinary training package.	Outcome: 0.037 kWh/tonne km Target: 0.036 kWh/tonne km	• Developing EcoDriving training for more types of locomotives. • Efficient ton kilometrage planning • Using the right kind of locomotive for the task.

Increased customer satisfaction with efficient quality-controlled processes

Good service and high-quality performance drives customer satisfaction and loyalty, which will ensure Green Cargo's long-term capacity for profitability and new business. The Customer & Quality Objective aims to ensure we meet and completely surpass customers' expectations for transportation and logistics services. Punctuality and regularity are the absolute most important parameters for our customers, though they also expect quality in other transactions as well as better information about delays, structured deviation management, increased redundancies in case of interruptions and increased digitalization.

Punctuality is important for both our customers and for us and we conduct continuous quality initiatives and measurements during the year. Punctuality is defined as "loaded wagons to customers within the appointed hour." The outcome in 2019 was 90.7%, compared with the target of 95%. This is a marked improvement in relation to the previous year, 89.4%. The outcome was negatively affected by infrastructure disturbances, a number of major derailments and a fire on the southern main line in Hässleholm. A mild winter in the beginning of 2019 and improved internal processes during the last quarter had positive effects and improved results for the full year.

Green Cargo works systematically with the areas of the punctuality problem that we cause ourselves and during the year, particular focus has been on root cause analyses for trains with the lowest punctuality. We are also active in the cooperative work across the industry to make the entire railway system more robust. This work is conducted within the framework of TTT – Together for punctual trains. TTT is an industry-wide initiative with the goal of achieving 95% punctuality across the entire system by 2020. Green Cargo has a participant in the executive management for TTT and also contributes with the framework for seven of the eight areas. In addition to participating in current areas, Green Cargo also assumed responsibility for leading the area Departure times and intersections. The goal in this area is to increase departure punctuality and reduce the number of interruptions caused by late departures.

Green Cargo is certified in accordance with ISO 9001:2015. Integrating the management system in quality, environment, work environment and safety management, as well as taking into consideration requirements from the company's stakeholders, permeates our efforts in quality and helps us achieve continuous systematic improvements.

Our major internal transformation program consists of several highly effective improvement initiatives to create efficient, stable core processes that benefit our customers, our employees and Green Cargo as a company. Focus in 2020 remains on process orientation and implementing Green Cargo's Improvement Model for increased customer satisfaction, increased employee commitment and, eventually, increased profitability.

Customer & Quality

Why these KPIs?	Prioritized activities in 2019	Targets and outcomes 2019	Examples of activities 2020–2022
Customer satisfaction, select customers (scale of 1–5) We operate in a competitive industry with low margins. Our customers have choices – we want to be their first. We are to deliver high-quality services.	• Continuous punctuality and quality measures where recurring problem areas are identified and addressed. • Monthly and quarterly quality follow-up meetings with major customers. • Systematic improvement efforts in marketing processes.	Outcome: 3.33 Target: 3.40	• Continuous punctuality and quality measurements. • Digitization of data transfers between customers and Green Cargo. • Introduction of improved analysis tools.
Delivery punctuality to customers, Loaded wagons, % If Green Cargo is to be an attractive transportation service supplier choice, our customers need to be able to trust that their wagons will be delivered according to the customer promise and with a high level of punctuality.	• Root cause analyses of trains with the lowest punctuality figures. • Focus on preparing our trains in marshalling yards in time for the transition to traffic management at Swedish Transport Administration.	Outcome: 90.7% Target: 95%	• Increased follow-up when empty wagons are included. • Establishing cross-functional operational quality groups.
Regularity, discontinued percentage of total trains (rolled out plan), % Keeping our promises in our established traffic plan is incredibly important to ensure that customer promises are kept and that employee and locomotive circulations are maintained.	• Revised measuring of key performance indicators for better quality and follow-up • Refined internal cause codes and increased reporting. • More root cause analyses.	Outcome: 96% Target: 95%	• Analysis and measures for canceled trains. • Eliminating internal systematic interruptions that affect customers.

Economic downturn increases challenges

For Green Cargo, sustainability entails a holistic approach to responsible business. This means that the company's operations must be economically sustainable, and achieve adequate profitability, in order to manage future investments and development. Performance in the other four objectives is reflected, to a great extent, in the financial metrics. The Finance Objective measures profitability, productivity and efficiency.

Green Cargo's financial performance in 2019 was weak, contrary to expectations. The primary reasons for this were the start of an economic downturn, lower transportation income and high transformation costs.

The economic situation in the operating environment has begun to take the form of lower rail shipment volumes, which directly affects Green Cargo's operations. The economic downturn creates additional challenges in our efforts to conduct operations profitably. Costs for the ongoing transformation program are high but we are beginning to see positive results in the operations.

In autumn 2018, we embarked on a transformation program to achieve increased safety, punctuality and profitability. The program addresses both commercial and operational areas and includes a number of measures to improve profitability. In 2019, several program initiatives were carried out with satisfactory results and we are beginning to see their effects. For example, there are already positive trends in the traffic-safety index and punctuality, which both have a positive effect on the results. Several initiatives were also implemented in the more commercial departments, which are now contributing positively. Profitability-enhancing measures have also started to yield results. Read more about the transformation program on pages 14–15.

The owner's financial goal for the Group is that the return on operating capital should amount to not less than 10 percent measured over a business cycle. Return on operating capital in 2019 was negative. The net debt/equity ratio is to fall between 0.6 and 0.9, while it was 3.5 (2.1) at December 31, 2019. 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.

It is incumbent on the CEO and company management to manage and follow up operations to ensure that the owner's overall targets are reached. This means that the entire organization needs to focus on results, using resources efficiently and utilizing capital efficiently at a reasonable financial level.

In 2019 we established a framework for green finance, where the goal was for the primary portion of new financing to be classified as green or otherwise related to sustainability. The framework is based on principles for green bonds and green debt. The principles state how green bonds and debt are to be used to finance climate-smart and environmentally sustainable solutions. This is compatible with Green Cargo's overall sustainability work and ambition to reduce its climate impact. Green finance will be used to finance or re-finance investments and projects that are eligible pursuant to the criteria contained in the framework within the fossil-free (Clean Transportation) and energy-efficient transportation (Energy Efficiency). Investments and projects that rely on fossil fuel are exempt and can not be allocated resources from green finance. The framework strengthens a long-term and close relationship between lenders and banks and green finance is becoming an integral part of sustainability. CICERO Shades of Green issued a statement on the framework, awarding it the highest certification ("Dark Green") for the green terms and "Excellent" for management.

Improved accessibility through digitalization

In today's society, well-functioning transportation is essential if goods are to be transported efficiently and safely, preferably with minimal environmental impact. Modern and functional IT support is essential for this to work. Green Cargo is in the middle of digital evolution that will lead to an IT landscape that, over time, will support and contribute to improved safety, punctuality and profitability.

Digitalization is a way to increase accessibility to the right information at the right time, thereby creating simpler and more robust business processes, speeding up production cycles and enabling rapid feedback on decisions. This is one of the keys to lower costs, which in turn increases profitability and promotes innovation. There is also a major advantage in access to relevant information in real time or as needed and it gives us the opportunity to make the right decision based on actual data. Through digitalization, Green Cargo can create digital tools and expanded self service for both customers and employees.

Green Cargo has already implemented initiatives and solutions that are based on the thought process behind digitalization. In 2019 we launched functions for using information from infrastructure's digital solutions that detect and collect information for more predictive and preventative vehicle maintenance.

Another example is the prototype Green Cargo developed to visualize timetables, planned trains and available capacity so that our sales organization can more easily offer optimized transportation to our customers.

The changes we are making are essential for ensuring that the information needed for operations is available digitally. The farther Green Cargo comes on this journey, the more we can automate processes and provide information to the right user, both customers and employees, at the right time.

Sustainability reporting according to GRI

Accounting policies
Green Cargo's sustainability report is prepared pursuant to the GRI Standards: Core option. Reporting is performed annually as a part of the annual report. The report applies to 2019 and covers Green Cargo AB including its subsidiaries. The latest report was published in March 2019. The company has prepared a sustainability report every year since 2002. The non-financial KPIs presented apply to the Parent Company, while the financial KPIs apply to the Group.

Green Cargo's sustainability governance
Green Cargo's board has the final responsibility for the company's sustainability governance. Among company management, the CEO has overall responsibility, but each manager is responsible for integrating sustainability into daily operations. All managers and employees in the organization are responsible for following applicable policies and guidelines. The CEO is responsible for making sure the necessary resources are available for carrying out the sustainability work the company has undertaken.

The sustainability report describes how sustainability issues relate to Green Cargo's long-term strategies, risks and possibilities in the company's various objectives. Performance is reported in a broader sustainability context of the company's various objectives and aims to increase understanding of the existing challenges and possibilities.

The sustainability report is presented on pages 10–38, 44–46 and 92–98 in the Annual and sustainability report 2019 and is the company's statutory sustainability report in accordance with the Swedish Annual Accounts Act. The GRI index and Green Cargo's sustainability governance are given on pages 92–98 of the Annual and sustainability report.
In 2018, Green Cargo conducted a stakeholder dialogue and materiality analysis. The analysis helps elucidate the areas the company needs to focus on. Based on the company's strategies and goals, our actual impact and expectations and interest from our stakeholders, the company has chosen to report six material sustainability areas. There were no significant changes in 2019 that would affect how the company's most important sustainability issues are prioritized. Read more about our stakeholders, stakeholder dialogues and materiality analysis on pages 22–23.

Green Cargo only reports data that can be verified with reliable documentation. Cases where the boundaries or accounting policies for the reported data have changed are described in the text or table together with the disclosed data. Definitions of the measuring methods used for calculations are on www.greencargo.com.

It is Green Cargo's own assessment that the sustainability report meets the criteria for GRI Standards: Core option. The report is controlled internally as well as reviewed. The auditors' review of the Sustainability Report and statement on the statutory Sustainability report are on page 39.

If you have questions about the Sustainability Report, contact Green Cargo at miljo@greencargo.com.

The auditors' review of Green Cargo AB's Sustainability Report and statement on the statutory Sustainability Report

To Green Cargo AB, Corp. Reg. No. 556119-6436.

Introduction

We have been tasked by the Board of Green Cargo AB to review its Sustainability Report for 2019. The company has provided the scope of the Sustainability Report on page 38 of this document.

Responsibilities of the Board of Directors and the President

The Board of Directors and the President are responsible for preparing the Sustainability Report, including the statutory Sustainability Report, in accordance with prevailing criteria and the Swedish Annual Accounts Act. The criteria are presented on page 38 in the Sustainability Report and include portions of the framework for sustainability reporting given by the Global Reporting Initiative (GRI) that apply to the Sustainability Report as well as the company's own accounting and calculating policies. This responsibility includes such internal control as deemed necessary to enable the preparation of a sustainability report that is free from any material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on this Sustainability Report based on our review and to provide a statement regarding the statutory Sustainability Report. Our assignment is limited to the historic information reported and includes no forward-looking tasks.

We conducted our review in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information." A review consists of making inquiries, primarily of persons responsible for preparing the Sustainability Report, and applying analytical and other review procedures. We have conducted our review of the statutory Sustainability Report pursuant to FAR's recommendation RevR 12 Auditor's statement on the statutory sustainability report. A review and audit pursuant to RevR 12 have a different focus and are substantially less in scope than an audit conducted in accordance with International Standards on Auditing and Generally Accepted Auditing Standards.

The auditing firm applies International Standard on Quality Control (ISQC) 1 and thereby has a comprehensive system for quality control, which includes documented guidelines and procedures for complying with business ethics requirements, standards for the exercise of the profession and current requirements in laws and other ordinances. We are independent of Green Cargo AB and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

The procedures performed in a review and audit pursuant to RevR 12 do not enable us to obtain assurance that we would become aware of all significant circumstances that might have been identified in an audit. The opinion is based on a review and audit pursuant to RevR 12 and, accordingly, does not have the same level of assurance as an opinion based on an audit.

Our review of the Sustainability Report is based on criteria chosen by the Board and the President, given above. We are of the opinion that these criteria are appropriate for preparing the Sustainability Report.

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

Opinions

Based on our review, no circumstances have come to our attention that cause us to believe that the Sustainability Report is not prepared, in all material aspects, in accordance with the above criteria established by the Board and President.

A statutory Sustainability Report has been prepared.

Stockholm, March 24, 2020

KPMG AB

Jenny Jansson
Authorized Public Accountant

Torbjörn Westman
Specialist member of FAR


green
cargo
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Five-year overview

PROFIT/LOSS ITEMS	2019[1]	2018	2017	2016	2015
Net sales	**4,096**	**4,208**	**4,337**	**4,208**	**3,907**
Earnings	**-93**	**-122**	**1**	**-78**	**15**
Earnings adjusted for items affecting comparability	-217	-217	8	-36	-40
Operating margin	-2.2%	-2.9%	0.0%	-2.0%	0.6%
Operating margin adjusted for items affecting comparability	-5.3%	-5.2%	0.2%	-0.9%	-1.0%
Net financial items	-36	-33	-33	-33	-30
Loss after financial items	**-129**	**-155**	**-32**	**-111**	**-5**
Loss after discontinued operations	**-0**	**-11**	**-73**	**-5**	**-10**
Net loss for the year	**-129**	**-179**	**-105**	**-225**	**-27**

BALANCE-SHEET ITEMS	Dec 31, 2019	Dec 31, 2018	Dec 31, 2017	Dec 31, 2016	Dec 31, 2015
TOTAL ASSETS	**3,035**	**2,679**	**3,067**	**3,320**	**3,413**
Equity	**473**	**596**	**755**	**851**	**1,092**
Total external liabilities	**2,562**	**2,083**	**2,312**	**2,469**	**2,321**
TOTAL EQUITY AND LIABILITIES	**3,035**	**2,679**	**3,067**	**3,320**	**3,413**

CASH FLOW	2019	2018	2017	2016	2015
Cash flow from operating activities	422	33	216	85	-43
Cash flow from investing activities	-125	83	-76	-67	549
Cash flow from financing activities	-247	-213	-235	122	-534
Cash flow for the year	**50**	**-98**	**-95**	**140**	**-28**

KEY PERFORMANCE INDICATORS[2]	2019	2018	2017	2016	2015
Return on operating capital	neg.	neg.	neg.	neg.	0.6%
Return on equity	neg.	neg.	neg.	neg.	neg.
Equity/assets ratio	16%	22%	25%	26%	32%
Net debt/equity ratio (multiple)	3.5	2.1	1.9	1.8	1.4
Gross investments, continuing operations	168	151	85	74	179
Average number of employees, continuing operations	1,771	1,800	1,897	1,918	1,861

ITEMS AFFECTING COMPARABILITY	2019	2018	2017	2016	2015
Earnings	**-93**	**-122**	**1**	**-78**	**15**
Items affecting comparability					
Set-up costs for new operations	–	–	-5	-42	–
Restructuring program	–	–	-25	–	–
Divestments of land facilities	–	–	23	–	–
Divestments of locomotives in conjunction with restructuring	–	–	–	–	65
Refunds on infrastructure fees	10	–	–	–	–
Earnings effect of climate compensation	114	95	–	–	–
Total items affecting comparability	*124*	*95*	-7	*-42*	*65*
Earnings adjusted for items affecting comparability	**-217**	**-217**	**8**	**-36**	**-50**

1 IFRS 16 applies from 2019 onwards. See Note 18 for more information.

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

Annual Report

Contents

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 2019 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 offer rail-based logistics solutions. The company connects some 300 locations in Sweden, Norway and Denmark, and meets transportation needs that vary from one wagon to entire train sets. Together with partners, Green Cargo links the Swedish market to nearly 2,000 destinations in continental Europe.

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

In light of the company's financial position, Green Cargo launched a transformation program in the autumn of 2018. Through increased control and stability in our own operations, we will improve safety, punctuality and profitability. The program focuses on both commercial and operational areas and includes a number of measures to improve profitability and our corporate culture. A number of activities were completed in 2019. Read more on pages 14–15.

Ted Söderholm was appointed as the new CEO for Green Cargo AB in early January 2019. Ted joins from DHL Express Sweden, where he served as CEO.

Freight operations

Rail freight forms the basis of Green Cargo's operations. To add increased flexibility, the company can offer road freight services as a complement to our rail-freight services. Combining rail with road solutions allows many companies to choose rail even when not connected to a track, and the combination of transportation forms is a key element of the offering. The company's customers are found in the basic industries, where forestry, steel and paper dominate. But our customers also represent other sectors such as the chemical, energy, engineering and automotive industries, as well as the grocery retail sector.

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 38.

2019 was marked by an economic downturn in all branches. 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. Demand is rising for low-emission logistics solutions, high energy efficiency, safety focus and ethically justifiable working conditions. Approximately 35 percent of Green Cargo's sales are in foreign currencies, mainly the euro. The weakening of the Swedish krona against the euro in 2019 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 553 million (880). These included key, new freight agreements with Boliden, DB Schenker Norway and IKEA.

The Group's revenue and earnings

In 2019, net sales for the Group totaled SEK 4,096 million (4,208), down almost 3 percent on the preceding year. Freight volumes were 7 percent lower year-on-year.

The operating loss was SEK 93 million (loss: 122), of which the effect of IFRS 16 was SEK 6 million (0). For more information refer to Notes 2 and 18, respectively. Earnings were adversely impacted by lower freight revenue due to declining volumes and higher costs for external expenses linked to the ongoing transformation of the company. However, climate compensation of SEK 92 million (95) in Sweden and SEK 22 million (0) in Norway positively impacted earnings.

The net financial expense for the period was SEK 36 million (expense: 33). The net interest expense amounted to SEK 32 million (expense: 27), attributable to expenses from IFRS 16 of SEK 6 million. Net financial items were adversely affected by changes in exchange rates amounting to an expense of SEK 4 million (expense: 21).

The loss for the year totaled SEK 129 million (loss: 179). Tax on profit for the period was SEK 0 million (expense: 14). The profit from discontinued operations amounted to SEK 0 million (loss: 11).

Investments

The Group's gross investments in intangible assets and property, plant and equipment during the year totaled SEK 168 million (151), of which SEK 96 million comprised advance payments to suppliers, and pertained primarily to reinvestments in the locomotive fleet, converting wagons and investments in IT.

Financing

At the closing date, the Group's interest-bearing liabilities were SEK 1,771 million (1,333), of which SEK 1,032 million (546) pertained to lease liabilities. IFRS 16 resulted in an increase in lease liabilities of SEK 477 million (0). At the closing date, the Group's interest-bearing liabilities to banks and credit institutions were SEK 1,275 million (1,319). Liabilities to banks and credit institutions mature between 2020 and 2024, and have an average term of two years and six months, with a fixed-interest term, including fixed-income derivatives, of two years.

New debt agreements have been signed for SEK 67 million pertaining to lease financing of new locomotives and borrowings of SEK 400 million were refinanced in December with a maturity of five years. New revolving credit facilities were signed for SEK 400 million and EUR 30 million with maturities of three years, and were unutilized at year end. Ongoing amortization of loans and lease liabilities totaled SEK 110 million.

At the closing date, interest-bearing assets amounted to SEK 103 million (46), up SEK 57 million (decrease: 97). On the closing date, interest-bearing net debt totaled SEK 1,668 million (1,288). Cash and cash equivalents at the closing date totaled SEK 95 million (45). In addition, Green Cargo has an unutilized working capital credit of SEK 75 million.

Cash flow

Consolidated cash flow for the full-year 2019 was SEK 50 million (neg: 98). Cash flow from operating activities amounted to SEK 422 million (33). Acquisitions and net sales of property, plant and equipment and intangible assets amounted to an expense of SEK 144 million (expense: 146) and pertained primarily to reinvestments in the locomotive fleet, the conversion of wagons and investment in IT. Cash flow from investing activities from amounted to negative SEK 125 million (83).

Cash flow from financing activities was a negative SEK 247 million (neg: 213) and was attributable to net amortization, of which SEK 202 million comprised amortization of lease liabilities pertaining to rental contracts.

Events after the closing date

Since the end of the fiscal year, a pandemic has broken out with the spread of COVID-19. The initial impact on the financial markets and other branches was harsh. However, Green Cargo has succeeded in maintaining production, essentially unaffected, and has not noted any greater impact on customer volumes. In the short to medium term, however, there is an obvious volume risk combined with a likely substantial increase in sickness absence following the wider spread of infection in society and the consequent risk of a lack of resources with a negative impact on production. We consider it highly likely that financial performance will be negatively impacted for the full year in the form of lower revenue and increased costs, and we will continuously monitor developments and update existing projections. At the time of writing, the long-term effects on our customers and the company are difficult to evaluate.

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 within the framework of the transformation program 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.

Demand for climate-smart rail freight is predicted to increase. This strengthens the conviction that Green Cargo has a competitive offering and is a company that creates value through sustainable logistics both today and in the future.

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. Excluding the effects of IFRS 16, the net debt/equity ratio increased to 2.5 (2.1) as at December 31, 2019. This deterioration in the net debt/equity ratio was mainly due to the Group's operating loss. Including the effects of IFRS 16, the net debt/equity ratio increased to 3.5. The return on operating capital should amount to not less than 10 percent measured over a business cycle. Return on operating capital in 2019 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 2019.

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 uses a balanced scorecard to control operations with five objectives: Safety, Employees, Environment, Customers & Quality, and Finance. 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. Green Cargo has also secured the financing of larger approved investments in forthcoming years. The investments made in the operations are assessed based on their capacity to generate adequate returns. Green Cargo's investment and capital policy is established each year by the Board and sets out the framework within which liquidity and liabilities are managed. See Note 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 below, as does a description of how Green Cargo acts to mitigate these risks.

Objective/s affected	Risk	Management/comments
Safety	*The occurrence of serious accidents* Accidents entail major costs, interruptions to operations and can injure Green Cargo's employees, equipment or third parties.	Safety initiatives are ongoing at all levels and have been assigned top priority by the company's management. The main work is carried out in production and in locomotive and wagon engineering services, where Green Cargo works methodically with safety issues. This is performed through training and the development of technology and procedures. Deviation reports and analyses of risk sources are used as a basis for proactive safety initiatives. An ongoing dialog is maintained with the Swedish Transport Administration, municipalities and other local instances, as well as with our maintenance suppliers to reduce risks in operations. Safe Habits comprises the application of a well-proven method for behavior-based safety. The method, which is applied at Green Cargo, entails a structured approach to strengthen behavior, mainly among production personnel, through observing their own or others safety behavior.
Safety	*The occurrence of terrorism, catastrophe or sabotage* Disruptions to rail traffic through parts of the railway being made impassible. Substantial financial and personal consequences.	Green Cargo works with issues related to data security and contingency planning. This is conducted as part of our internal security work but also together with JBS (Järnvägsbranschens samverkansforum, the Railway Industry Forum) and, the sector and employer association Tågföretagen.
Employees	*Diversity and gender equality* The age structure in operations means that a large portion of the employees will reach a pensionable age within the next five years at the same time as access to trained labor is limited. This risks limiting and missing future business opportunities.	Green Cargo endeavors to recruit for the long term and train the right employees as well as maintain close partnerships with vocational colleges and other vocational groups in the areas where the company has operations.
Employees	*Possibilities to recruit the right skills in production* The risk of being unable to continue to drive value-creating operations due to a lack of competence in the areas where Green Cargo operates.	The company works actively, for example through partnerships with vocational colleges and other training institute, to secure the availability of skills in the future in the areas where the company operates.
Environment	*Environment* Extreme weather conditions due to climate change are a risk for Green Cargo's operations. The effects of climate change could result in hot summers or heavy downpours, which hinder rail-freight traffic.	Green Cargo works with infrastructure managers, supervisory bodies and other rail operators to improve preparedness and prevent disruptions due to extreme weather.
Environment	*Negative environmental impact* The risk that Green Cargo's or suppliers operations cause serious environmental damage, locally or regionally.	Green Cargo applies a long-term proactive approach to securing loads, with particular focus on shipments of hazardous goods. Robust systems for following up are in place.
Quality	*Inadequate quality* Losing existing and potential customers due to low punctuality and irregularity is a risk.	Efforts to improve punctuality and to ensure robust production and a robust railway system are being driven internally at Green Cargo and together under the framework of the branch-wide program TTT (Together for Punctual Trains).
Financial risk	*Bribes and corruption* Green Cargo purchases certain products from suppliers abroad or services where the supplier has foreign business partners, such as the purchase of certain types of locomotives, transportation services and for administration and support of IT systems. Among other risks, bribes and corruption in the supplier chain entail a risk for our brand.	To the greatest extent possible, Green Cargo tries to avoid purchasing services, goods and contract work from geographic risk areas. Green Cargo's supplier code of conduct sets out the base requirements we apply for our business partners and inspections are conducted of prioritized suppliers. In the case of any criminal suspicion, the company's internal whistleblower service can be used to report the suspicion.

Objective/s affected	Risk	Management/comments
Financial risk	*Earnings risks* A risk is posed by the fact that Green Cargo's production is personnel- and capital-intensive, and due to the cost base being fixed over a 12-month perspective.	The company works continuously to enhance the efficiency of operations and reduce unit costs for locomotives, wagons, employees, maintenance, etc. To reduce the risk of fluctuating volumes, Green Cargo strives to share risk with customers by means of a combination of variable and fixed pricing. Green Cargo also endeavors to contract longer agreement periods to improve the deployment of its own operations. In addition to the above, the company complements its own resources with contracted capacity to increase flexibility and to increase possibilities for sharing the use of various resources. The main method applied by Green Cargo to counter earnings risk posed by fixed costs is the establishment of strong, long-term relationships with customers and suppliers.
Financial risk	*Price pressure and lower returns* Competition is intense from other train operators and other forms of transport.	Green Cargo is implementing a raft of efficiency enhancements and quality improvement measures within the framework of a transformation program. The aim is to continuously develop the offering and to meet customers' needs for value-creating transportation. In addition to the company's own efforts, continued investment is required in infrastructure, as are political decisions to level the playing field in terms of competition. The company maintains continuous contact with the Swedish Transport Administration and other governing bodies regarding issues that affect the terms and conditions for the rail sector.
Financial risk	*Economic downturn* Green Cargo's customers mainly comprise the Swedish export industries with all the exposure that entails in the form of changes in the economy and trends for exchange and interest rates.	The company manages this risk through purposefully adapting operations to market conditions and by improving efficiency and flexibility in all parts of the Group to thereby be able to offer competitive logistics solutions that create value. Customers' competitiveness is affected by exchange and interest rate levels, which indirectly impact Green Cargo.
Financial risk	*Cost increases* The trends for exchange and interest rate levels affect Green Cargo, as do the price trends for electricity and diesel.	Green Cargo's exposure to foreign currency and interest rates is governed by the company's financial policy (see above section under Financing). To manage risks arising from electricity and diesel prices, the company procures electricity through the Swedish Transport Administration to obtain a stable price structure. Furthermore, Green Cargo includes fuel clauses in customer agreements to achieve a more even cost trend.

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 3,738 million for the year compared with SEK 3,796 million last year. The operating loss was SEK 107 million (loss: 88), of which the effect of IFRS 16 was SEK 5 million. Earnings were also impacted by climate compensation of SEK 92 million (95). The loss from financial items amounted to SEK 25 million (loss: 90). The improvement was due to recognition of an impairment loss of SEK 51 million in 2018 of receivables in subsidiaries. Tax on profit for the period was SEK 0 million (expense: 14).

The net loss for the year totaled SEK 132 million (loss: 192). The Parent Company's interest-bearing net debt on the opening date increased SEK 383 million to a total of SEK 1,683 million (1,300) on the closing date, of which SEK 471 million (0) pertained to lease liabilities that arose pursuant to IFRS 16.

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 2019 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 2017 ownership policy with applicable guidelines for external reporting and guidelines for remuneration and other employment terms (decided by the government as of December 22, 2016).
- 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 internal code of conduct
- 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.

7.2 Code requirement: The Corporate Governance Report is to contain information about the independence of members of the Audit Committee 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.

8 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 2019, no evaluation of the CEO's work was conducted. The present CEO took up his role on January 7, 2019 and an evaluation of the CEO's work will be conducted in 2020.

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:

Sustainability has long been a natural part of Green Cargo's operations. For us, the concept encompasses a holistic approach to responsible and sustainable business.

As a state-owned company, Green Cargo is to set a positive example for sustainable business. In Green Cargo's case, this entails applying a broader approach to the control and leadership of the company than a purely financial perspective. To support these efforts, we use a balanced scorecard (Måltavlan) to control operations with five objectives: Safety, Employees, Environment, Customers & Quality, and Finance.

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

As a whole, Måltavlan comprises Green Cargo's aggregate sustainability goals (see page 25). Of the aggregate sustainability goals in Måltavlan, Green Cargo's Board has chosen to set

the following long-term goals (2030):
- Traffic-safety index
- Commitment index
- Proportion of women at Green Cargo
- kWh/tonne kilometer
- Delivery punctuality to customers, wagons within the appointed hour
- Growth target, intermodal

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. According to the state's ownership policy, it is to be held 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.

2019 AGM

The 2019 AGM for Green Cargo AB was held on April 29, 2019. The meeting was open to the public. The minutes from the AGM are available on Green Cargo's website.

Board members Catarina Fritz, Charlotte Gaarn Hansson and Henrik Åkerström were newly elected at the AGM, and Board members Anna Elgh, Henrik Höjsgaard, Michael Thorén and Jan Sundling were re-elected. Jan Sundling was elected Chairman of the Board.

The AGM approved the 2018 annual report given by the Board and the CEO and discharged the Board and the CEO from liability for the 2018 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 27, 2020 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 consists 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. The Chairman of the Board is appointed by the general meeting pursuant to the Articles of Association. Green Cargo's chief legal counsel is the Board's secretary. The CEO 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 are associated with its operations. 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, the statutory Board meeting is to be held immediately after the AGM, or immediately after an extraordinary general meeting if reason to do so exists. At the statutory meeting, the Board must establish a preliminary program with dates and locations for scheduled Board meetings and specify the issues to be addressed at the respective meetings, where the items on the written rules of procedure are given particular attention. Extraordinary meetings are to be held if a Board member or the CEO so request. The Board is responsible for the reporting of sustainable business, including 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 CEO, and addresses this issue specifically once each year.

Composition of the Board

Up until the AGM on April 29, 2019, Green Cargo's Board consisted of seven members elected at the AGM, including the Chairman. From the 2019 AGM onwards, the Board consists of seven members elected at the AGM. The Board had two additional ordinary employee representatives with two deputies in 2019. Page 90 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 2019, 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 2019

In 2019, the Board held nine meetings, of which seven were ordinary, one was statutory and two were extraordinary. During the year, the Board of Green Cargo continued and intensified its initiatives addressing the profitability challenges that face the company. The management has continued work with the transformation program started after summer 2018 – 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 safety, punctuality and profitability.

In 2019, the Board has addressed the following main issues:

- Safety
- Punctuality
- The company's continued work with profitability; including profitability analysis of major customers
- The Journey of Change
- Risks and risk management
- The company's internal and external reporting of sustainable business, including financial reporting
- The auditors' reporting from ongoing examinations of selected processes and procedures as well as the report pertaining to the external third-party review by Thomas de Rosche
- Customer agreements with a business value exceeding SEK 50 million
- Divestment of property in Linköping
- Settlement of disputes
- Refinancing and expansion of existing credit agreements
- Divestment of shares in SeaRail OY
- Capital adequacy guarantee for Green Cargo Norge AS

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 six minuted meetings in 2019. During the year, the Audit Committee has worked with items including the format and content of internal and external reporting, has monitored the earnings impact of The Journey of Change, discussed the climate compensation report and been involved in the current procurement of auditors ahead of the Board's forthcoming recommendation for the election of auditors at the 2020 AGM. 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. Following the statutory Board meeting in 2019, the Audit Committee has consisted of Catarina Fritz, Anna Elgh and Michael Thorén. The Committee appointed Catarina Fritz as Chairman.

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 two meetings in 2019. Since the 2018 statutory board meeting, the Remu-

The Board of Directors, Board functions and attendance in 2019

Of the AGM-elected members	Position	Board meeting attendance	Year elected/ stepped down	Audit Committee attendance	Remuneration Committee attendance
Jan Sundling	Chairman	9/9	Elected 2018 AGM	N/A	2/2
Anna Elgh	Board member	9/9	Elected 2017 AGM	4/6	N/A
Henrik Höjsgaard	Board member	8/9	Elected 2018 AGM	N/A	2/2
Michael Thorén	Board member	9/9	Elected 2018 AGM	5/6	2/2
Catarina Fritz	Board member	6/9	Elected 2019 AGM	4/6	N/A
Charlotte Hansson	Board member	5/9	Elected 2019 AGM	N/A	N/A
Håkan Åkerström	Board member	5/9	Elected 2019 AGM	N/A	N/A
Margareta Alestig Johnson	Board member	3/9	Stepped down 2019 AGM	2/6	N/A
Ann-Christine Hvittfeldt	Board member	2/9	Stepped down 2019 AGM	N/A	N/A
Ingvar Nilsson	Board member	3/9	Stepped down 2019 AGM	2/6	N/A
Appointed employee representatives					
Jonas Blomqvist, Seko	Employee representative	7/9		N/A	N/A
Jerker Liljeberg, ST	Employee representative	5/9		N/A	N/A
Anders Gustafsson, Seko	Deputy	4/9		N/A	N/A
Donny Sjöberg, ST	Deputy	9/9		N/A	N/A

neration Committee has consisted of Jan Sundling, Henrik Höjsgaard and Michael Thorén. The Committee appointed Jan Sundling as Chairman.

Evaluation of the Board's work in 2019
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 415,000, and for each Board member, SEK 170,000. 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 members of the Remuneration Committee.

PRESIDENT AND CEO AND GROUP MANAGEMENT

The Board appoints the President and CEO of the company. Ted Söderholm took up the reins as the new CEO for Green Cargo AB on 7 January 2019. 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 91.

Remuneration of senior executives
At Green Cargo's AGM on April 29, 2019, 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. The 2020 guidelines for remuneration of the Board and senior executives will be adjusted pursuant to the updated Swedish Corporate Governance Code that applies from 1 January 2020.

Subsidiaries and associated companies
Green Cargo had six subsidiaries at year-end 2019: 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. All direct and indirect 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 2019 AGM, the company's Board of Directors is to propose the choice of auditor 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 29, 2019, the accounting firm KPMG was elected as auditor. The audit assignment extends to the close of the 2020 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

The Board of Directors has overall responsibility for internal control pertaining to the financial reporting, which is governed by the Swedish Companies Act and the Swedish Corporate Governance Code (the Code). The following sections have been prepared pursuant to the Annual Accounts Act and the Code and are therefore limited to the internal control of the financial reporting. The internal control of financial reporting aims to provide reasonable assurance regarding the reliability of external financial reporting in the form of interim reports and annual and sustainability reports. Moreover, the reports are prepared pursuant to the applicable laws, accounting standards and the specific external reporting guidelines applicable to state-owned companies.

Control environment
The basis for internal control comprises the control environment together with the organization, decision-making paths and responsibilities. Each year, the Board establishes a number of policies, such as the written rules of procedure for the Board and its committees, instructions to the CEO, instructions for reporting sustainable business including financial reporting and other relevant policy documents. The Board's responsibility pursuant to the state's ownership policy is to establish relevant policies for the operations and to annually evaluate current policies and related follow-up and compliance processes. Green Cargo works actively with the following policies among others: Code of Conduct, including, for example, the Work Environment Policy and Safety Policy as well as the Purchasing Policy and Financial Policy.

The control environment also encompasses the culture and values by communicated by the Board and management and used as a basis for operations, and which are conveyed through the Code of Conduct established each year by the Board. The Board's responsibilities and the internal division of tasks among its committees are set out in the Board's written rules of procedure. The Board of Directors has established an Audit Committee tasked, inter alia, with preparing the Board's work on quality assurance of the company's financial reporting. The CFO is responsible for ensuring that internal accounting guidelines and guidelines for financial reporting are in place and that they are designed pursuant to applicable legal requirements, listing requirements and accounting standards.

Risk assessment

Green Cargo performed a risk analysis of items in the balance sheet and income statement for the Green Cargo Group. 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.

Risk analysis and risks related to financial reporting are discussed regularly with the company's external auditors, who also present their risk assessment to the Audit Committee and the Board in the audit plan.

Control activities

The company's internal processes and procedures provide good support for ongoing risk management. Control activities aimed at preventing, detecting and correcting errors and deviations are incorporated into Green Cargo's financial reporting process. The controls are designed to address the risk of material errors arising in the financial reporting and encompass comprehensive and detailed controls.

In 2019, 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.

In 2019, the company had no separate internal control function. At present, the company has no plans to establish a separate internal audit function. In 2020, this function can be managed within the framework of the CFO's responsibility and organization, supported by external expertise conducting control measures. Green Cargo works on an ongoing basis to develop internal control and controls in the company, by taking into consideration and implementing steps pertaining to recommendations from the company's external auditors, inter alia. Separate evaluations of specific focus areas are also carried out, if necessary. Each year, the Board evaluates the need for a separate internal audit function.

Information and communication

In general, internal information channels include information from regular management meetings, local information meetings for all employees (workplace meetings) and the company's intranet.

The management provides the Audit Committee and the Board with financial information at each closing date. Moreover, the Audit Committee receives regular feedback from the external auditors and is thus kept updated on current observations in internal governance and control. External reporting is conducted pursuant to the guidelines in the state's ownership policy. Financial information in the form of an annual report and year-end report is available on Green Cargo's website.

Follow-up and evaluation

On an ongoing basis, the Board, the CEO, management and the finance department follow up and evaluate the appropriateness and effectiveness of governance and control pertaining to financial reporting. Controls and analyses identify areas for improvement and development. Any deficiencies are reported to the person responsible to enable improvement to take place.

Each year a business plan is drawn up which includes the strategy and budget, and is broken down to departmental level for follow-up. Each month, the Board receives a report on the financial position in relation to the business plan and the preceding year. The objectives established in the company's balanced scorecard (Måltavlan) for Safety, Employees, Environment, Customers & Quality, and Finance are also followed up.

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 company's external auditor examines selected procedures and routines as part of the annual audit. Green Cargo works on an ongoing basis to develop internal control and controls in the company by taking into consideration and implementing steps pertaining to recommendations from the company's external auditors, inter alia. Separate evaluations of specific focus areas as described above are also carried out, if necessary.

Appropriation of profits

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

Profit brought forward	317,533,960
Fair-value reserve	-11,396,915
Loss for the year	-132,040,550
Total	**174,096,495**

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

To be carried forward	174,096,495
Of which to the fair-value reserve	*-11,396,915*

Consolidated income statement

SEK million	Note	GROUP 2019	2018
CONTINUING OPERATIONS			
Operating income			
Net sales	4, 5	4,096	4,208
Other operating income	6	181	106
Total operating income		**4,277**	**4,314**
Operating expenses			
Operating costs	4, 7	-2,037	-2,358
Personnel costs	8	-1,369	-1,372
Other external costs	9	-541	-473
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	15, 16, 18	-441	-236
Share in profit of associated companies	11	18	3
Earnings		**-93**	**-122**
Profit/loss from financial items			
Financial income	12	1	1
Financial expenses	13	-37	-34
Loss after financial items		**-129**	**-155**
Tax on profit for the year	14	–	-14
Loss for the year from continuing operations		**-129**	**-169**
DISCONTINUED OPERATIONS			
Earnings, net after tax, from discontinued operations	33	**–**	**-11**
Loss for the year		**-129**	**-179**

Consolidated statement of comprehensive income

SEK million	Note	GROUP 2019	2018
Loss for the year		**-129**	**-179**
Items that cannot be reclassified to profit or loss			
Revaluation of defined-benefit pension plans		-7	1
Items that have been or can be reclassified to profit or loss			
Change for the year in fair values of cash-flow hedges		10	13
Hedging of net investments in operations abroad		–	7
Translation differences		4	1
Tax attributable to items that have been or can be reclassified to profit or loss	14	-1	-2
Total other comprehensive income, net after tax		**6**	**20**
Total comprehensive income for the year		**-123**	**-159**

Consolidated balance sheet

ASSETS		GROUP	
SEK million	Note	Dec 31, 2019	Dec 31, 2018
Non-current assets			
Intangible assets	15		
Capitalized development expenditure		21	10
Ongoing capitalized development expenditure		8	23
Total intangible assets		**29**	**33**
Property, plant and equipment			
Land, land improvements and buildings	16	13	16
Transport equipment	16	1,224	1,348
Leased transport equipment	17	–	474
Right-of-use assets	18	959	–
Equipment, fixtures and fittings	16	34	36
Construction in progress	16	142	100
Total property, plant and equipment		**2,372**	**1,975**
Financial assets			
Deferred tax assets	20	6	4
Total financial assets		**6**	**4**
Total non-current assets		**2,407**	**2,012**
Current assets			
Inventories	21	28	26
Accounts receivable	29	403	468
Other receivables		16	11
Current tax assets		4	2
Prepaid expenses and accrued income	24	82	115
Cash and cash equivalents	29	95	45
Total current assets		**628**	**668**
TOTAL ASSETS		**3,035**	**2,679**

Consolidated balance sheet

EQUITY AND LIABILITIES		GROUP	
SEK million	Note	Dec 31, 2019	Dec 31, 2018
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		-14	-20
Profit brought forward		-631	-452
Loss for the year		-129	-179
Total equity	26	**473**	**596**
Liabilities			
Non-current liabilities			
Pension provisions	30	19	14
Non-current lease liabilities	17, 18	452	473
Other non-current liabilities	29	377	746
Derivative instruments	29	22	24
Total non-current liabilities		**870**	**1,258**
Current liabilities			
Accounts payable		195	189
Current lease liabilities	17, 18	580	73
Other liabilities	29	419	57
Accrued expenses and deferred income	22	498	499
Other provisions	23	0	8
Total current liabilities		**1,692**	**826**
TOTAL EQUITY AND LIABILITIES		**3,035**	**2,679**

Consolidated changes in equity

GROUP SEK million	Note	Share capital	Other capital contributions	Reserves	Profit/loss brought forward	Profit/loss for the year	Total
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				11			**11**
Hedging of net investments, after tax				7			**7**
Translation difference, after tax				1			**1**
Revaluation of defined-benefit pension plans, after tax				1			**1**
Total other comprehensive income		–	–	*20*	–	–	**20**
Total comprehensive income		**–**	**–**	**20**	**–**	**-179**	**-159**
Closing balance, Dec 31, 2018	26	**200**	**1,047**	**-20**	**-452**	**-179**	**596**
Opening balance, Jan 1, 2019		**200**	**1,047**	**-20**	**-452**	**-179**	**596**
Allocation of preceding year's profit/loss					-179	179	**0**
Comprehensive income							
Loss for the year						-129	**-129**
Other comprehensive income							
Cash-flow hedges, after tax				8			**8**
Hedging of net investments, after tax							**0**
Translation difference, after tax				4			**4**
Revaluation of defined-benefit pension plans, after tax				-6			**-6**
Total other comprehensive income		–	–	*6*	–	–	**6**
Total comprehensive income		**–**	**–**	**6**	**–**	**-129**	**-123**
Closing balance, Dec 31, 2019	26	**200**	**1,047**	**-14**	**-631**	**-129**	**473**

Consolidated cash-flow statement

SEK million	Note	GROUP 2019	2018
Operating activities			
Loss after financial items		-129	-155
Adjustments for non-cash items	27	406	251
Provisions made		-13	-29
Tax paid		-25	-25
Cash flow from operating activities before changes in working capital		**239**	**42**
Cash flow from changes in working capital			
Increase/decrease in current receivables		114	4
Increase/decrease in current liabilities		69	-13
Cash flow from operating activities		**422**	**33**
Investing activities			
Acquisition of intangible assets		-7	-12
Acquisition of property, plant and equipment		-160	-139
Sale of property, plant and equipment		23	5
Sale of financial assets		16	225
Dividends from associated companies divested during the year		3	3
Cash flow from investing activities		**-125**	**83**
Financing activities			
Borrowings		532	150
Amortization of lease liabilities and loans		-779	-363
Cash flow from financing activities	27	**-247**	**-213**
Cash flow for the year		**50**	**-98**
Cash and cash equivalents at the beginning of the year		45	142
CLOSING BALANCE, CASH AND CASH EQUIVALENTS	27	**95**	**45**

Parent Company income statement

SEK million	Note	PARENT COMPANY 2019	2018
Operating income			
Net sales	4, 5	3,738	3,796
Other operating income	6	153	104
Total operating income		**3,891**	**3,900**
Operating expenses			
Operating costs	4, 7	-1,800	-2,043
Personnel costs	8	-1,269	-1,269
Other external costs	9	-513	-442
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	15, 16, 18	-416	-234
Earnings		**-107**	**-88**
Profit/loss from financial items			
Profit from participations in Group companies	10	6	1
Profit/loss from participations in associated companies	11	4	3
Interest income and similar profit/loss items	12	1	1
Interest expense and similar profit/loss items	13	-36	-95
Loss after financial items		**-132**	**-178**
Tax on profit for the year	14	0	-14
Loss for the year		**-132**	**-192**

Parent Company statement of comprehensive income

SEK million	Note	PARENT COMPANY 2019	2018
Loss for the year		**-132**	**-192**
Items that have been or can be reclassified to profit or loss for the period			
Change for the year in fair values of cash-flow hedges		10	13
Tax attributable to items that have been or can be reclassified to profit or loss	14	-2	-3
Total other comprehensive income, net after tax		**8**	**10**
Total comprehensive income for the year		**-124**	**-182**

Parent Company balance sheet

ASSETS SEK million	Note	PARENT COMPANY Dec 31, 2019	Dec 31, 2018
Non-current assets			
Intangible assets	15		
Capitalized development expenditure		21	9
Ongoing capitalized development expenditure		8	23
Total intangible assets		**29**	**32**
Property, plant and equipment			
Land, land improvements and buildings	16	1	1
Transport equipment	16	1,223	1,348
Leased transport equipment	17	–	474
Right-of-use assets	18	953	–
Equipment, fixtures and fittings	16	34	36
Construction in progress	16	142	100
Total property, plant and equipment		**2,353**	**1,958**
Financial assets			
Participations in Group companies	19	55	55
Participations in associated companies	19	–	15
Deferred tax assets	20	3	5
Total financial assets		**58**	**75**
Total non-current assets		**2,440**	**2,066**
Current assets			
Inventories	21	28	26
Accounts receivable	29	298	375
Receivables from Group companies	4	42	47
Other receivables		12	9
Current tax assets		3	2
Prepaid expenses and accrued income	24	85	118
Cash and bank balances	29	68	23
Total current assets		**536**	**599**
TOTAL ASSETS		**2,976**	**2,665**

Parent Company balance sheet

EQUITY AND LIABILITIES		PARENT COMPANY	
SEK million	Note	Dec 31, 2019	Dec 31, 2018
Equity			
Restricted equity			
Share capital		200	200
Statutory reserve		100	100
Reserve for development expenditure		14	17
		314	**317**
Non-restricted equity			
Fair-value reserve		-11	-19
Profit brought forward		318	507
Profit/loss for the year		-132	-192
		175	**296**
Total equity	26	**489**	**613**
Provisions			
Pension provisions	30	5	7
Other provisions	23	0	8
Total provisions		**5**	**15**
Liabilities			
Non-current liabilities			
Non-current lease liabilities	17	452	473
Other non-current liabilities	29	380	746
Derivative instruments	29	19	24
Total non-current liabilities		**851**	**1,243**
Current liabilities			
Accounts payable		170	176
Liabilities to Group companies	4	22	14
Current lease liabilities	17, 18	574	73
Other liabilities	29	410	56
Accrued expenses and deferred income	22	455	474
Total current liabilities		**1,631**	**793**
TOTAL EQUITY AND LIABILITIES		**2,976**	**2,665**

Parent Company changes in equity

PARENT COMPANY SEK million	Note	Share capital	Statutory reserve	Reserve for development expenditure	Fair-value reserve	Profit/loss brought forward	Profit/loss for the year	Total
Opening balance, Jan 1, 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								
Profit/loss for the year							-192	**-192**
Other comprehensive income								
Cash-flow hedges, after tax					10			**10**
Total other comprehensive income		*–*	*–*	*–*	*10*	*–*	*–*	*10*
Total comprehensive income		**–**	**–**	**–**	**10**	**–**	**-192**	**-182**
Closing balance, Dec 31, 2018	26	**200**	**100**	**17**	**-19**	**507**	**-192**	**613**
Opening balance, Jan 1, 2019		**200**	**100**	**17**	**-19**	**507**	**-192**	**613**
Allocation of preceding year's profit/loss						-192	192	**0**
Capitalized development expenditure, own work				-3		3		**0**
Comprehensive income								
Loss for the year							-132	**-132**
Other comprehensive income								
Cash-flow hedges, after tax					8			**8**
Total other comprehensive income		*–*	*–*	*–*	*8*	*–*	*–*	*8*
Total comprehensive income		**–**	**–**	**–**	**8**	**–**	**-132**	**-124**
Closing balance, Dec 31, 2019	26	**200**	**100**	**14**	**-11**	**318**	**-132**	**489**

Parent Company cash-flow statement

SEK million	Note	PARENT COMPANY 2019	2018
Operating activities			
Loss after financial items		-132	-178
Adjustments for non-cash items	27	396	315
Provisions made		-13	-29
Tax paid		-25	-25
Cash flow from operating activities before changes in working capital		**226**	**83**
Cash flow from changes in working capital			
Increase/decrease in current receivables		137	-31
Increase/decrease in current liabilities		38	-22
Cash flow from operating activities		**401**	**30**
Investing activities			
Acquisition of intangible assets		-7	-13
Acquisition of property, plant and equipment		-160	-138
Sale of property, plant and equipment		17	5
Sale of financial assets		16	225
Dividends from associated companies		3	3
Cash flow from investing activities		**-131**	**83**
Financing activities			
Borrowings		532	150
Amortization of lease liabilities and loans		-757	-363
Cash flow from financing activities		**-225**	**-213**
Cash flow for the year		**45**	**-100**
Cash and cash equivalents at the beginning of the year		23	123
CLOSING BALANCE, CASH AND CASH EQUIVALENTS	27	**68**	**23**

Notes

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 offers secure, reliable and climate-smart rail-based logistics solutions. Our vision – world-class rail logistics – governs how we think, act and communicate. Green Cargo connects 300 locations in Sweden, Norway and Denmark, and meets transportation needs that vary from one wagon to entire train sets. Together with partners, Green Cargo links the Swedish market to nearly 2,000 destinations in continental Europe. Combining rail with road solutions allows many companies to choose rail even when not connected to a track. The railway plays a decisive role in the competitiveness of the Swedish business community and Green Cargo's sustainable logistics system lays the foundation for Sweden's prosperity and consumption.

The Parent Company, Green Cargo AB, is wholly owned by the Swedish State and administered by the Ministry of Enterprise and Innovation.

Green Cargo AB is domiciled in Solna, Sweden and the head office address is: Box 39, SE-171 11, Solna.

The financial statements were approved for publication by the Board and the CEO on March 23, 2020 and will be submitted to the AGM on April 27, 2020 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

IFRS 16

IFRS 16 is a new standard for the financial reporting of leases that entered force January 1, 2019. Green Cargo applies IFRS 16 in the accounts for the Group and the Parent Company. For lessees, the classification of leases under IAS 17 as either operating leases or financial leases has been eliminated and 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. 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 are 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. 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 continues to be managed as operating leases. Previously financial leases were already recognized as assets and liabilities in Green Cargo AB (legal entity) and no impact arose pertaining to these financial leases in conjunction with the introduction of IFRS 16.

Depreciation is recognized in profit or loss separately from the interest expense attributable to the lease liability. Consolidated earnings for the January to December period improved SEK 6 million compared with if the previous accounting policies had been applied. This was due to part of the lease expenses being recognized as interest expenses. In the cash-flow statement, cash flow from operations increased and cash flow from financing activities decreased. The introduction of IFRS 16 had no impact on the Group's financing capacity. The Group's KPI for its net debt/equity ratio increased as a result of IFRS 16.

When establishing the lease term for premises, 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 incremental borrowing rate on borrowing is used to calculate and value the lease liability at the day of application.

As a result of IFRS 16 and as shown in the balance sheet, from 2019, a right-of-use asset is recognized to represent the right to use the underlying asset. As of December 31, 2018, financial leases recognized pursuant to IAS 17 as property, plant and equipment have been transferred to right-of-use assets. Total right-of-use assets recognized at December 31, 2019 amounted to SEK 959 million, of which SEK 477 million pertained to additional items that arose due to IFRS 16. Total lease liabilities recognized amounted to SEK 1,032 million, of which SEK 477 million pertained to additional items that arose due to IFRS 16.

The difference between obligations for operating leases in the Group, which were recognized pursuant to IAS 17 immediately preceding the first date of application (Dec 31, 2018) and lease liabilities recognized pursuant to IFRS 16 at the first date of application (Jan 1, 2019):
Future minimum lease payments pertaining to non-cancellable operating leases, excluding short-term leases and low-value leases, amounted to SEK 455 million at December 31, 2018. Additional extension options included amounted to SEK 153 million and additional lease liabilities at December 31, 2018 amounted to SEK 473 million. After being discounted by the Group's incremental borrowing rate, the recognized lease liability at January 1, 2019 amounted to SEK 1,046 million.

Published standards that have yet to be applied by the company

No new standards have been published that are applicable for the company.

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 in s normally conducted in arrears, which means that there are no contractual undertakings outstanding.

The Group conducts freight forwarding operations through its subsidiary NTR AB. NTR AB buys and sells international rail freight capacity. Revenue is recognized in the period in which the transportation started.

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

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

Employee benefits
Short-term employee benefits
Short-term employee benefits, such as salaries, social security expenses and paid vacation 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.

Leases
The company applies IFRS 16 from January 1, 2019. Refer to the above section Changes in accounting policies.

Policies applied from January 1, 2019.
When a new contract is entered into, Green Cargo makes an assessment of whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases where Green Cargo is the lessee
Upon lease commencement, Green Cargo recognizes a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability plus lease payments at or prior to commencement plus any initial direct costs incurred. The right-of-use asset is depreciated in a straight line from the commencement date until the earlier of the end of the asset's useful life and the end of the lease term, which for Green Cargo is normally the end of the lease term.

The lease liabilities – which is allocated between long-term and short-term components – is initially measured at the present value of the remaining lease payments payable over the lease term. The lease term comprises the non-cancellable period plus extension periods included in the contract if it is reasonably certain that these will be exercised.

The lease payments are discounted calculated to current value with Green Cargo's incremental borrowing rate, which in addition to the company's credit risk also reflects the respective contract's lease term, currency and the quality of the underlying asset as collateral. The lease liability encompasses the present value of the following fees over the assessed lease term:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- any amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price for a purchase option that Green Cargo is reasonably certain to use; and
- penalty payments that arise on termination of the lease if the assessed lease term reflects that such termination is likely.

The lease liabilities for Green Cargo's premises subject to index-linked rent are calculated based on the applicable rent at the end of the reporting period. At this date, the liability is adjusted together with a corresponding adjustment of the right-of-use asset's carrying amount. In a similar way, the values of the liability and the asset are adjusted in conjunction with the reassessment of the lease term. This occurs when the last termination date has passed for the previously expected lease term of the premises lease, or when significant events occur or conditions are substantially changed in a manner that is within Green Cargo's control and influences the applicable assessment of the lease term.

Green Cargo presents right-of-use assets and lease liabilities as separate items in the statement of financial position.

No right-of-use asset or lease liability is recognized for leases with a lease term of 12 months or less and for low-value assets, less than SEK 50 thousand. Lease payments for these leases are recognized as a cost straight-line over the lease term.

Principles applied until December 31, 2018

For the period prior to 2019, Green Cargo classified leases – contracts that conveyed a right to use an asset for an agreed period in exchange for a payment or a series of payments – as operating or financial based on whether the agreement essentially transferred the risks and benefits associated with ownership of the asset.

As lessee, costs pertaining to operating leases were recognized straight-line in profit for the year over the lease term. Benefits received in connection with the signing of a contract were recognized in profit for the year as a decrease in lease payments on a straight-line basis over the lease term. Variable fees were expensed in the periods in which they arose.

In all material aspects, financial leases in which Green Cargo was the lessee were recognized in a corresponding manner to the recognition of leases as described above as of January 1, 2019. The main difference was the inclusion of the full residual value in the calculation of the lease liability (and indirect lease asset) in vehicle leases where Green Cargo guaranteed the residual value.

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

Green Cargo applies IFRS 9 for the recognition of 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, lease 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 recognized 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 (Fair Value Through the Statement of Profit or Loss) or FVTOCI (Fair Value Through the statement of Other Comprehensive Income). 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, lease 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.

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 as not included in the concept of cash and cash equivalents, in other words, investments with a remaining maturity in excess of three months at the time of investment. Non-current assets acquired through financial leases are not recognized as purchases in cash flow. Since the borrowing and the investment occur as a single transaction, they offset each other. Only cash differences resulting from the acquisition or sale of subsidiaries are recognized, that is, the sum of the sales price and the subsidiary's cash and cash equivalents. Cash transactions arising from the company's financing are recognized in cash flow from financing activities. Accordingly, borrowings with the exception of lease 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 comprehensive income is presented. Voluntary application of specific regulations in the Annual Accounts Act means that companies applying IFRS in their consolidated financial statements, among other things, divide provisions into long-term and current portions. This specific regulation is applied by Green Cargo AB.

Financial guarantee contracts
In accordance with RFR 2, 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 amortization.

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 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	
Sale of services	**2019**	**2018**	**2019**	**2018**
Subsidiaries	–	–	368	363
Total sales of services to related parties	**0**	**0**	**368**	**363**
Purchase of services				
Subsidiaries	–	–	50	45
Total purchases of services from related parties	**0**	**0**	**50**	**45**
Receivables outstanding from related parties				
Subsidiaries	–	–	42	27
Total receivables outstanding from related parties	**0**	**0**	**42**	**27**
Outstanding liabilities to related parties				
Subsidiaries	–	–	22	8
Total outstanding liabilities to related parties	**0**	**0**	**22**	**8**

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.

NOTE 5 BREAKDOWN OF REVENUE

	Group		Parent Company	
Industry	**2019**	**2018**	**2019**	**2018**
Trade and Logistics	1,475	1,514	1,346	1,366
Forestry	1,010	1,049	922	946
Steel and Chemicals	1,441	1,470	1,315	1,326
Other	170	175	155	158
Total	**4,096**	**4,208**	**3,738**	**3,796**

In accordance with IFRS 15, revenue from transportation services and relevant services based on customer contracts are separated according to industry sectors.

Timing of	Group		Parent Company	
revenue recognition	**2019**	**2018**	**2019**	**2018**
At a date	4,096	4,208	3,738	3,796
Over time	–	–	–	–
Total	**4,096**	**4,208**	**3,738**	**3,796**

NOTE 6 OTHER OPERATING INCOME

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Capital gain on sale of non-current assets	22	5	17	5
Exchange-rate differences impacting earnings	1	2	0	0
Climate compensation	153	95	131	95
Other contributions	5	4	5	4
Total	**181**	**106**	**153**	**104**

NOTE 7 LEASE PAYMENTS PERTAINING TO OPERATING LEASES

	Group		Parent Company	
Lease payments	**2019**	**2018**	**2019**	**2018**
Minimum lease payments	n/a	190	n/a	190

Contracted future minimum lease payments pertaining to non-cancellable contracts	Group		Parent Company	
falling due:	**2019**	**2018**	**2019**	**2018**
Within 1 year	n/a	189	n/a	160
Between 1 and 5 years	n/a	206	n/a	199
Over 5 years	n/a	29	n/a	29
Total	**–**	**424**	**–**	**388**

	Group		Parent Company	
Lease income	**2019**	**2018**	**2019**	**2018**
Lease income pertaining to objects leased to external parties	n/a	52	n/a	52

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Future minimum lease payments pertaining to objects leased to external parties	n/a	154	n/a	154

Only significant contracts have been included in the above compilation of future minimum lease payments. 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. IFRS 16 has been applied from January 1, 2019, whereupon the concept operating leases ceased to be applied.

NOTE 8 EMPLOYEES AND PERSONNEL COSTS

Average number of employees	**2019**	**Of whom women, %**	**2018**	**Of whom women, %**
Parent Company				
Sweden	1,697	18	1,718	16
Total – Parent Company	**1,697**	**18**	**1,718**	**16**
Subsidiaries				
Norway	74	5	82	5
Total – subsidiaries	**74**	**5**	**82**	**5**
Total – Group	**1,771**	**17**	**1,800**	**15**

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

Salaries, other benefits and social security expenses

	2019		**2018**	
	Salaries and benefits	**Social security expenses**	**Salaries and benefits**	**Social security expenses**
Parent Company	865	374	861	377
(of which, pension costs)		*(81)*		*(82)*
Subsidiaries	61	12	65	12
(of which, pension costs)		*(3)*		*(2)*
Total – Group	**926**	**386**	**926**	**389**
(of which, pension costs)		*(84)*		*(84)*

Of the Group's pension costs, SEK 1 million (1) pertained to the Board and CEO. The Group's pension obligations outstanding to these individuals amount to SEK 0 million (0). During the year, costs related to termination benefits were SEK 0 million (12).

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

	2019		**2018**	
	Board and CEO	**Other employees**	**Board and CEO**	**Other employees**
Parent Company	**6**	**859**	**5**	**856**
(of which bonus, etc.)		*(–)*		*(–)*
Subsidiaries	**0**	**61**	**0**	**65**
(of which bonus, etc.)		*(–)*		*(–)*
Total – Group	**6**	**920**	**5**	**921**
(of which bonus, etc.)		*(–)*		*(–)*

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 2019 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 Henrik Höjsgaard.

Remuneration of the Board, 2019 fiscal year Amounts in SEK thousand		**Directors' fees**
Chairman of the Board	Jan Sundling	413
Board member	Henrik Höjsgaard	167
Board member	Margareta Alestig Johnson[2]	53
Board member	Catarina Fritz[1, 4]	151
Board member	Ann-Christine Hvittfeldt[2]	53
Board member	Charlotte Gaarn Hansson[1]	114
Board member	Anna Maria Elgh[3]	193
Board member	Ingvar Nilsson[2]	53
Board member	Håkan Åkerström[1]	114
Board member (Representing the State)	Michael Thorén	–
Employee representative	Jonas Blomqvist	–
Employee representative	Donny Sjöberg	–
Deputy (employee representative)	Anders Gustavsson	–
Deputy (employee representative)	Jerker Liljeberg	–
Employee representative, co-opted member	Göran Ringqvist[5]	–
Employee representative, co-opted member	Ann-Charlotte Juliusson[6]	–

1 Elected to the Board on April 29, 2019. 2 Stepped down from the Board on April 29, 2019. 3 Of which SEK 27,000 was remuneration as a member of the Audit Committee from May. 4 Of which SEK 37,000 was remuneration as Chairman of the Audit Committee from May. 5 Replaced previously co-opted member from June 1, 2019. 6 Replaced by new co-opted member June 1, 2019.

Remuneration of the Board, 2018 fiscal year Amounts in SEK thousand		**Directors' fees**
Chairman of the Board	Jan Sundling[1]	273
Board member	Lennart Pihl[2]	119
Board member	Henrik Höjsgaards	107
Board member	Tryggve Sthen[2]	59
Board member	Margareta Alestig Johnson[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	–
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 and other benefits to senior executives, 2019

The Group has changed the composition of Group Management during the year. This has resulted in a change in the number of senior executives compared with 2018.

Amounts in SEK thousand		Period in Group Management	Salary[1]	Other benefits[2]	Pension cost	Total	Pension obligation
CEO	Ted Söderholm[3]	Jan 7 to Dec 31, 2019	3,784	5	1,174	4,963	–
CFO	Erik Johansson[4]	Jan 1 to Nov 30, 2019	2,527	4	475	3,006	–
CEO, Green Cargo AS, Norway	Bengt Fors	Not a member of Group Management	1,136	0	344	1,480	–
Director of Sustainability and Communications	Erica Kronhöffer	Jun 3 to Dec 31, 2019	1,033	15	362	1,410	–
HR Director	Peter Hagert	Oct 14 to Dec 31, 2019	360	1	179	540	–
Acting HR Director	Mikael Jansson	Jan 1 to Oct 13, 2019	859	0	339	1,198	–
CIO	Ingo Paas	Sep 1 to Dec 31, 2019	588	32	198	818	–
Acting CIO	Christian Möllerfors	Jan 1 to Aug 31, 2019	Con-tracted				
CIO	Klas Andersson	Jan 1 to Jan 7, 2019	17	0	29	46	–
Chief Legal Counsel	Malin Fries	Jan 1 to Dec 31, 2019	1,500	5	484	1,989	–
COO	Markus Gardbring	Jan 1 to Dec 31, 2019	1,834	114	491	2,439	–
SVP of Commercial	Richard Kirchner	Jan 1 to Dec 31, 2019	1,813	104	500	2,417	–

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 CFO Mar 7, 2019 to Dec 31, 2019. 4 Acting CEO Jan 1, 2019 to Jan 6, 2019.

Remuneration of and other benefits to senior executives, 2018

Amounts in SEK thousand		Period in Group Management	Salary[1]	Other benefits[2]	Pension cost	Total	Pension obligation
President and CEO	Jan Kilström	Jan 1 to 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 to 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

Board

According to the 2019 AGM, annual fees to Green Cargo AB Board members are SEK 415,000 for the Chairman of the Board and SEK 170,000 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 eight months' salary is payable. New income from other employment or own operations can be used to offset pay during the notice period and severance pay. If notice is given by the CEO, no severance pay is payable.

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

NOTE 9 AUDITORS' FEES AND EXPENSES

	Group		Parent Company	
	2019	2018	2019	2018
KPMG				
Audit assignment	1.7	1.7	1.7	1.7
Other services	0.5	0.3	0.5	0.3
Total	**2.2**	**2.0**	**2.2**	**2.0**

Auditor's fees in the Swedish subsidiaries have been invoiced to the Parent Company. The audit assignment refers to the statutory audit of the financial statements, the accounting records and the administration of the business by the Board of Directors and the CEO, and auditing and other review procedures performed in accordance with agreements or contracts. This includes other procedures required to be performed by the company's auditors as well as other services caused by observations during the performance of such examination and other procedures. Other services pertains to advice with regard to auditing issues.

NOTE 10 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2019	2018
Group contributions received	6	1
Total	**6**	**1**

NOTE 11 PROFIT/LOSS FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

	Group		Parent Company	
	2019	2018	2019	2018
Dividends on shares and participations in associated companies	3	3	3	3
Sale of participations in associated companies	15	–	1	–
Total	**18**	**3**	**4**	**3**

NOTE 12 INTEREST INCOME AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2019	2018	2019	2018
Interest income, other	1	1	1	1
Fair value gains for financial instruments: derivative instruments not used for hedging	0	0	0	0
Total	**1**	**1**	**1**	**1**
Of which, interest income on financial assets not measured at fair value	*0*	*0*	*0*	*0*

NOTE 13 INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

	Group		Parent Company	
	2019	2018	2019	2018
Fair value losses for financial instruments: derivative instruments not used for hedging	0	1	0	1
Financial exchange-rate differences	-4	-22	-4	-22
Interest expense, other	-33	-11	-33	-22
Expense, remission of loan	0	–	-0	-52
Total	**-37**	**-33**	**-37**	**-95**
Of which, interest expense on financial liabilities not measured at fair value	*-12*	*-18*	*-12*	*-18*

NOTE 14 INCOME TAX

Significant subtotals in the tax expense for the year	**Group 2019**	**Group 2018**	**Parent Company 2019**	**Parent Company 2018**
Current tax	–	–	–	–
Deferred tax	–	-14	–	-14
Total	**0**	**-14**	**0**	**-14**

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

	Group		Parent Company	
	2019	2018	2019	2018
Profit/loss after financial items	-129	-155	-132	-178
Tax according to applicable tax rate (21.4%)	28	34	28	39
Tax effect of non-deductible expenses/non-taxable income	-1	-52	-1	-52
Tax effect of deficits for which no deferred tax asset was recognized	-27	18	-27	13
Impairment of deferred tax assets	–	-14	–	-14
Tax recognized	**0**	**-14**	**0**	**-14**

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

2019	**Before tax**	**Tax effect**	**After tax**
Revaluation of defined-benefit pension plans	-7	1	-6
Cash-flow hedges	10	-2	8
Translation differences	4	0	4
Total	**7**	**-1**	**6**

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**

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

2019	**Before tax**	**Tax effect**	**After tax**
Cash-flow hedges	10	-2	8
Total	**10**	**-2**	**8**

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

NOTE 15 INTANGIBLE ASSETS

Group	Capitalized development expenditure 2019	Capitalized development expenditure 2018	Ongoing capitalized development expenditure 2019	Ongoing capitalized development expenditure 2018
Accumulated cost				
Opening balance	155	146	23	19
New acquisitions	2	9	5	4
Divestments and disposals		–	-4	–
Reclassifications	16	–	-16	–
Closing balance	**173**	**155**	**8**	**23**
Accumulated amortization				
Opening balance	-143	-138	–	–
Amortization for the year	-5	-5	–	–
Closing balance	**-148**	**-143**	**0**	**0**
Accumulated impairment				
Opening balance	-3	-3	–	–
Impairment recognized in profit or loss	-1	–	–	–
Closing balance	**-4**	**-3**	**0**	**0**
Recognized residual value at year end	**21**	**9**	**8**	**23**

Parent Company	Capitalized development expenditure 2019	Capitalized development expenditure 2018	Ongoing capitalized development expenditure 2019	Ongoing capitalized development expenditure 2018
Accumulated cost				
Opening balance	150	141	23	19
New acquisitions	2	9	5	4
Divestments and disposals	–	–	-4	–
Reclassifications	16	–	-16	–
Closing balance	**168**	**150**	**8**	**23**
Accumulated amortization				
Opening balance	-138	-134	–	–
Amortization for the year	-5	-4	–	–
Closing balance	**-143**	**-138**	**0**	**0**
Accumulated impairment				
Opening balance	-3	-3	–	–
Impairment recognized in profit or loss	-1	–	–	–
Closing balance	**-4**	**-3**	**–**	**–**
Recognized residual value at year end	**21**	**9**	**8**	**23**

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 2019	Group 2018	Parent Company 2019	Parent Company 2018
Development expenditure that has been expensed	21	34	21	34
Amortization	4	4	4	4
Total	**25**	**38**	**25**	**38**

NOTE 16 PROPERTY, PLANT AND EQUIPMENT

Group	Land, land improvements and buildings 2019	Land, land improvements and buildings 2018	Leasehold improvements 2019	Leasehold improvements 2018
Accumulated cost				
Opening balance	36	38	60	60
Divestments and disposals	-6	-2	–	–
Closing balance	**30**	**36**	**60**	**60**
Accumulated depreciation				
Opening balance	-21	-20	-60	-60
Depreciation for the year	-2	-1	–	–
Divestments and disposals	6	–	–	–
Closing balance	**-17**	**-21**	**-60**	**-60**
Recognized residual value at year end	**13**	**16**	**0**	**0**

	Transport equipment 2019	Transport equipment 2018	Leased transport equipment 2019	Leased transport equipment 2018	Equipment 2019	Equipment 2018	Construction in progress 2019	Construction in progress 2018
Accumulated cost								
Opening balance	4,510	3,620	1,089	1,994	182	165	100	51
New acquisitions	114	85	–	11	5	0	42	98
Divestments and disposals	-77	-14	–	-126	-8	-4	–	–
Reclassifications	-65	819	–	-790	–	20	–	-49
Transition effect of IFRS 16	–	–	-1,089	–	–	–	–	–
Closing balance	**4,482**	**4,510**	**0**	**1,089**	**179**	**182**	**142**	**100**
Accumulated depreciation								
Opening balance	-2,293	-2,138	-592	-664	-144	-140	–	–
Depreciation for the year	-173	-168	–	-55	-7	-7	–	–
Divestments and disposals	49	13	–	127	6	3	–	–
Reclassifications	1	–	–	–	–	–	–	–
Transition effect of IFRS 16	–	–	592	–	–	–	–	–
Closing balance	**-2,416**	**-2,293**	**0**	**-592**	**-145**	**-144**	**0**	**0**
Accumulated impairment								
Opening balance	-869	-91	-23	-801	–	–	–	–
Divestments and disposals	27	–	–	–	–	–	–	–
Reclassifications	–	-778	–	778	–	–	–	–
Transition effect of IFRS 16	–	–	23	–	–	–	–	–
Closing balance	**-842**	**-869**	**0**	**-23**	**0**	**0**	**0**	**0**
Recognized residual value at year end	**1,224**	**1,348**	**0**	**474**	**34**	**36**	**142**	**100**

On the transition to IFRS 16 in 2019, Leased transport equipment was reclassified as Right-of-use assets, see Note 18.

Parent Company	Land, land improvements and buildings 2019	Land, land improvements and buildings 2018	Leasehold improvements 2019	Leasehold improvements 2018
Accumulated cost				
Opening balance	2	2	60	60
Closing balance	**2**	**2**	**60**	**60**
Accumulated depreciation				
Opening balance	-1	-1	-60	-60
Depreciation for the year	0	0	0	0
Closing balance	**-1**	**-1**	**-60**	**-60**
Recognized residual value at year end	**1**	**1**	**0**	**0**

	Transport equipment 2019	Transport equipment 2018	Leased transport equipment 2019	Leased transport equipment 2018	Equipment 2019	Equipment 2018	Construction in progress 2019	Construction in progress 2018
Accumulated cost								
Opening balance	4,510	3,620	1,090	1,995	172	156	100	51
New acquisitions	113	85	–	11	5	0	42	98
Divestments and disposals	-77	-14	–	-126	-6	-4	–	–
Reclassifications	-66	819	–	-790	–	20	–	-49
Transition effect of IFRS 16	–	–	-1,090	–	–	–	–	–
Closing balance	**4,480**	**4,510**	**0**	**1,090**	**171**	**172**	**142**	**100**
Accumulated depreciation								
Opening balance	-2,294	-2,139	-592	-665	-137	-134	–	–
Depreciation for the year	-173	-168	–	-55	-6	-7	–	–
Divestments and disposals	49	13	–	127	6	4	–	–
Reclassifications	1	–	–	–	–	–	–	–
Transition effect of IFRS 16	–	–	592	–	–	–	–	–
Closing balance	**-2,417**	**-2,294**	**0**	**-592**	**-137**	**-137**	**0**	**0**
Accumulated impairment								
Opening balance	-867	-89	-23	-801	–	–	–	–
Divestments and disposals	27	–	–	–	–	–	–	–
Reclassifications	–	-778	–	778	–	–	–	–
Transition effect of IFRS 16	–	–	23	–	–	–	–	–
Closing balance	**-840**	**-867**	**0**	**-23**	**0**	**0**	**0**	**0**
Recognized residual value at year end	**1,223**	**1,348**	**0**	**474**	**34**	**36**	**142**	**100**

On the transition to IFRS 16 in 2019, Leased transport equipment was reclassified as Right-of-use assets, see Note 18.

NOTE 17 DISCLOSURES REGARDING FINANCIAL LEASES

From January 1, 2019, IFRS 16 has been applied under which financial leases are not defined. For 2019, the corresponding information was available under Note 18. Liabilities pertaining to financial leases relate to future lease payments 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	78
Between one year and five years	473	7	480
Longer than five years	–	–	–
Total	**546**	**12**	**558**

Allocation of the liability by currency (translated 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**

Parent Company	2018		
	Amortiza-tion	Interest	Total payment due
Within one year	73	5	78
Between one year and five years	473	7	480
Longer than five years	–	–	–
Total	**546**	**12**	**558**

Allocation of the liability by currency (translated 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**

The debt-amortization portion of lease payments 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 LEASES

The effects of the transition to IFRS 16 on the Group's leases is described in Note 2 Summary of significant accounting policies. The transition method applied by the Group on the transition to IFRS 16 entails that comparative information has not been restated to reflect the new requirements.

Right-of-use assets

Group	Leases, land and parking	Locomotives and wagons	Premises	Company cars	Total
Depreciation over the year	3	203	44	3	253
Closing balance at December 31, 2019	**7**	**686**	**261**	**5**	**959**
Parent Company					
Depreciation over the year	3	181	44	3	231
Closing balance at December 31, 2019	**7**	**680**	**261**	**5**	**953**

Cash flow from leases

Liabilities pertaining to leases comprise future lease payments attributable to leases through recognition of the application of IFRS 16 in the balance sheet. Obligations under leases fall due as follows:

Group	2019		
	Amortiza-tion	Interest	Total payment due
Within one year	580	6	586
Between one year and five years	452	7	459
Longer than five years	–	–	–
Total	**1,032**	**13**	**1,045**

Allocation of the liability by currency (translated into SEK million)	
EUR	316
SEK	716
Total	**1,032**

Parent Company	2019		
	Amortiza-tion	Interest	Total payment due
Within one year	574	6	579
Between one year and five years	452	7	459
Longer than five years	–	–	–
Total	**1,026**	**13**	**1,038**

Allocation of the liability by currency (translated into SEK million)	
EUR	310
SEK	716
Total	**1,026**

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

Recognized in the cash-flow statement	Group, 2019	Parent Company, 2019
Total cash flows attributable to leases	**-316**	**-294**

The above cash flows include amounts for leases recognized as lease liabilities and amounts to be paid for variable lease payments, short-term leases and low-value leases.

Consolidated income statement, effect of transition to IFRS 16	Full-year 2019	Full-year 2019 excl. IFRS 16	Difference	Full-year 2018
Continuing operations				
Net sales	4,096	4,096	0	4,208
Other operating income	181	181	0	106
Total operating income	**4,277**	**4,277**	**0**	**4,314**
Operating costs	-2,037	-2,186	148	-2,358
Personnel costs	-1,369	-1,369	0	-1,372
Other expenses	-541	-595	54	-473
Amortization and depreciation	-441	-245	-196	-236
Profit/loss from participations in associated companies	18	18	0	3
Earnings	**-93**	**-99**	**6**	**-122**
Financial items	-36	-30	-6	-33
Loss after financial items	**-129**	**-129**	**0**	**-155**
Tax on profit for the period	0	0	0	-14
Loss for the year from continuing operations	**-129**	**-129**	**0**	**-169**
Discontinued operations				
Loss from discontinued operations, net after tax	0	0	0	-11
Loss for the period	**-129**	**-129**	**0**	**-179**

Consolidated balance sheet, effect of transition to IFRS 16	Dec 31, 2018 Recognized balance-sheet items	Restatement and reclassification to IFRS 16	Jan 1, 2019 Restated and reclassified balance-sheet items
ASSETS			
Intangible assets	33		33
Property, plant and equipment	1,975	-474	1,501
Right-of-use assets	–	974	974
Financial assets	4		4
Total non-current assets	**2,012**	**500**	**2,512**
Inventories	26		26
Current receivables	597		597
Cash and cash equivalents	45		45
Total current assets	**668**	**0**	**668**
TOTAL ASSETS	**2,679**	**500**	**3,179**
EQUITY AND LIABILITIES			
Total equity	**596**		**596**
Non-current provisions	14		14
Non-current lease liabilities	473	349	822
Other non-current liabilities	770		770
Total non-current liabilities	**1,257**	**349**	**1,606**
Other current provisions	8		8
Current lease liabilities	73	151	224
Other current liabilities	745		745
Total current liabilities	**826**	**151**	**977**
TOTAL EQUITY AND LIABILITIES	**2,679**	**500**	**3,179**

Consolidated balance sheet, effect of transition to IFRS 16	Dec 31, 2019 Recognized balance-sheet items	Add-back of IFRS 16	Dec 31, 2019 Recognized balance-sheet items excl. IFRS 16
ASSETS			
Intangible assets	29		29
Property, plant and equipment	1,413	482	1,895
Right-of-use assets	959	-959	0
Financial assets	6		6
Total non-current assets	**2,407**	**-477**	**1,930**
Inventories	28		28
Current receivables	505		505
Cash and cash equivalents	95		95
Total current assets	**628**	**0**	**628**
TOTAL ASSETS	**3,035**	**-477**	**2,558**
EQUITY AND LIABILITIES			
Total equity	**473**		**473**
Non-current provisions	19		19
Non-current lease liabilities	452	-296	156
Other non-current liabilities	399		399
Total non-current liabilities	**870**	**-296**	**574**
Other current provisions	0		0
Current lease liabilities	580	-181	399
Other current liabilities	1,112		1,112
Total current liabilities	**1,692**	**-181**	**1,511**
TOTAL EQUITY AND LIABILITIES	**3,035**	**-477**	**2,558**

Parent Company income statement, effect of transition to IFRS 16	Full-year 2019	Full-year 2019 excl. IFRS 16	Difference	Full-year 2018
Net sales	3,738	3,738	0	3,796
Other operating income	153	153	0	104
Total operating income	**3,891**	**3,891**	**0**	**3,900**
Operating costs	-1,800	-1,926	126	-2,043
Personnel costs	-1,269	-1,269	0	-1,269
Other expenses	-513	-566	53	-442
Amortization and depreciation	-416	-242	-174	-234
Earnings	**-107**	**-112**	**5**	**-88**
Financial items	-25	-20	-5	-90
Loss after financial items	**-132**	**-132**	**0**	**-178**
Tax on profit for the period	0	0	0	-14
Loss for the period	**-132**	**-132**	**0**	**-192**

Parent Company balance sheet, effect of transition to IFRS 16	Dec 31, 2018 Recognized balance-sheet items	Restatement and reclassification to IFRS 16	Jan 1, 2019 Restated and reclassified balance-sheet items
ASSETS			
Intangible assets	32		32
Property, plant and equipment	1,958	-474	1,484
Right-of-use assets	–	952	952
Financial assets	75		75
Total non-current assets	**2,065**	**478**	**2,543**
Inventories	26		26
Current receivables	550		550
Cash and cash equivalents	23		23
Total current assets	**599**	**0**	**599**
TOTAL ASSETS	**2,665**	**478**	**3,142**
EQUITY AND LIABILITIES			
Total equity	**613**		**613**
Non-current provisions	7		7
Non-current lease liabilities	473	345	818
Other non-current liabilities	770		770
Total non-current liabilities	**1,250**	**345**	**1,595**
Other current provisions	8		8
Current lease liabilities	73	133	206
Other current liabilities	720		720
Total current liabilities	**801**	**133**	**934**
TOTAL EQUITY AND LIABILITIES	**2,665**	**478**	**3,142**

Parent Company balance sheet, effect of transition to IFRS 16	Dec 31, 2019 Recognized balance-sheet items	Add-back of IFRS 16	Dec 31, 2019 Recognized balance-sheet items excl. IFRS 16
ASSETS			
Intangible assets	29		29
Property, plant and equipment	1,400	482	1,882
Right-of-use assets	953	-953	0
Financial assets	58		58
Total non-current assets	**2,440**	**-471**	**1,969**
Inventories	28		28
Current receivables	440		440
Cash and cash equivalents	68		68
Total current assets	**536**	**0**	**536**
TOTAL ASSETS	**2,976**	**-471**	**2,505**
EQUITY AND LIABILITIES			
Total equity	**489**		**489**
Non-current provisions	5		5
Non-current lease liabilities	452	-296	156
Other non-current liabilities	399		399
Total non-current liabilities	**856**	**-296**	**560**
Other current provisions	0		0
Current lease liabilities	574	-175	399
Other current liabilities	1,057		1,057
Total current liabilities	**1,631**	**-175**	**1,456**
TOTAL EQUITY AND LIABILITIES	**2,976**	**-471**	**2,505**

NOTE 19 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, Group	2019	2018
Opening balance	0	1
Dividends received	0	-3
Share of profit	0	3
Exchange-rate differences	0	-1
Closing balance	**0**	**0**

The associated company SeaRail OY was divested in 2019 and recognized under the item Profit/loss from financial items.

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.

NOTE 20 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 2019	Group 2018	Parent Company 2019	Parent Company 2018
Leases	-170	-67	-170	-67
Property, plant and equipment (declining balance method)	-167	-510	-167	-510
Loss carryforwards[1]	337	577	337	577
Other	30	19	16	24
Total temporary differences	**30**	**19**	**16**	**23**

Specification of deferred tax on temporary differences	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Leases	-36	-14	-36	-14
Property, plant and equipment (declining balance method)	-36	-109	-36	-109
Loss carryforwards[1]	72	123	72	123
Other	6	4	3	5
Total deferred tax assets	**6**	**4**	**3**	**5**

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

Deferred tax liabilities recognized in profit or loss:	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Loss carryforwards	–	-14	–	-14
Total	**0**	**-14**	**0**	**-14**

Deferred tax liabilities recognized in other comprehensive income:	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Other	-1	-3	-2	-3
Total	**-1**	**-3**	**-2**	**-3**

NOTE 21 INVENTORIES

Carrying amount	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Diesel inventory	2	1	2	1
Spare parts inventory	26	25	26	25
Total carrying amount	**28**	**26**	**28**	**26**

NOTE 22 ACCRUED EXPENSES AND DEFERRED INCOME

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Employee-related expenses	146	145	146	145
Infrastructure charges	61	55	61	55
Interest expense	6	6	6	6
Freight costs	120	135	85	124
Other accrued expenses	117	106	108	92
Other deferred income	48	52	49	52
Total	**498**	**499**	**455**	**474**

NOTE 23 PROVISIONS

Group	Restructuring measures	Other provisions	Total
Opening balance	3	5	**8**
Provisions made during the year	0	0	**0**
Provisions utilized during the year	-3	-5	**-8**
Closing balance	**0**	**0**	**0**
of which current portion	0	0	**0**

Parent Company	Restructuring measures	Other provisions	Total
Opening balance	3	5	**8**
Provisions made during the year	0	0	**0**
Provisions utilized during the year	-3	-5	**-8**
Closing balance	**0**	**0**	**0**
of which current portion	0	0	**0**

Other provisions relate to onerous contracts.

NOTE 24 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Prepaid rent and similar items	12	13	13	13
Other prepaid expenses	15	15	15	15
Accrued freight revenue	52	72	53	72
Other accrued revenue	3	15	4	18
Total	**82**	**115**	**85**	**118**

NOTE 25 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2019	**2018**	**2019**	**2018**
Contingent liabilities				
Guarantees issued for subsidiaries	6	5	6	5
Total contingent liabilities	**6**	**5**	**6**	**5**

NOTE 26 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).

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 14 million. Non-restricted equity comprises the fair-value reserve, retained earnings and net profit for the year.

Specification of the fair-value reserve	2019	2018
Opening balance	**-19**	**-30**
Cash-flow hedges, currency futures:		
Recognized in statement of comprehensive income	10	13
Deferred tax	-2	-3
Closing balance	**-11**	**-19**

Specification of reserves	2019 Hedging reserve	2019 Translation reserve	2019 Revaluation reserve	2018 Hedging reserve	2018 Translation reserve	2018 Revaluation reserve
Opening balance	**-19**	**4**	**-5**	**-30**	**-4**	**-6**
Items that may be subsequently reclassified to profit or loss						
Opening balance, reclassification						
Cash-flow hedges, currency futures:						
Recognized in statement of comprehensive income	10			13		
Deferred tax	-2			-3		
Hedging of net investments in operations abroad:						
Recognized in statement of comprehensive income						
Deferred tax						
Exchange-rate differences:						
Associated companies/subsidiaries		4			1	
Items that will not be reclassified to profit or loss						
Remeasurements of post-employment benefit obligations			-7			1
Deferred tax			1			0
Items reclassified to profit or loss						
Hedging of net investments in operations abroad:						
Recognized in statement of comprehensive income					7	
Closing balance	**-11**	**8**	**-11**	**-19**	**4**	**-5**

NOTE 27 CASH-FLOW STATEMENTS, SUPPLEMENTARY DISCLOSURES

Interest paid and received	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Interest received	1	1	1	1
Interest paid	-33	-28	-33	-28
Adjustments for non-cash items, etc.				
Depreciation/amortization and impairment of assets	445	237	421	287
Capital gain/loss on sale of non-current assets	-21	-5	-17	-5
Gain/loss on sale of associated companies	-16	–	–	–
Currency revaluations	4	3	4	21
Currency revaluation, shareholdings	–	–	–	-7
Group contributions received/paid, unpaid/paid	–	–	-3	-1
Provisions	-3	20	-9	20
Share in profit of associated companies	-3	-3	–	–
Other	–	–	-1	–
Total	**406**	**251**	**396**	**315**

Group	Closing balance 2018	Cash flows	Non-cash items: Effect of IFRS 16	Non-cash items: Revaluation	Closing balance 2019
Liabilities to credit institutions	748	-51	–	1	698
Lease liabilities	546	-196	679	3	1,032
Derivative instruments	24	0	–	-2	22
Parent Company					
Liabilities to credit institutions	748	-51	–	1	698
Lease liabilities	546	-174	651	3	1,026
Derivative instruments	24	0	–	-2	22

Cash and cash equivalents includes the following sub-components:	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Cash and bank balances	95	45	68	23

NOTE 28 OVERDRAFT FACILITY

	Group 2019	Group 2018	Parent Company 2019	Parent Company 2018
Credit limit granted	75	75	75	75
Unutilized portion	75	75	75	75
Credit utilized	**–**	**–**	**–**	**–**

Green Cargo also has total unutilized revolving credit facilities of SEK 400 million and EUR 30 million respectively.

NOTE 29 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. Available credit facilities are included in the calculation.

Maturity structure for borrowings, Group:

Liabilities on Dec 31, 2019	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. leases)	698	764	15	310	30	72	338
		(67)	(3)	(4)	(10)	(32)	(18)
Lease liabilities	555	563	38	365	35	126	0
		(8)	(3)	(1)	(1)	(3)	–
Fixed-income derivatives	22	22	5	3	4	7	3
		(22)	(5)	(3)	(4)	(7)	(3)
Liabilities on Dec 31, 2018							
Liabilities to credit institutions (excl. leases)	748	748	0	2	746	0	0
		(12)	(3)	(4)	(5)	–	–
Lease liabilities	546	546	46	31	396	74	0
		(12)	(2)	(3)	(5)	(2)	–
Fixed-income derivatives	24	24	5	5	7	5	2
		(24)	(5)	(5)	(7)	(5)	(2)

Maturity structure for borrowings, Parent Company:

Liabilities on Dec 31, 2019	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. leases)	698	764	15	310	30	72	338
		(67)	(3)	(4)	(10)	(32)	(18)
Lease liabilities	555	563	38	365	35	126	0
		(8)	(3)	(1)	(1)	(3)	–
Liabilities to Group companies[2]	22	22	22	–	–	–	–
		(0)	(0)	–	–	–	–
Fixed-income derivatives	22	22	5	3	4	3	3
		(22)	(5)	(3)	(4)	(3)	(3)
Liabilities on Dec 31, 2018							
Liabilities to credit institutions (excl. leases)	748	748	0	2	746	0	0
		(12)	(3)	(4)	(5)	–	–
Lease 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)

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 2019, 78 percent of transaction exposure was hedged through currency derivatives. Hedge accounting is applied in the financial statements when the requirements for hedge accounting are met, see Note 2 Summary of significant accounting policies. Green Cargo'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. In 2019, a negative amount of SEK 18 million (neg: 37) was transferred from the hedging reserve to net profit for the year.

The impact of currency derivatives on operating profit totaled negative SEK 18 million (neg: 40). The value of outstanding contracts, not taken up as revenue, is detailed in the following table.

Hedging of currency flows at Dec 31, 2019		EUR/SEK Volume[1]	Rate[2]
Q1	2020	14	10.54
Q2	2020	14	10.54
Q3	2020	12	10.55
Q4	2020	13	10.69
Total		**54**	**10.58**
Closing-date rate	Dec 31, 2019		10.43
Unrealized gains/losses (SEK million) recognized in the hedging reserve[3]	Dec 31, 2019		7.8

Hedging of currency flows at Dec 31, 2018		EUR/SEK Volume[1]	Rate[2]
Q1	2019	13	10.26
Q2	2019	14	10.26
Q3	2019	13	10.26
Q4	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

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, 2019	Change	Impact on earnings	Impact on equity
EUR/SEK	+/-2.5%	+/-3 MSEK	+/-14 MSEK

Dec 31, 2018	Change	Impact on earnings	Impact on equity
EUR/SEK	+/-2.5%	+/-1 MSEK	+/-14 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 comprises of cash funds. 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, 2019, the Group had ten (10) open fixed-income derivatives, whereby floating interest rates were swapped for fixed interest rates, with maturities of between five months (17) and eight years (9). Nominal amounts and interest rates for these are as follows:

SEK	Nominal amount (SEK million)	Fixed interest rate	Floating interest rate
2019	750	1.72	-0.04
2018	750	1.72	-0.35

The net fair value of fixed-income derivatives was a negative amount of SEK 22 million (neg: 24) at December 31, 2019 and comprised liabilities of SEK 22 million (24).

Sensitivity analysis of interest-rate risk, Group and Parent Company
The interest-rate risk for the debt portfolio is -/+ SEK 6 million (-/+ SEK 7 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	2019		2018	
	Gross	Provision	Gross	Provision
Not past due	358	0	419	0
<30 days	34	0	41	0
30–90 days	5	0	7	0
91–180 days	1	0	-1	0
> 180 days	5	5	4	5
Total	**403**	**5**	**470**	**6**

Parent Company	2019		2018	
	Gross	Provision	Gross	Provision
Not past due	286	0	345	0
<30 days	30	0	32	0
30–90 days	2	0	0	0
91–180 days	-2	0	-2	0
> 180 days	4	4	5	5
Total	**320**	**4**	**379**	**5**

Provision for doubtful accounts receivable:

	Group		Parent Company	
	2019	2018	2019	2018
Opening balance, provisions	5	8	5	6
Provision for probable losses	5	6	4	5
Reversal of previous provisions	-5	-8	-5	-6
Realized losses	0	0	0	0
Closing balance, provisions	**5**	**5**	**4**	**5**
Expense for the year for doubtful receivables	1.5	0.6	1.5	0.6

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 recognized pursuant to IFRS 9 at Dec 31, 2019

Group	Dec 31, 2019		Dec 31, 2019	
Assets	Total carrying amount	Fair value	Total carrying amount	Fair value
Financial assets measured at FVTOCI				
Derivative instruments	8	8	–	–
	8	**8**	**–**	**–**
Financial assets measured at amortized cost				
Accounts receivable (external)	403	403	467	467
	403	**403**		
Cash and cash equivalents				
Cash and bank balances	95	95	45	45
	95	**95**	**45**	**45**
Liabilities				
Financial liabilities measured at FVTOCI				
Derivative instruments	22	22	24	24
	22	**22**	**24**	**24**
Financial liabilities measured at amortized cost				
Accounts payable (external)	195	195	189	189
Liabilities to credit institutions	1,253	1,253	1,294	1,294
	1,448	**1,448**	**1,483**	**1,483**

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

2019	Level 1[1]	Level 2[2]	Level 3[3]
Financial assets			
Financial assets measured at FVTPL:			
– Derivative instruments used for hedging	–	8	–
Total	**–**	**8**	**–**
Financial liabilities			
Financial liabilities measured at FVTPL:			
– Derivative instruments used for hedging	–	22	–
Total	**–**	**22**	**–**

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 2019, 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.

NOTE 30 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 unsalaried 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 40 million (41). 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 2019 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 2019, Alecta's surplus in the form of its collective consolidation level was set at 148 percent (142). 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 0.15 percent (0.16) and 0.19 percent (0.18) respectively.

Defined-benefit pension plans

Group	2019	2018
Present value of wholly or partly funded obligations	82	75
Fair value of plan assets	-68	-68
Deficit/(Surplus) in funded plans	14	7
Present value of unfunded obligations	5	7
Total deficit of defined-benefit pension plans	19	14
Balance-sheet liability including special payroll tax	**19**	**14**

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, 2019	**82**	**-68**	**14**
Service costs for the year	0	–	0
Interest expense	2	-2	0
Return on plan assets, excluding amounts included in interest expense	–	-1	-1
(Gain)/loss from change in demographic assumptions	–	–	0
(Gain)/loss from change in financial assumptions	7	–	7
Experience-based (gains)/losses	-1	–	-1
Special payroll tax related to remeasurements	1	–	1
Payments from the employer	–	–	0
Benefits paid	-4	2	-2
At December 31, 2019	**87**	**-69**	**18**

Plan assets are comprised as follows

	Listed	Unlisted	Total
Equity instruments/shares	15	7	22
Interest-bearing securities	31	–	31
Property	7	–	7
Other (Business-strategic assets, raw materials, infrastructure, loan portfolio and other debt investments)	8	–	8
Total	**61**	**7**	**68**

Pension cost recognized in profit for the year

Group	2019	2018
Service costs during the current period	2	3
Interest expense	0	0
Pension costs including special payroll tax	**2**	**3**

The Group estimates that SEK 2 million will be paid in 2020 to funded (and unfunded) defined-benefit plans (recognized as defined-benefit plans) and that SEK 84 million will be paid in 2020 to defined-benefit plans (recognized as defined-contribution plans).

Assumptions pertaining to defined-benefit obligations
Key actuarial assumptions as of the closing date.

Group	2019	2018
Discount rate at December 31	1.35%	2.20%
Expected rate of salary increase	2.50%	2.70%
Change in income base amount	2.80%	3.00%
Inflation	1.80%	2.00%
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	2019	2018
Present value of wholly or partly funded pension plans (–)	5	6
Present value of unfunded pension plans (-)	0	1
Net amount recognized pertaining to pension obligations	**5**	**7**

Change in net liability

Parent Company	2019	2018
Net liability at beginning of year pertaining to pension obligations	5	7
Cost of the company's own pensions recognized in profit or loss, excl. taxes (+)	2	3
Pension payments (–)	-2	-3
Net liability at year end	**5**	**7**

Net liability	2019	2018
Non-forfeitable pension liability	5	6
Forfeitable pension liability	0	1
	5	**7**
Of which insured through PRI	5	7

Of the net liability SEK 7 million is covered by the Pension Obligations Vesting Act.

Pension costs

Parent Company	2019	2018
The company's own pensions		
Service cost of pensions, etc.	2	3
Cost of the company's own pensions excl. taxes	**2**	**3**
Pensions through insurance		
Insurance premiums or equivalents (+)	82	83
Pension cost for year excl. taxes	**84**	**86**
Recognized net cost attributable to pensions excl. taxes	84	86

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

Group	2019	2018
The company's own pensions		
Service cost of pensions, etc.	2	3
Cost of the company's own pensions excl. taxes	**2**	**3**
Pensions through insurance		
Insurance premiums or equivalents (+)	82	84
Pension cost for year excl. taxes	**84**	**87**
Recognized net cost attributable to pensions excl. taxes	84	87

Of the net recognized cost SEK 84 million (87) was in operations and SEK 0 million (0) in net financial items.

NOTE 31 APPROPRIATION OF PROFITS

Appropriation of profits

The following funds are at the disposal of the AGM (SEK):	
Profit brought forward	317,533,960
Fair-value reserve	-11,396,915
Loss for the year	-132,040,550
Total	**174,096,495**

The Board of Directors proposes that profits be distributed as follows:	
To be carried forward	174,096,495
Of which to the fair-value reserve	-11,396,915

NOTE 32 EVENTS AFTER THE CLOSING DATE

Since the end of the fiscal year, a pandemic has broken out with the spread of COVID-19. The initial impact on the financial markets and other branches was harsh. However, Green Cargo has succeeded in maintaining production, essentially unaffected, and has not noted any greater impact on customer volumes. In the short to medium term however, an obvious volume risk exists combined with a likely substantial increase in sickness absence following the wider spread of infection in society and the consequent risk of a lack of resources with a negative impact on production. We consider it highly likely that financial performance will be negatively impacted for the full year in the form of lower revenue and increased costs, and we will continuously monitor developments and update existing projections. At the time of writing, the long-term effects on our customers and the company are difficult to evaluate.

NOTE 33 ASSETS HELD-FOR-SALE AND DISCONTINUED OPERATIONS

Loss from discontinued operations, net after tax

Group	2019	2018
Share in associated companies	–	-11
	–	**-11**

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 23, 2020

Jan Sundling
Chairman of the Board

Henrik Höjsgaard
Board member

Charlotte Gaarn Hansson
Board member

Catarina Fritz
Board member

Håkan Åkerström
Board member

Michael Thorén
Board member

Anna Elgh
Board member

Jonas Blomqvist
Employee representative

Jerker Liljeberg
Employee representative

Ted Söderholm
President and CEO

Our auditors' report was submitted on March 24, 2020

KPMG AB

Jenny Jansson
Authorized Public Accountant

Auditors' Report

To the general meeting of the shareholders of Green Cargo AB, corporate identity number 556119-6436

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Green Cargo AB for the year 2019, except for the corporate governance statement on pages 47–51 and 90–91. The annual accounts and consolidated accounts of the company are included on pages 42–86 and 90–91 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of December 31, 2019 and of its financial performance and cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2019 and its financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 47–51 and 90–91. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Basis for opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditors' Responsibility sections. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Other information than the annual accounts and the consolidated accounts

This document also contains other information than the annual accounts and the consolidated accounts and can be found on pages 1–38, 40–41 and 92–99. The Board of Directors and the Chief Executive Officer are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors and the Chief Executive Officer are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Chief Executive Officer are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the Board of Directors and the Chief Executive Officer are responsible for the assessment of the company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Chief Executive Officer intend to liquidate the company, to cease operations, or have no realistic alternative but to do so. Among other tasks, the Audit Committee shall, without prejudice to the Board of Directors' responsibilities and tasks in general, oversee the company's financial reporting process.

Auditors' responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Chief Executive Officer.
- conclude on the appropriateness of the Board of Directors' and the Chief Executive Officer's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Chief Executive Officer of Green Cargo AB for the 2019 fiscal year and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory Administration Report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the fiscal year.

Basis for opinions

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor' 'Responsibility section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Chief Executive Officer

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the Group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner.

The Chief Executive Officer shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditors' responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Chief Executive Officer in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgement and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with a starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Companies Act.

The auditors' examination of the corporate governance statement

The Board of Directors is responsible for the preparation of the corporate governance statement on pages 47–51 and 90–91 in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement was conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with Chapter 6 Section 6 in the second paragraph points 2–6 of the Annual Accounts Act and Chapter 7 Section 31 in the second paragraph of the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 24, 2020
KPMG AB

Jenny Jansson
Authorized Public Accountant

Board of Directors

Jan Sundling

Born: 1947
Chairman since: 2018
Chairman of the Remuneration Committee
Board assignments: Chairman of the Swedish Institute for Quality - SIQ; Board member of Corem Property Group and Aditro Logistics
Previous assignments: Chairman of SJ; CEO of Linjeflyg and Green Cargo
Education: B.Sc. in Nautical Science,
Higher Business Administration programme

Anna Elgh

Born: 1963
Board member since: 2017
Member of Audit Committee
Current assignments: CEO, Svenska Retursystem
Previous assignments:
Business Area Manager, Ambea; Supply Chain Director, Lantmännen; and Supply Chain Director, SAS
Component
Education: M.Sc.
Mechanical Engineering, KTH; and Executive MBA, Instituto de Empresa

Henrik Höjsgaard

Born: 1965
Board member since: 2018
Member of Remuneration Committee
Current assignments: CEO of Aleris Sjukvård in Sweden
Board assignments: Board member of Norska Posten and LGT Logistics
Previous assignments: CEO Proffice/Randstad Nordics, President PostNord Logistics, CEO Keolis Nordic
Education: Shipbroker

Charlotte Gaarn Hansson

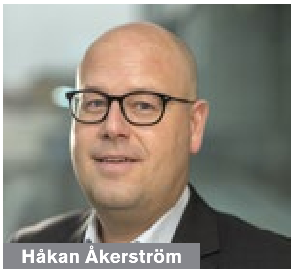
Born: 1962
Board member since: 2019
Current assignments: Own operations, Scandinavian Insight Consulting
Board assignments: Chairman of Orio and Link Top Holding; and Board member of DistIT, STENA Trade & Industry,
Momentum Group and Probi
Previous assignments: CEO of MTD Morgontidig Distribution i Sverige and Jetpak Sverige; and senior positions at Danzas ASG Eurocargo
Education: Biochemist, University of Copenhagen; and Market Economist, IHM

Michael Thorén

Born: 1969
Board member since: 2018
Member of the Audit and Remuneration Committees
Current assignments: Department Secretary, Ministry of Enterprise and Innovation
Board assignments: Board member of Metria and Lernia
Previous assignments: Analyst at ABN/Amro Bank, Project Manager at Retriva Kredit
Education: M.Sc. Business and Economics, Karlstad University

Catarina Fritz

Born: 1963
Board member since: 2019
Chairman of the Audit Committee
Current assignments: CFO and Vice President,
Akademiska Hus AB
Previous assignments: CFO at Keolis Sverige, Frösunda LSS, Addici, Aditro Group and the Stockholm Stock Exchange
Education: MBA



Håkan Åkerström

Born: 1968
Board member since: 2019
Current assignments: CEO Bergendahls Food AB
Previous assignments: CEO of Martin&Servera, Supply Chain Director Plantasjen, CEO of Dagab and Storel
Education: M.Sc. Industrial Engineering and Management, Linköping University

Employee representatives

Anders Gustafsson

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

Jerker Liljeberg

Born 1974. Deputy Board member since 2013. Resident of Lanna. Employee representative appointed by the Union of Civil Servants (ST). Joined Green Cargo in 2000.

Donny Sjöberg

Born 1973. Board member since 2017. Resident of Borlänge. Employee representative appointed by the Union of Civil Servants (ST). Joined Green Cargo in 1995.

Jonas Blomqvist

Born 1980. Board member since 2017. Resident of Boden. Employee representative appointed by the Union for Service and Communication Employees (SEKO). Joined Green Cargo in 2008.

Group Management


Ted Söderholm

CEO. Born 1974.
Joined company in 2019.


Pär Nordlander

CFO. Born 1967.
Joined company in 2020.


Markus Gardbring

COO. Born 1976.
Joined company in 2016.


Malin Fries

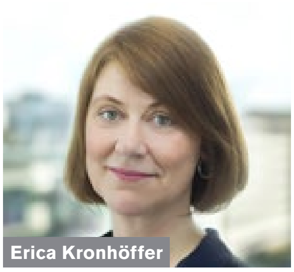
Chief Legal Counsel. Born 1969.
Joined company in 2018.


Richard Kirchner

SVP of Commercial. Born 1971.
Joined company in 2008.


Peter Hagert

HR Director. Born 1960.
Joined company in 2019.


Erica Kronhöffer

Director of Sustainability and Communications. Born 1971.
Joined company in 2019.


Ingo Paas

CIO. Born 1964.
Joined company in 2019.

GRI index

Green Cargo's sustainability report is prepared pursuant to the GRI Standards: Core option. The GRI Index including the management approach for the respective sustainability areas follows.

General disclosures:

GRI	Disclosure	Page	Comments
GRI 102: General disclosures			
	Organizational profile		
102-1	Name of the organization	page 43	
102-2	Activities, brands, products, and services	pages 11–13, 16–17	
102-3	Location of headquarters	page 43	
102-4	Location of operations	page 16	
102-5	Ownership and legal form	page 43	
102-6	Markets served	pages 12, 16	
102-7	Scale of the organization	page 6	
102-8	Information on employees and other workers	page 6	Supplementary info. on page 93.
102-9	Supply chain	pages 21, 23	
102-10	Significant changes to the organization and its supply chain	pages 7, 14–15, 36	
102-11	Precautionary principle or approach		The precautionary principle is described in the Swedish Environmental Code and Green Cargo adheres to this legislation in its operations, for example, when purchasing material and chemicals for its maintenance workshops, etc.
102-12	External initiatives		Fossil Free Sweden – www.fossilfrittsverige.se
102-13	Membership of associations		RISE – www.ri.se Sector and employer association Tågföretagen – www.tagoperatorerna.se The Swedish Confederation of Transport Enterprises – www.swedfreight.se Confederation of Swedish Enterprise/Almega – www.almega.se Network for Transport measures – www.transportmeasures.org International Union of Railways (UIC) – www.uic.org Swedish Transport Administration's Railway School – www.jarnvagsskolan.se TCC – Transport Competence Center – www.tcc.se The General Contract of Use for Wagons (GCU) www.gcubureau.org Protrain – www.protrain.se VTI – www.vti.se TTI Agreement on freight Train Transfer Inspections – https://uic.org/IMG/pdf/atti_special_group_2017-08- 29_en.pdf Fossil Free Sweden – www.fossilfrittsverige.se NJS, Forum för Nordiskt Järnvägssamarbete – http://www.njsforum.com/home CHARMEC, Chalmers Railway Mechanics – http://www.charmec.chalmers.se/ Branschprogram Kapacitet i Järnvägstrafiken (KAJT) – http://www.kajt.org/
	Strategy		
102-14	Statement from senior decision-maker	page 4	

GRI	Disclosure	Page	Comments
	Ethics and integrity		
102-16	Values, principles, standards, and norms of behaviour	pages 10, 20–21, 30	
	Governance		
102-18	Governance structure	pages 47–51	As a state-owned company, corporate governance is based on the State's ownership guidelines for sustainability, including the Board's responsibility for the sustainability goals and the sustainability report.
	Stakeholder engagement		
102-40	List of stakeholder groups	pages 22–23	
102-41	Collective bargaining agreements		All employees in Sweden are covered by collective-bargaining agreements. In Norway, all production personnel are covered by collective-bargaining agreements.
102-42	Identifying and selecting stakeholders	pages 22–23	
102-43	Approach to stakeholder engagement	pages 22–23	
102-44	Key topics and concerns raised	pages 22–23	
	Reporting practice		
102-45	Entities included in the consolidated financial statements	page 43	
102-46	Defining report content and topic Boundaries	page 38	
102-47	List of material topics	page 23	
102-48	Restatements of information		No
102-49	Changes in reporting		No significant changes
102-50	Reporting period	page 38	
102-51	Date of most recent report	page 38	
102-52	Reporting cycle	page 38	
102-53	Contact point for questions regarding the report	page 38	
102-54	Claims of reporting in accordance with the GRI Standards	page 38	
102-55	GRI content index	pages 92–98	
102-56	External assurance	page 39	

SUPPLEMENTARY INFORMATION

GRI 102-8 Information on employees and other workers

Dec 31, 2019	Permanent employees	Temporary employees	Total
Men	1,384	262	1,646
Women	319	12	331
Total	**1,703**	**274**	**1,977**

Comments: The number of employees reported was correct as of Dec 31, 2019 and pertained to operations in Sweden. We do not report personnel statistics broken down by region. Contracted personnel are not reported in the company's HR system and are not accounted for. The reported figures have been extracted from SAP HR.

Material topics:

GRI	Disclosure	Page	Comments

SAFETY

GRI 103: Management Approach

103-1	Explanation of the material topic and its Boundary	pages 22–23	See below
103-2	The management approach and its components		See below
103-3	Evaluation of the management approach	pages 25, 26–27	See below

GRI 403-2 Hazard identification, risk assessment and incident investigation

		page 26	Supplementary info. see below.

Traffic-safety index

		pages 25, 26–27	Green Cargo specific areas

SUPPLEMENTARY INFORMATION

GRI 403-2 Hazard identification, risk assessment and incident investigation

Work-related accidents, near accidents and injuries	2019	2018	2017	2016
Total number of accidents reported[1]	54	23	23	29
Number of accidents per million hours worked	20	8.4	(8.0)[3]	(9.6)[3]
Total number of near accidents reported[2]	657	584	351	450
Number of fatal accidents	1	2	0	0

Comments: Occupational injuries and near-accidents pertain to occurrences in the specified year (i.e. not necessarily reported in the year in which they occurred). The company's case management system is used for reporting, but we do not report accident statistics or incidents broken down by gender or region. We comply with Swedish legislation when recording and reporting accident statistics.

1 Undesired work-related sudden event, or consequence of events leading to personal injury.

2 Undesired work-related event that, in different circumstances, could have resulted in an accident.

3 2018 was the first year in which figures were reported

MATERIAL TOPIC

- Safety

GRI

- Company-specific areas
- GRI 403-2

GUIDELINES AND INSTRUCTIONS

- Traffic-safety policy
- Safety management system and its policies as part of the integrated management system
- Traffic-safety rules, legislation and regulations

FOLLOW-UP AND GOVERNANCE

- Ongoing security follow-ups and risk analyses
- Deviation reporting and deviation management
- Safe Habits
- Internal audits
- Central investigations and lessons from incidents
- Ongoing dialogues with infrastructure managers and government agencies
- Collaboration within the sector

BOUNDARIES

- Direct impact on production
- Indirect impact on infrastructure managers

RESPONSIBILITY

- CEO
- Safety Manager
- Operations Director
- Middle management, Operations
- Section leaders

LIMITATIONS

- The area addresses Traffic safety, Protection from criminal activity and the personal safety of our employees
- The area does not address data security.

TARGETS AND OUTCOMES 2019

- Traffic-safety index
  Target: 95.6
  Outcome: 95.4
- Number of fatal accidents or serious injuries among employees:
  target: 0
  Outcome: 1

Green Cargo's governance of the focus and material topic Safety is reported above. The state's ownership policy and our management system provide overall governance and are therefore not specified in the table.

GRI	Disclosure	Page	Comments
WORK ENVIRONMENT			
GRI 103: The management approach and its components			
103-1	Explanation of the material topic and its Boundary	pages 22–23	See below
103-2	The management approach and its components		See below
103-3	Evaluation of the management approach	pages 25, 28–29	See below
GRI 403-2 Hazard identification, risk assessment and incident investigation			
		pages 25, 28–29, 94	
GRI 405-1 Diversity of governance bodies and employees			
		pages 6, 25, 28–29, 48	

MATERIAL TOPIC

- Work environment

GRI

- GRI 403-2
- GRI 405-1

GUIDELINES AND INSTRUCTIONS

- Applicable laws and regulations for health and safety
- Work environment policy
- Green Cargo's framework for systematic health and safety efforts including documentation

FOLLOW-UP AND GOVERNANCE

- Annual self-assessment of the systematic health and safety efforts
- Periodic safety inspections
- Ongoing risk assessments for any changes
- Internal audits
- Collaboration and safety committees

BOUNDARIES

- All operations are conducted within Green Cargo
- All operations and administration conducted by Green Cargo at or in another principal's geographic and physical work area.
- Deficiencies in information/communication between Green Cargo and external parties that impact operations
- All suppliers delivering services or material to Green Cargo
- All customers to whom Green Cargo delivers services and material.

RESPONSIBILITY

- CEO
- Directors
- Middle management
- Section leaders

LIMITATIONS

- Green Cargo's work environment responsibility is limited to the operations and physical environments where the company has the authority to influence the work environment.

TARGETS AND OUTCOMES 2019

- Traffic-safety index
  Target: 95.6
  Outcome: 95.4
- Sickness absence
  Target: 4.8%
  Outcome: 4.1%

Green Cargo's governance of the focus and material topic Work environment is reported above. The state's ownership policy and our management system provide overall governance and are therefore not specified in the table.

GRI	Disclosure	Page	Comments
ENVIRONMENTAL PERFORMANCE			
GRI 103: The management approach and its components			
103-1	Explanation of the material topic and its Boundary	pages 22–23	See below
103-2	The management approach and its components		See below
103-3	Evaluation of the management approach	pages 25, 32–33	See below
GRI 302-3 Energy intensity			
		pages 25, 32–33	Green Cargo is encompassed by the Act on energy audits of large companies (2014:266) and reported this to the Swedish Energy Agency in 2018. The survey showed that 99% of the company's energy consumption was attributable to the company's freight operations. Property heating and electricity were therefore not included in the figures reported. The allocation between fossil and renewable energy was shown, since the freight operations are conducted with both.
GRI 305-4 GHG emissions intensity			
			Supplementary info. see below. The minimal greenhouse gas emissions from electric trains give us an important competitive edge over our competitors. Green Cargo uses large quantities of electricity, but electricity usage only constitutes a small proportion of the Group's carbon dioxide equivalent emissions. Most of the CO2 emissions by Green Cargo's operations are due to our shipments drawn by diesel locomotives. Green Cargo does not climate compensate for climate-impacting emissions and is not affected by any GHG-related (Greenhouse Gas Protocol) legislation. The calculations include GHG emissions from operating trains with diesel (Scope 1) and electricity (Scope 2) as well as for outsourced road freight (Scope 3).

SUPPLEMENTARY INFORMATION

GRI 305-4 GHG emissions intensity

CO2 equivalents, transportation	2019	2018	2017	2016
Total tonnes CO2e	32,643	33,261	32,445	34,064

MATERIAL TOPIC

Enivronmental performance:
- Energy use
- GHG emissions

GRI

- GRI 302-1
- GRI 305-4

GUIDELINES AND INSTRUCTIONS

- Applicable environmental laws, ordinances and regulations
- Environmental policy

FOLLOW-UP AND GOVERNANCE

- Internal audits
- Systematic work with environmental aspects
- Deviation reporting and deviation management
- Ongoing risk assessments for any changes
- Dialogue with local residents when needed
- Collaboration within the sector

BOUNDARIES

- Direct impact on production, shunting and switching
- Indirect impact on suppliers

RESPONSIBILITY

- CEO
- Sustainability Director
- Operations Director
- Sustainability Strategist
- Middle management in Operations

LIMITATIONS

- Diesel consumption is only stated in relation to rail freight
- Energy consumption is only stated in relation to rail freight completed with electric power

TARGETS AND OUTCOMES 2019

- Gram CO2e/tonne km
  Target: 2.8
  Outcome: 3.09
- kWh/tonne kilometer
  Target: 0.036
  Outcome: 0.037
- Liters of diesel per 1,000 tonne kilometer
  Target: 0.65
  Outcome: 0.66

Green Cargo's governance of the focus and material topic Environmental performance is reported above. The state's ownership policy and our management system provide overall governance and are therefore not specified in the tables.

GRI	Disclosure	Page	Comments

PUNCTUALITY

GRI 103: The management approach and its components

GRI	Disclosure	Page	Comments
103-1	Explanation of the material topic and its Boundary	pages 22–23	See below
103-2	The management approach and its components		See below
103-3	Evaluation of the management approach	pages 25, 34–35	See below

Punctuality

GRI	Disclosure	Page	Comments
		pages 25, 34–35	Green Cargo specific areas

MATERIAL TOPIC
- Punctuality

GRI
- Company-specific areas

GUIDELINES AND INSTRUCTIONS
- Quality policy

FOLLOW-UP AND GOVERNANCE
- Continuous process development
- Continuous risk management and risk analyses
- Deviation reporting and deviation management
- Internal audits
- Collaboration within the sector

BOUNDARIES
- Direct impact through:
  - Trains reported ready in time
- Indirect impact through:
  - Personnel circulation
  - Locomotives & wagons maintained efficiently and according to plan

RESPONSIBILITY
- CEO
- Operations Director
- Quality Manager

LIMITATIONS
- Delivery punctuality within the appointed hour, for all trains operated by Green Cargo

TARGETS AND OUTCOMES 2019
- Punctuality
  Target: 95.0%
  Outcome: 90.7%

Green Cargo's governance of the focus and material topic Punctuality is reported above. The state's ownership policy and our management system provide overall governance and are therefore not specified in the tables.

GRI	Disclosure	Page	Comments
ECONOMIC PERFORMANCE			
GRI 103: The management approach and its components			
103-1	Explanation of the material topic and its Boundary	pages 22–23	See below
103-2	The management approach and its components		See below
103-3	Evaluation of the management approach	pages 25, 36	See below
201-1 Direct economic value generated and distributed			
201-1			Supplementary info. see below.

SUPPLEMENTARY INFORMATION

201-1 Direct economic value generated and distributed

(SEK million)		2019	2018	2017	Comments
Economic value generated					
Sales	Customers	4,277	4,314	4,364	
Financial income	Financiers	1	1	1	
Share in associated companies	Customers	0	3	3	
Economic value distributed					
Operating costs	Suppliers	-2,578	-2,831	-2,731	
Salaries and benefits to employees	Employees	-926	-926	-1,004	Excluding social security contributions and pensions
Payments to financiers	Financiers	-19	-45	-107	
Payments to the public sector (taxes)	Society	-386	-390	-398	Social security contributions and pensions
Unrealized changes in value		369	126	128	

MATERIAL TOPIC

- Economic performance

GRI

- GRI 201-1

GUIDELINES AND INSTRUCTIONS

- Financial policy
- Guidelines for financial reporting
- Instructions for external financial reporting
- Accounting manual
- Applicable laws, ordinances and regulations pertaining to financial accounting and reporting
- General recommendations of the Swedish Accounting Standards Board
- IFRS
- IAS (International Accounting Standards Board)

FOLLOW-UP AND GOVERNANCE

- Interim reports
- Quarterly reports
- Report of the Board
- Management report
- Follow-up of department results
- Workplace meetings

BOUNDARIES

- Direct impact within the company through ensuring control and stability in our financial procedures and ensuring that we keep updated on financial events that may affect us.

RESPONSIBILITY

- CEO
- CFO

LIMITATIONS

- N/A

TARGETS AND OUTCOMES 2019

- Return on operating capital
  Target: 10%
  Outcome: Negative
- Net debt/equity ratio
  Target: 0.6–0.9
  Outcome: 3.5
- Dividend
  Target: 50% of after-tax profit
  Outcome: 0

Green Cargo's governance of the focus and material topic Economic performance is reported above. The state's ownership policy and our management system provide overall governance and are therefore not specified in the table.

Glossary

OPERATIONAL DEFINITIONS[1]

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

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

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

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

Intermodal freight Shipments that utilize load carriers, which allow the use of several transportation alternatives, for example road and rail.

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

Separate load carriers Containers that are lifted and moved between various transportation alternatives such as trucks, trains and ships. Examples of load carriers include swap bodies and containers.

Environmental performance Measurable environmental impact from operations.

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

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

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

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

FINANCIAL DEFINITIONS

The company presents certain alternative performance measures (APMs) in the annual report that are not defined according to IFRS. The company is of the opinion that these APMs provide valuable complementary information to owners and the company's management, since they enable evaluation and benchmarking of the company's performance. These APMs should not be viewed as replacements for metrics defined under IFRS. Unless stated otherwise, the following metrics are not defined in accordance with IFRS.

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

Return on operating capital Earnings for the year divided by the average operating capital.

Gross investments The value of investments made.

Items affecting comparability Profit/loss items that materially affect earnings, and if not showcased impair understanding the company's underlying operational development.

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

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

Net debt Interest-bearing liabilities less interest-bearing assets.

Net debt/equity ratio Interest-bearing liabilities less interest-bearing assets divided by equity including non-controlling interests.

Operating capital Interest-bearing liabilities less cash and current and non-current investments plus equity.

Interest-bearing liabilities Liabilities encumbered with costs for interest (lease liabilities, borrowings, derivative instruments and pension provisions).

Interest-bearing assets Assets for which returns solely depend on currency, tenor and credit risk (cash and cash equivalents, and financial investments)

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

Operating margin Operating profit/loss divided by total operating income. Definition in accordance with IFRS.

Equity/assets ratio Equity including non-controlling interests divided by total assets at the end of the period.

Capital employed Equity including non-controlling interests plus interest-bearing liabilities.

1 These KPIs are operational and do not constitute APMs in accordance with the guidelines of the European Securities and Markets Authority (ESMA).

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

For more information please see: www.greencargo.com

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