



ABSTRACT
ANNUAL REPORT

2011







green
cargo




Green Cargo in brief

Green Cargo's operations comprise two business areas: transport operations and third-party logistics in its transport operations, Green Cargo sells and produces freight transport solutions based on rail transport and supplemented by road transport.

Customers and operations

Green Cargo's largest customers are active in the Swedish business community and operate in the steel, chemical, automotive, engineering, forestry and retail industries, including such customers as Volvo, Stora Enso, IKEA and ICA. While the principal market for the company's transport operations and third-party logistics is linked to Sweden, Green Cargo also meets business needs in Sweden for transports to and from all railway junctions in Europe.

In 2011, the company's operations generated sales of SEK 6,428 million (6,181). This resulted in an operating profit of SEK 101 million (loss: 141), corresponding to an earnings improvement of SEK 242 million compared with the preceding year. The Group's gross investments totaled SEK 540 million, of which locomotive modernization accounted for SEK 449 million. Under Green Cargo's locomotive modernization program, a total of approximately SEK 1,400 million will be invested in rolling stock.

Owner and targets

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

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

Business concept and vision

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

Structural changes– implemented and planned

Green Cargo's subsidiary, Green Cargo Åkeri AB, was divested on October 27, 2011 following a decision made in 2010 to no longer own (but still provide) trucks for road transport. The sale did not have a significant impact on consolidated profit. In early 2012, it was decided that the company's third-party logistics operations and holdings of logistics properties would also be divested. On March 26, Green Cargo entered into an agreement to sell Green Cargo Logistics and all associated properties to the PostNord logistics group. Completion of the transaction is contingent on the approval of the relevant competition authorities, which is expected to be obtained by the end of the second quarter of 2012.

Green Cargo signed customer agreements valued at nearly SEK 1.8 billion in 2011.

Employees

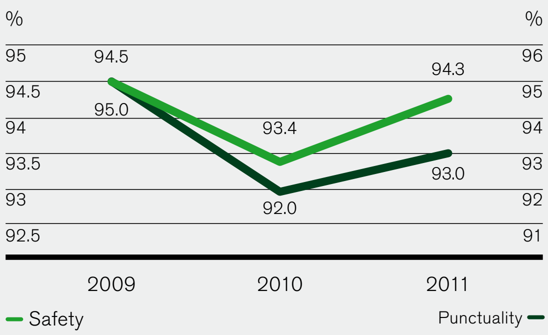
The number of employees in 2011 totaled 2,806.

Locomotives and wagons

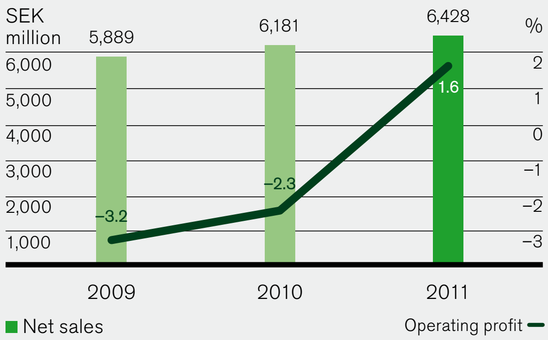
To deliver efficient and sustainable rail logistics for the Swedish business community, Green Cargo has 468 locomotives and about 7,000 wagons.

Group	2011	2010	2009
Operating profit/loss	6,428	6,181	5,889
Profit/loss after financial items	101	−141	−191
Profit/loss after tax	26	−132	−223
Profit/loss after tax	10	−139	−174
Operating margin, %	2%	neg.	neg.
Return on capital employed, %	3%	neg.	neg.
Return on equity, %	1%	neg.	neg.
Equity/assets ratio, %	24%	25%	28%
Debt/equity ratio	2.4	2.0	1.8
Gross investments	540	437	927
Average number of employees	2,806	2,907	3,017

Safety and punctuality



Net sales and operating profit



Source: Green Cargo

CEO's report

A journey from loss to profit and from breadth to depth. Green Cargo began two journeys in 2011. The first journey – from loss to profit – was a prerequisite for the company's embarkation on its long-term journey toward a sustainable future.

For us at Green Cargo, sustainability is about ensuring that our environmentally compatible operations are financially sustainable. Conducting our energy-efficient operations at a loss would mean that the positive environmental effects of rail logistics on Swedish industry – today and, perhaps most importantly, tomorrow – would be wasted. Quite simply, sustainable finances are a precondition for managing future investments and development.

First journey – from loss to profit

Our most important endeavor and first journey of the year focused on boosting our profitability. We began the year with a loss and our aim was to achieve a profit. We must be profitable if we are to develop our offering to customers and finance our ongoing modernization and purchases of new locomotives – an investment totaling nearly SEK 2 billion. We determined the path for our journey early in the year. "Safety and quality will make us profitable," we declared and thus our work commenced. Our safety initiatives are being carried out based on a long-term approach and were given an energy boost from focused initiatives. We expanded our safety training program and assigned greater responsibility to all employees working in the area of traffic safety. We reviewed our operations and implemented measures to rectify any risk-prone environments and ensure our planning would result in enhancement. Our efforts yielded results; in autumn 2011, thanks to its conscientious employees, Green Cargo achieved its highest level of traffic safety since the company was formed in 2001.

Above all, quality means ensuring punctuality for our customers. For several years, Green Cargo has maintained a delivery punctuality rate of more than 95 percent, meaning that more than 95 percent of the company's freight transport reached the customer within the appointed hour. Two harsh winters and one

CEO Mikael Stöhr on site, talking with two employees.

financial crisis later, our delivery punctuality rate fell to slightly more than 90 percent.

We were not satisfied with this figure and knew that we could only attain sustainable quality by adopting a structured approach and ensuring the dedication of our employees. By implementing consistent improvement work, we increased our delivery punctuality rate to 93 percent in 2011. Increased punctuality is an important everyday improvement for our customers. Its measurement is based on the arrival of more than 570,000 freight wagons to customers throughout Sweden over the course of 365 days and nights.

Achieving success is about doing it right from the start, rather than rushing to fix mistakes. This is the course we plotted during the first journey. With regard to punctuality, this meant planning correctly and guaranteeing that our operational personnel ensured that all departing trains were prepared and had undergone safety inspections on time. We reviewed each area of the country, assessed the realism of our planning and spoke to our employees to gauge their opinions. Our improvements in safety and punctuality were the result of quality-oriented work conducted throughout the company.

It is our safety and quality that make us attractive to our customers in the business community who are prepared to pay for reliable, safe and punctual transport. Despite the downturn in the global economy in autumn 2011 and the fact that our customers' transport volumes declined every week, we increased our sales by SEK 247 million and our operating profit by SEK 242 million. Our operating profit totaled SEK 101 million and profit after financial items SEK 26 million, up SEK 158 million year-on-year. We followed our travel plan for 2011 and laid the foundation for our next journey, on which we are now embarking.

The key journey – from breadth to depth

During the past year, we conducted an assessment and analysis of the transport market and our own operations. We reviewed our finances and balanced our assets against our investment requirements and business opportunities. We mobilized around a focused strategy for our key journey to meet the future. In accordance with this strategy, we are focusing and deepening our railway offering and establishing latitude to take action in the future. We are moving from a broad logistics company with a European focus to a player with an in-depth focus on rail operations for Swedish industry. We have streamlined our organization and sold our road freight operations. We have begun integrating the subsidiary NTR with Green Cargo's market organization and are in the process of selling our successful third-party logistics operation, which will supply us with capital for future investments in our rail operations, while providing our third-party logistics operation with an owner that is prepared to invest in its growth.

The key journey will continue in the same tracks as the journey that started in the 1800s, which laid the groundwork for Sweden as an industrial nation. Even if the products in our wagons have been renewed, the journey is still based on steel wheels that roll easily and efficiently with cargo for the business community. It remains ingenious that a locomotive driver, in a safe system, can transport the same cargo that would otherwise require 30 truck drivers on our roads. As part of this major and profitable journey for Green Cargo, we are taking command and producing innovative logistics solutions, tomorrow's IT systems, and completing the investments that will assure the quality of our rail freight traffic and open up new business opportunities. We will achieve the above through innovation, committed personnel and dialog with our customers. The goal is nothing less than world-class rail logistics.

Solna March 2012

Mikael Stöhr
President and CEO, Green Cargo

Join one of Green Cargo's many rail freight shipments. The journey starts on the next page!

"Achieving success is about doing it right from the start, rather than rushing to fix mistakes.

VD Mikael Stöhr förklarar resan från bredd till djup.

Birth of a rail freight shipment

Green Cargo's customer emails an order and receives a prompt response – a confirmation is sent to the customer in less than an hour. On the shipment date, the consignment note is sent to Green Cargo's Customer Service where Green Cargo's Madelene Worreby and Oskar Andersson register it in the system. The wagons are now ready to depart on time, that is, ready to be collected and shunted into order with the other wagons that make up the train. When each wagon is in position and in order, a ready report can be issued by Green Cargo's Report Center and this is the time when a train order is first transmitted to the locomotive driver.

This is Green Cargo

Green Cargo bears up growth, welfare and employment on its axles. Green Cargo transports truck cabs to Gent, furniture to Haparanda, newsprint to Frankfurt, flour to local bakers, wine for the dinner table and steel ingots to Borlänge. Reliably, safely and at the appointed time.

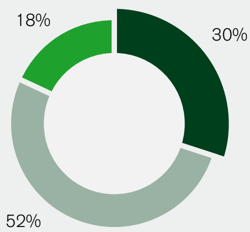
Green Cargo's locomotive drivers run almost 500 freight trains per day in Sweden. Rather than having an additional 12,000 truckloads on Swedish roads, Swedish business has elected to send 30 percent of its domestic freight alone by rail. With almost 500 freight trains per day, Green Cargo's freight trains correspond to a 300 kilometer long queue of trucks. The 30 freight trains to the continent each day mean that Europe's motorways are not subjected to a 20-kilometer queue of trucks. This may be part of the reason why the European Commission wants to see more rail transportation in Europe in the future.

> ” World-class rail logistics.
>
> **Vision**

In total, Green Cargo's freight wagons roll round the world 35 times every 24 hours. An achievement performed far from the ramp light and laudatory speeches but still well worth remembering. For when Green Cargo's trains are rolling, so are the wheels of Swedish commerce. When the infrastructure starts to splutter and cough, the factories fall behind and the shelves of stores soon gape empty.

When the business community chooses rail freight, nature breathes a sigh of relief. Steel wheels on steel rails roll easily thus enabling cargo carried by our electric trains to travel 300 times the distance of road freight for the same level of carbon emissions. All forms of transport are necessary – but when large volumes need to be transported long distances – the train is the smartest choice.

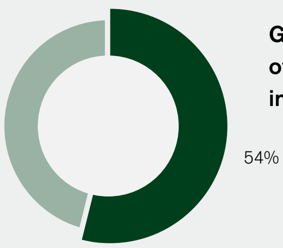
> ” Efficient and sustainable rail logistics for the Swedish business community.
>
> **Business concept**



Freight transportation in Sweden

Rail	30%
Road	52%
Maritime and inland waterway transport	18%

Source: The Swedish Transport Administration



Green Cargo's share of rail freight transport in Sweden

Source: The Swedish Transport Administration

Green Cargo's freight operations

Green Cargo stands for efficient and sustainable rail logistics for Swedish business. This means full focus on the carriage of cargo by rail freight. Green Cargo's network serves 350 locations across the country and, through business partners, Green Cargo links Swedish business freight to the continental markets.

Green Cargo enhances the efficiency of international traffic through balancing and return loads from the continent. In Sweden, road freight is used for the last mile and partnerships are in place with more than 200 trucking companies around Sweden to enable even more companies to transport their goods over longer distances by rail.

Green Cargo has the resources. Green Cargo does not use low prices and old rolling stock. Green Cargo invests in quality and in the existing and future transport needs of the business community. Delivery punctuality within the appointed hour has exceeded 90 percent for many years and Green Cargo invests a total of almost SEK 2 billion in modernization and purchases of new locomotives. In total, green Cargo owns 468 locomotives and has approximately 7,000 wagons at its disposal to meet the transportation needs of the Swedish business community.

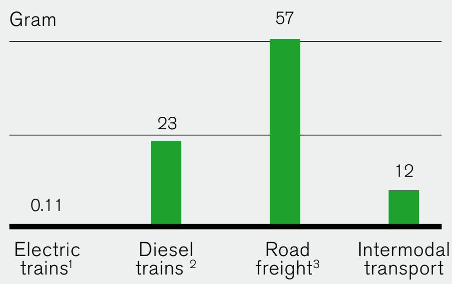
Safety first. Green Cargo invests time and money in safety: e-learning, conventional training and coaching are used to raise the safety skills of Green Cargo's personnel. Green Cargo's rail freight operations are performed with safety as top priority and this has had favorable results in the form of halved accident costs.

Objective: world-class status. If locomotives and wagons combined with quality and safety conscious personnel form the basis of a good service offering, then a highly innovative as well as fast and responsive customer service form key building blocks for achieving world-class status. In this area, Green Cargo is investing in additional logistics specialists, IT initiatives and the development of its customer service for domestic and international rail freight.

Green Cargo's complete transport operations are approved by the Swedish Society for Nature Conservation as a Bra Miljöval (Good Environmental Choice) freight carrier. In this respect, Green Cargo is unique as a nationwide freight carrier and Green Cargo is pleased that more than 500 companies have elected to use rail services and thus become pacesetters for environmental adaptation of their own operations.

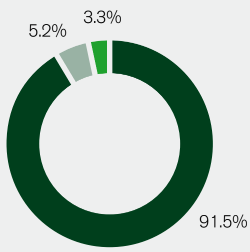

Hallsberg's marshalling yard.

CO2 per net tonne kilometer, average in Sweden



1 Electric trains, renewable energy, 60% capacity utilization rate
2 Diesel trains, 60% capacity utilization rate
3 Heavy trucks with trailers, 70% capacity utilization rate

Source: www.ecotransit.org



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

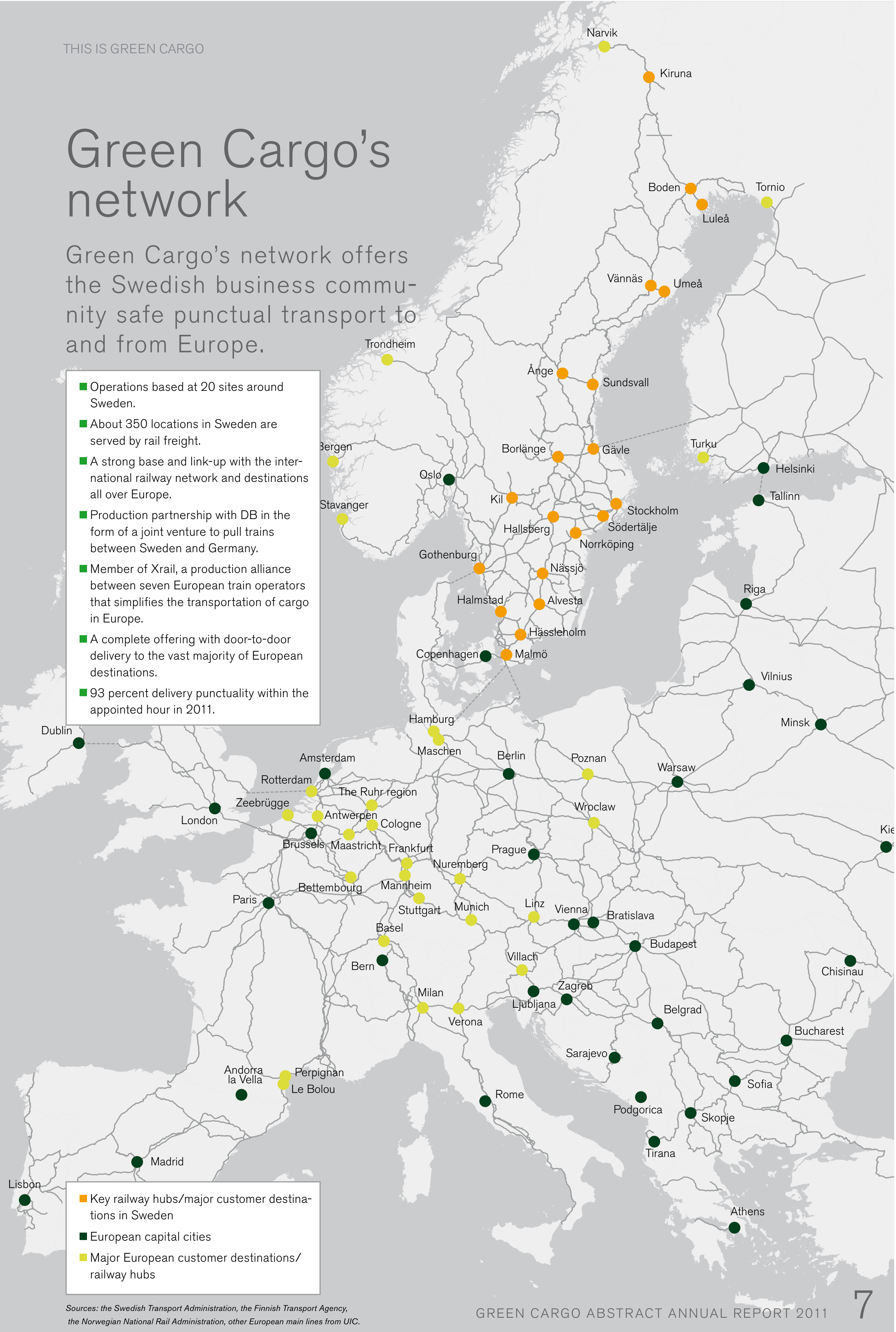
Electric trains	91.5%
Diesel trains	5.2%
Trucks	3.3%

Källa: Green Cargo

Green Cargo's network

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

- Operations based at 20 sites around Sweden.
- About 350 locations in Sweden are served by rail freight.
- A strong base and link-up with the international railway network and destinations all over Europe.
- Production partnership with DB in the form of a joint venture to pull trains between Sweden and Germany.
- Member of Xrail, a production alliance between seven European train operators that simplifies the transportation of cargo in Europe.
- A complete offering with door-to-door delivery to the vast majority of European destinations.
- 93 percent delivery punctuality within the appointed hour in 2011.



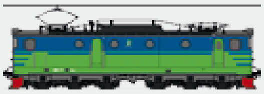
- Key railway hubs/major customer destinations in Sweden
- European capital cities
- Major European customer destinations/ railway hubs

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

Green Cargo's locomotives and wagons

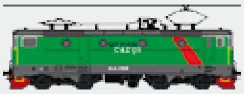
Green Cargo is proud of its 468 locomotives that, together with 7,000 wagons, pull their heavy loads, 365 days a year.

ELECTRIC LOCOMOTIVES – 263

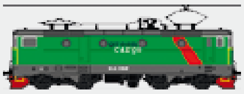


Name: Ma
Number: 17
Comment: 105 km/h
Rated power: Electric, 3.96 MW

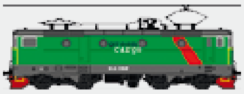
Name: Rc1
Number: 17
Comment: All equipped with radio control
Rated power: Electric, 3.6 MW



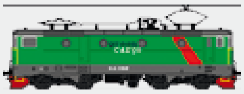
Name: Rc2
Number: 53
Comment: 30 with radio control
Rated power: Electric, 3.6 MW



Name: Rc3
Number: 5
Comment: 2 equipped with radio control, 160 km/h
Rated power: Electric, 3.6 MW



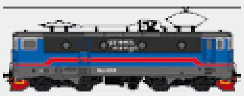
Name: Rc4
Number: 124
Comment: 62 equipped with radio control
Rated power: Electric, 3.6 MW



Name: Rc4p
Number: 4
Comment: 160 km/h
Rated power: Electric, 3.6 MW

Name: Rd2
Number: 21
Comment: All equipped with radio control
Rated power: Electric, 3.6 MW

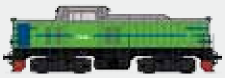
Name: Re
Number: 16
Comment: 140 km/h
Rated power: Electric, 5.6 MW



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

DIESEL LOCOMOTIVES – 205

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

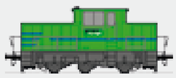


Name: T43
Number: 5
Comment: 3 equipped with radio control
Rated power: Diesel, 1.065 MW

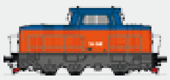
Name: T44
Number: 56
Comment: All equipped with radio control
Rated power: Diesel, 1.235 MW

Name: TMZ
Number: 1
Rated power: Diesel, 2.426 MW

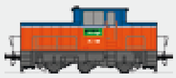
Name: V11
Number: 2
Comment: All equipped with radio control
Rated power: Diesel, 0.883 MW



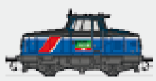
Name: V10
Number: 2
Comment: All equipped with radio control
Rated power: Diesel, 0.485 MW



Name: V4
Number: 3
Comment: All equipped with radio control (40/70 km/h)
Rated power: Diesel, 0,460 MW



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



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

Locomotive illustrations used by kind permission of Svenska-lok.se

A load carrier for every need

Fuel chips, pulp wood, paper reels, scrap iron, aviation fuel, foodstuffs, passenger cars, truck cabs, etc. The list of needs for the Swedish business community can be very long indeed. With a fleet of some 7,000 wagons and approximately 900 containers and swap bodies, Green Cargo solves the vast majority of transport needs.

On left: A Green Cargo wagon of the HBB type.

Green Cargo's third-party logistics

For the first time, Green Cargo Logistics achieves sales of SEK 1 billion while consolidating its position as the country's second largest third-party logistics provider.

The successes of Green Cargo Logistics are a result of active investment in prioritized customer segments, high capacity utilization of stock and high quality. Most of Green Cargo Logistics' customers are active in the following segments: fast moving consumer goods, wine and spirits as well as building materials and garden supplies – volumes in the latter two segments grew during the year. Green Cargo Logistics is now the market leader in these segments and, over the past three years, has increased its warehouse capacity in Stockholm, Norrköping and Helsingborg. Green Cargo Logistics has modern high-bay storage facilities with a total area of 262,000 square meters, corresponding to 40 football pitches. The flow of customers has prompted Green Cargo Logistics to build additional facilities in Helsingborg of 27,000 square meters.

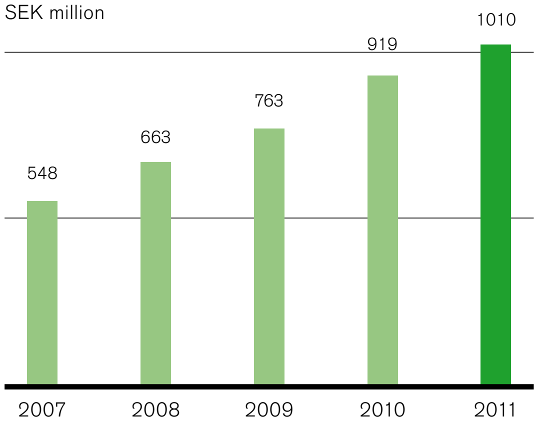
In autumn 2011, Green Cargo Logistics was awarded the contract to create a new distribution concept in Norrkoping for Apoteket Hjärtat, the second largest operator in the Swedish pharmacy market. Green Cargo Logistics has thereby established itself in a new segment with substantial potential.

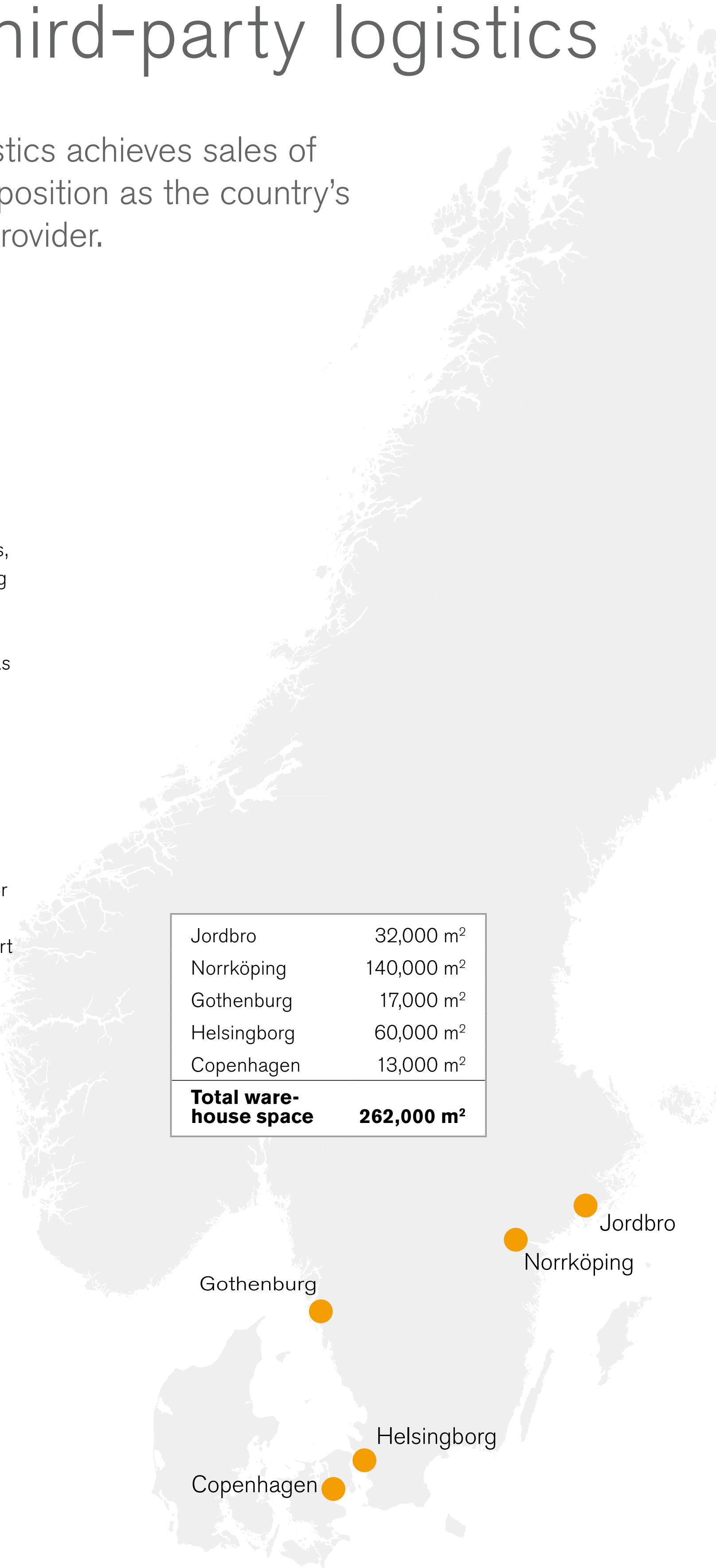
Green Cargo Logistics is also expanding in e-commerce for the non-durable goods and building materials industries. The company provides services that require qualified system support and call centers, which can result in new flows direct to the consumer, wholesaler and individual store.

Jordbro	32,000 m^2
Norrköping	140,000 m^2
Gothenburg	17,000 m^2
Helsingborg	60,000 m^2
Copenhagen	13,000 m^2
Total warehouse space	**262,000 m^2**

Green Cargo Logistics annual sales

SEK million





2011 per quarter

FIRST QUARTER

Q1

- Green Cargo's single largest freight agreement ever (ScandFibre Logistics AB) is initiated according to plan.
- The integration of TGOJ with Green Cargo is completed.
- Major derailment at Grötingen on January 28, stops traffic on the Northern main line for six days. The derailment costs Green Cargo SEK 15 million.
- Earnings for the quarter increase by SEK 80 million year-on-year.
- Business secured amounts to SEK 178 million, including a five-year agreement with MTAB.

SECOND QUARTER

Q2

- The sustainable logistics seminar is held and Green Cargo's climate certificate is awarded to 28 companies. The Climate Comet of the Year award is presented to Dagab.
- Earnings for the quarter increase by SEK 37 million year-on-year.
- Business secured amounts to SEK 600 million, including a seven-year agreement with Dannemora Mineral.

THIRD QUARTER

Q3

- Volumes decline due to financial concerns in Europe and the US.
- Green Cargo's in-house magazine
- Earnings for the quarter increase by SEK 23 million year-on-year.
- Business secured amounts to SEK 780 million, including an agreement with Apotek Hjärtat.

FOURTH QUARTER

Q4

- Volumes decline generally by 10 percent for all industries but most substantially in the steel industry.
- Board resolution on a new strategy, business concept and vision for Green Cargo.
- Board resolution on investigating the feasibility of divesting third-party logistics.
- Green Cargo Åkeri AB is sold.
- Decision taken to integrate NTR with Green Cargo AB's Market division.
- Decision taken to wind up SeaRail OY
- Earnings for the quarter increase by SEK 101 million year-on-year
- Business secured amounts to SEK 200 million, including an agreement with Scandinavian Motortransport AB.

Highlights 2011

Increased safety
Through sustained safety efforts, Green Cargo has already halved accident costs over a six-year period. In 2011, Green Cargo conducted risk inventories, developed safety courses and gave more responsibility to the company's personnel active in traffic-safety related duties . At year end, Green Cargo had reduced accident costs by SEK 50 million.

93 percent delivery within the appointed hour
Green Cargo's domestic delivery punctuality within the appointed hour was 93 percent in 2011. According to the Swedish Transport Administration's statistics, Green Cargo is the most punctual rail freight company in Sweden.

TGOJ integrated with Green Cargo
In January 2011, the subsidiary TGOJ was integrated into Green Cargo's operations. Green Cargo's rail freight traffic is now planned and run in a single system thus enabling full optimization of locomotives, train drivers and wagons. The integration also enabled administrative streamlining.

Ore takes to the rails
During the year, Green Cargo secured a seven-year agreement for ore transportation on behalf of the new company Dannemora Mineral. Green Cargo's train drivers already operate LKAB Malmtrafik AB's ore trains from Kiruna to Gällivare, an agreement that has been extended through 2015.

Aviation fuel takes the train
Due primarily to its offering of high quality, Green Cargo was again invited to transport aviation fuel to Arlanda airport. A new agreement was signed with AFAB for the next five years.

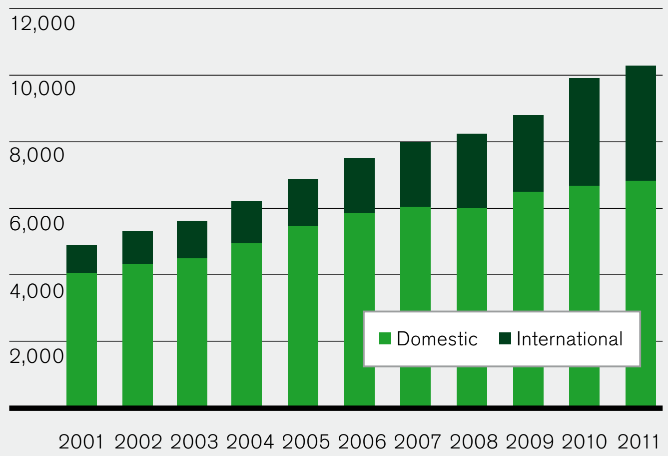
New business secured for about SEK 1.8 billion
In 2011, a total order value of about SEK 1.8 billion was secured by the Group through new or extended contracts with customers. This included agreements with Dagab, Statoil, Outokumpu, Kombiverkehr, DSV, Boliden, Eka Chemicals, Rexam and Södra Skogsägarna. The subsidiary Green Cargo Logistics secured several new agreements during the year with companies including Nespresso, KappAhl and Apoteket Hjärtat. The warehouse utilization rate reached 95 percent.

Guldbladet 2011
Green Cargo's in-house magazine Axel received the Guldbladet 2011 award in the best in-house magazine class.

Dagab, Climate Comet of the Year
Dagab received the Climate Comet of the Year award when this prize was awarded for the fourth year in a row. "This serves as a good incentive for Dagab to continue its efforts and contribute to Axfood achieving its target of a reduction in its environmental impact of 75 percent by 2020," said Åsa Domeij, Head of Environment and Social Responsibility at Axfood.


Green Cargo locomotive on track

Intermodal traffic in Sweden
(1,000 ton)



Källa: Trafikverket

28 companies awarded a climate certificate
The Minister for Infrastructure Catharina Elmsäter-Svärd participated in the Sustainable Logistics customer seminar and presented Green Cargo's climate certificates to 28 companies whose cargo shipments via Green Cargo meet stringent environmental requirements.

Intermodal traffic with an uncertain future
Following the decision by Norwegian company CargoNet to phase out most of its intermodal trains in Sweden, Green Cargo signed many new agreements for intermodal volumes in Green Cargo's own network. Green Cargo is able to operate intermodal freight by rail to almost 40 destinations in Sweden.

Green Cargo's new focused strategy
After extensive analysis and interviews of over 400 freight purchasing companies, Green Cargo has united behind a focused strategy. The new strategy aims at Green Cargo transitioning from being a broad logistics operator with European focus to a company with a deeper offering of efficient and sustainable rail logistics for the Swedish business community.

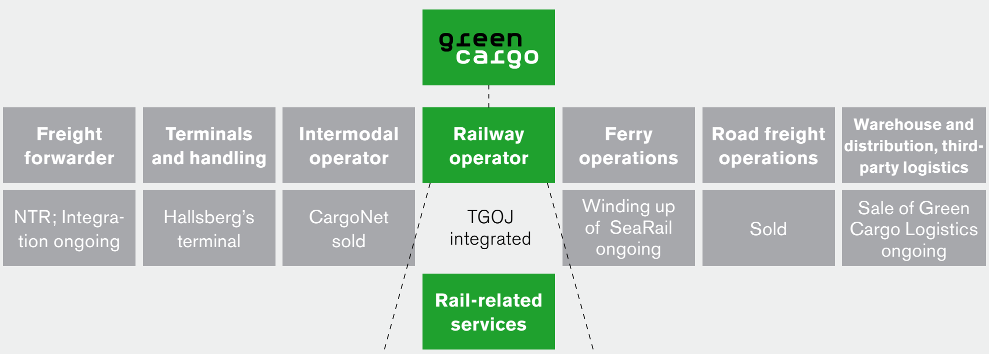
Road freight operations sold
Green Cargo sold its road freight operations at the end of October 2011. The company continues to partner with about 200 road carriers across the country, to enable Green Cargo to continue to offer road freight when the rail offering is unable to cover the last mile.

Green Cargo Logistics for sale
As part of the new strategy, Green Cargo started the process of divesting its subsidiary Green Cargo Logistics. On March 26, Green Cargo entered into an agreement regarding the sale of Green Cargo Logistics and relevant properties. The purchaser is the PostNord logistics group. The transaction is subject to the approval of the competition authorities, whose decision is expected in the second quarter of 2012. The sale will provide Green Cargo with opportunities to invest in and develop rail logistics while third-party logistics will be able to focus on growth.

Finland's freight is ours
The unprofitable operations of Sea Rail are being discontinued by its owners Green Cargo and VR Group of Finland. In December 2011, the last rail ferries travelled between Turku and Stockholm. Green Cargo has developed terminal capacity for train transportation in Haparanda and initiated a partnership with a shipping line, resulting in the majority of freight between Finland and Sweden travelling by boat to Gävle and then on to Green Cargo's rail network. This activity is another of the measures designed as part of Green Cargo's new strategy.

Locomotives for future needs
Green Cargo is investing about SEK 1.4 billion in a major modernization of its locomotive fleet. In 2011, the total renovation of 62 shunting locomotives was completed and the total renovation of 52 electric locomotives for scheduled services is underway. As a result of the current modernization program, together with completed modernization programs and newly procured locomotives, 64 percent of Green Cargo's 468 locomotives will be fully modernized. With the option of a total renovation of a further 30 locomotives for scheduled services, the aim is to complete the modernization of 70 percent of the locomotives within the near future.

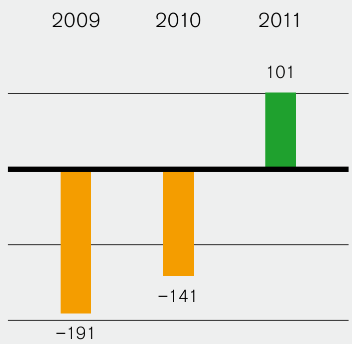
From breadth in logistics to depth in railways



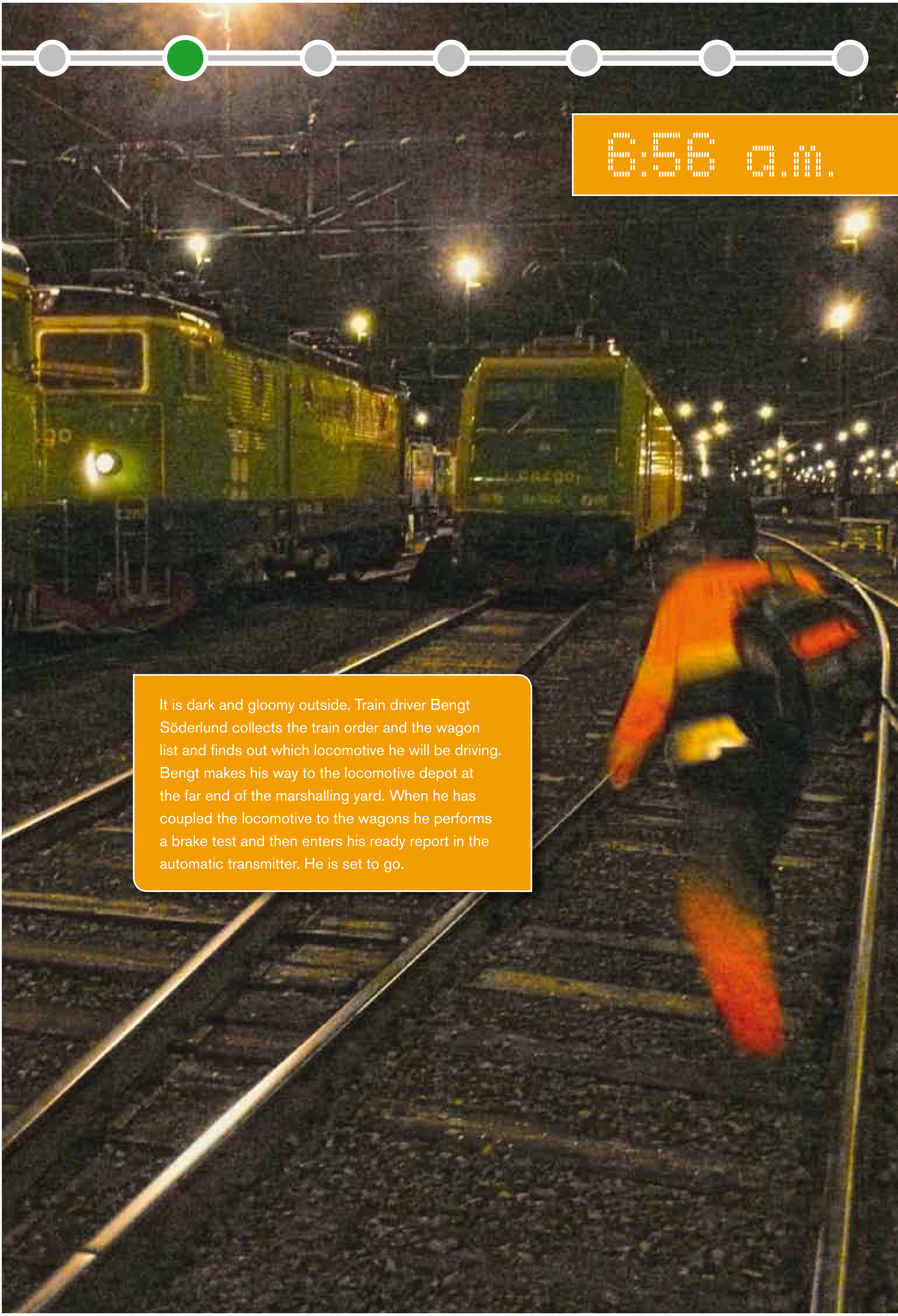
Source: Green Cargo

From loss to profit

Operating profit/loss, SEK million



Source: Green Cargo



6:56 a.m.

It is dark and gloomy outside. Train driver Bengt Söderlund collects the train order and the wagon list and finds out which locomotive he will be driving. Bengt makes his way to the locomotive depot at the far end of the marshalling yard. When he has coupled the locomotive to the wagons he performs a brake test and then enters his ready report in the automatic transmitter. He is set to go.

Five-year overview

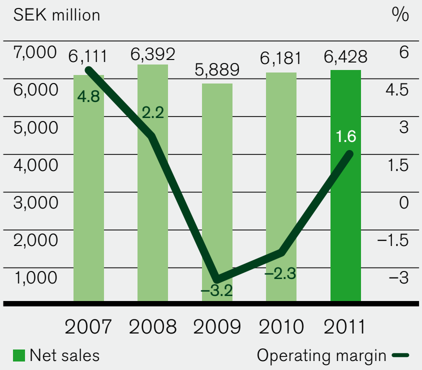
PROFIT/LOSS ITEMS	2011	2010	2009	2008	2007
Net sales	**6 428**	**6 181**	**5 889**	**6 392**	**6 111**
Operating profit/loss	**101**	**–141**	**–191**	**143**	**295**
Operating margin	*1.6%*	*–2.3%*	*–3.2%*	*2.2%*	*4.8%*
Net financial income/expense	–75	9	–32	–116	–49
Profit/loss after financial items	**26**	**–132**	**–223**	**27**	**246**
Net profit/loss	**10**	**–139**	**–174**	**7**	**174**

BALANCE SHEET ITEMS	31 Dec 2011	31 Dec 2010	31 Dec 2009	31 Dec 2008	31 Dec 2007
TOTAL ASSETS	**5,145**	**4,940**	**4,977**	**4,242**	**3,809**
Equity	**1,220**	**1,253**	**1,400**	**1,489**	**1,627**
Total external liabilities	**3 925**	**3 687**	**3 577**	**2 753**	**2 182**
TOTAL EQUITY AND LIABILITIES	**5,145**	**4,940**	**4,977**	**4,242**	**3,809**

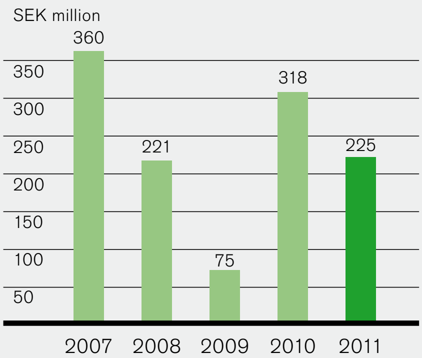
CASH FLOW	2011	2010	2009	2008	2007
Cash flow from operating activities	225	318	75	221	360
Cash flow from investing activities	–828	–323	153	–589	–124
Cash flow from financing activities	288	50	29	214	–379
Cash flow for the period	–315	45	257	–154	–143

KEY RATIOS	2011	2010	2009	2008	2007
Return on capital employed	3%	neg.	neg.	6%	11%
Return on equity	1%	neg.	neg.	0%	11%
Equity/assets ratio	24%	25%	28%	35%	43%
Debt/equity ratio (multiple)	2.4	2.0	1.8	1.2	0.8
Net debt/EBITDA	5.66	17.92	34.87	2.27	0.85
Gross investments	540	437	927	608	240
Average number of employees	2,806	2,907	3,017	3,156	3,050

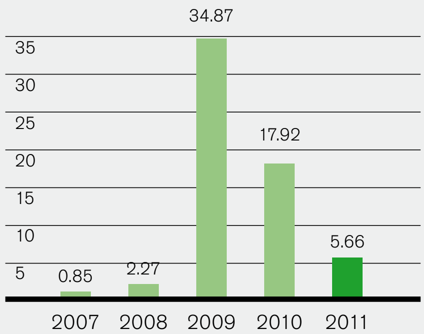
Net sales and operating margin



Operating margin



Net Debt/ EBITDA



Consolidated income statement

SEK million	Note	GROUP 2011	2010
Operating income			
Net sales	5, 6	6,428	6,181
Other operating income	7	23	15
Total operating income		**6,451**	**6,196**
Operating expenses			
Operating costs	5, 8	–3,535	–3,349
Personnel costs	9	–1,758	–1,744
Other external costs	10	–779	–854
Depreciation, amortization and impairment losses	16, 17	–274	–256
Share in profit/loss of associated companies	19	–4	–134
Operating profit/loss	6	**101**	**–141**
Profit/loss from financial items			
Profit from participations in Group companies	11	0	7
Interest income and similar profit/loss items	13	28	78
Interest expense and similar profit/loss items	14	–103	–76
Profit/loss after financial items	6	**26**	**–132**
Tax on profit for the year	15	–16	–7
Profit/loss for the year		**10**	**–139**
Of which attributable to Parent Company owners		9	–140
Of which attributable to non-controlling interests		1	1
Total		**10**	**–139**

STATEMENT OF COMPREHENSIVE INCOME

	Note	GROUP 2011	2010
Profit/loss for the year		**10**	**–139**
Other comprehensive income:			
Cash-flow hedges		–51	28
Hedging of net investments		–2	34
Translation differences		–3	–52
Tax	15	13	–16
Total other comprehensive income, net after tax		**–43**	**–6**
Total comprehensive income for the year		**–33**	**–145**
Of which attributable to Parent Company owners		–34	–146
Of which attributable to non-controlling interests		1	1
Total		**–33**	**–145**

Consolidated balance sheet

ASSETS		GROUP	
SEK million	Note	31 Dec 2011	31 Dec 2010
Non-current assets			
Intangible assets	16		
Capitalized development expenditure		38	30
Goodwill		5	8
Ongoing capitalized development expenditure		4	17
Total intangible assets		**47**	**55**
Property, plant and equipment	17		
Land, land improvements and buildings		398	405
Leased buildings	18	203	211
Leasehold improvements		14	15
Transport equipment		920	547
Leased transport equipment	18	1,180	724
Equipment, fixtures and fittings		81	91
Construction in progress		255	770
Total property, plant and equipment		**3,051**	**2,763**
Financial assets			
Participations in associated companies	19	326	335
Non-current investments	33	170	10
Other non-current receivables, pensions	34	9	0
Total financial assets		**505**	**345**
Deferred tax assets	20	149	150
Total non-current assets		**3,752**	**3,313**
Current assets			
Inventories	21	17	16
Accounts receivable		673	667
Receivables from associated companies	5	8	7
Other receivables		20	2
Prepaid expenses and accrued income	23	111	103
Derivative instruments	33	1	0
Current investments		371	309
Cash and bank balances	32	88	303
Total current assets		**1,289**	**1,407**
Assets held for sale	24	104	220
TOTAL ASSETS		**5,145**	**4,940**

Consolidated balance sheet

EQUITY AND LIABILITIES		GROUP	
SEK million	Note	31 Dec 2011	31 Dec 2010
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		–15	28
Profit/loss brought forward		–30	110
Profit/loss for the year		9	–140
Total equity attributable to Parent Company owner		**1,211**	**1,245**
Non-controlling interests		9	8
Total equity	30	**1,220**	**1,253**
Liabilities			
Non-current liabilities			
Non-current leasing liabilities	18	1,378	1,473
Other non-current liabilities	25	1,261	914
Derivative instruments	33	33	0
Deferred tax liabilities	20	0	5
Other provisions	26	0	4
Total non-current liabilities		**2,672**	**2,396**
Current liabilities			
Accounts payable		380	406
Liabilities to associated companies	5	0	10
Current leasing liabilities	18	86	112
Current tax liabilities 7 10		7	10
Other liabilities 33 189 120	33	189	120
Accrued expenses and deferred income	27	574	473
Other provisions	26	17	67
Total current liabilities	28	**1,253**	**1,198**
Liabilities attributable to assets held for sale	24	–	93
TOTAL EQUITY AND LIABILITIES		**5,145**	**4,940**
Pledged assets and contingent liabilities	29		

Change in Equity, Group

GROUP SEK million	Note	*Equity attributable to Parent Company owners* **Share capital**	**Other capital contributions**	**Reserves**	**Profit/loss brought forward**	**Profit/loss for the year**	**Total**	*Non-controlling interests*	*Total equity*
Opening balance, 1 Jan 2010		**200**	**1,047**	**34**	**286**	**–174**	**1,393**	**7**	**1,400**
Allocation of preceding year's profit/loss					–174	174	**0**		0
Acquisition/divestment of operations					–2		**–2**		–2
Comprehensive income									
Profit/loss for the year						–140	**–140**	1	–139
Other comprehensive income									
Cash-flow hedges, after tax				21			**21**		21
Hedging of net investments				25			**25**		25
Translation difference				–52			**–52**		–52
Total other comprehensive income		–	–	*–6*	–	–	**–6**	–	*–6*
Total comprehensive income		**–**	**–**	**–6**	**–**	**–140**	**–146**	**1**	**–145**
Closing balance, 31 Dec 2010	30	**200**	**1,047**	**28**	**110**	**–140**	**1,245**	**8**	**1,253**
Opening balance, 1 Jan 2011		**200**	**1,047**	**28**	**110**	**–140**	**1,245**	**8**	**1,253**
Allocation of preceding year's loss					–140	140	**0**		0
Comprehensive income									
Profit for the year						9	**9**	1	10
Other comprehensive income									
Cash-flow hedges, after tax				–39			**–39**		–39
Hedging of net investments				–1			**–1**		–1
Translation difference				–3			**–3**		–3
Total other comprehensive income		–	–	*–43*	–	–	**–43**	–	*–43*
Total comprehensive income		**–**	**–**	**–43**	**–**	**9**	**–34**	**1**	**–33**
Closing balance, 31 Dec 2011	30	**200**	**1,047**	**–15**	**–30**	**9**	**1,211**	**9**	**1,220**

Consolidated cash-flow statement

		GROUP	
SEK million	Note	2011	2010
Operating activities			
Profit/loss after financial items		26	–132
Adjustments for non-cash items	31	235	389
Provisions made		–42	–44
Tax paid		–28	–26
Cash flow from operating activities before changes in working capital		**191**	**187**
Cash flow from changes in working capital			
Increase/decrease in current receivables		–51	59
Increase/decrease in current liabilities		85	72
Cash flow from operating activities		**225**	**318**
Investing activities			
Acquisition of intangible assets		–5	–5
Acquisition of property, plant and equipment		–535	–430
Sale of property, plant and equipment		19	101
Sale of financial assets		–	39
Dividend from associated companies		2	–
Changes in current investments		–161	–135
Changes in non-current investments		–160	110
Acquisition/sale of operations	31	12	–3
Cash flow from investing activities		**–828**	**–323**
Financing activities			
Borrowings		461	200
Amortization of leasing liabilities and loans		–169	–150
Changes in current financial receivables		–4	–
Cash flow from financing activities		**288**	**50**
Cash flow for the year		**–315**	**45**
Cash and cash equivalents at the beginning of the year		403	358
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**88**	**403**

Parent Company income statement

SEK million	Note	PARENT COMPANY 2011	2010
Operating income			
Net sales	5, 6	4,963	5,356
Other operating income	7	23	20
Total operating income		**4,986**	**5,376**
Operating expenses			
Operating costs	5, 8	–2,757	–2,933
Personnel costs	9	–1,499	–1,545
Other external costs	10	–492	–728
Depreciation, amortization and impairment losses	16, 17	–223	–218
Operating profit/loss	6	**15**	**–48**
Profit/loss from financial items			
Profit from participations in Group companies	11	45	46
Profit/loss from participations in associated companies	12	2	–196
Interest income and similar profit/loss items	13	30	78
Interest expense and similar profit/loss items	14	–90	–60
Profit/loss after financial items	6	**2**	**–180**
Tax on profit/loss for the year	15	–8	–11
Loss for the year		**–6**	**–191**

STATEMENT OF COMPREHENSIVE INCOME

SEK million	Note	PARENT COMPANY 2011	2010
Loss for the year		**–6**	**–191**
Other comprehensive income:			
Cash-flow hedges		–51	28
Hedging of net investments		–2	34
Tax	15	13	–16
Total other comprehensive income, net after tax		**–40**	**46**
Total comprehensive income for the year		**–46**	**–145**

Parent Company balance sheet

ASSETS		PARENT COMPANY	
SEK million	Not e	31 Dec 2011	31 Dec 2010
Non-current assets			
Intangible assets	16		
Capitalized development expenditure		37	30
Goodwill		–	1
Ongoing capitalized development expenditure		3	17
Total intangible assets		**40**	**48**
Property, plant and equipment	17		
Land, land improvements and buildings		2	2
Leased buildings	18	203	211
Leasehold improvements		11	13
Transport equipment		917	541
Leased transport equipment	18	1,176	718
Equipment, fixtures and fittings		18	25
Construction in progress		254	764
Total property, plant and equipment		**2,581**	**2,274**
Financial assets			
Participations in Group companies	19	111	126
Participations in associated companies	19	316	316
Non-current investments	33	170	9
Receivables from Group companies	5	63	84
Total financial assets		**660**	**535**
Deferred tax assets	20	146	140
Total non-current assets		**3,427**	**2,997**
Current assets			
Inventories	21	17	16
Accounts receivable		461	471
Receivables from Group companies	5, 22	108	101
Receivables from associated companies	5	8	7
Other receivables		5	23
Prepaid expenses and accrued income	23	98	86
Derivative instruments	33	1	0
Current investments		371	309
Cash and bank balances	32	79	252
Total current assets		**1,148**	**1,265**
Assets held for sale	24	104	108
TOTAL ASSETS		**4,679**	**4,370**

Parent Company balance sheet

EQUITY AND LIABILITIES		PARENT COMPANY	
SEK million	Note	31 Dec 2011	31 Dec 2010
Equity			
Restricted equity			
Share capital		200	200
Statutory reserve		100	100
		300	**300**
Non-restricted equity			
Fair-value reserve		–4	36
Profit brought forward		898	1,104
Loss for the year		–6	–191
		888	**949**
Total equity		**1,188**	**1,249**
Liabilities			
Non-current liabilities			
Non-current leasing liabilities	18	1,375	1,467
Non-current liabilities to Group companies		–	2
Other non-current liabilities	25	888	524
Derivative instruments	33	33	0
Deferred tax liabilities	20	0	5
Pension provisions	34	13	0
Other provisions	26	0	4
Total non-current liabilities		**2,309**	**2,002**
Current liabilities			
Accounts payable		300	326
Liabilities to Group companies	5	94	90
Liabilities to associated companies	5	0	10
Current leasing liabilities	18	83	110
Current tax liabilities		2	10
Other liabilities	33	167	108
Accrued expenses and deferred income	27	517	398
Pension provisions	34	2	0
Other provisions	26	17	67
Total current liabilities	28	**1,182**	**1,119**
TOTAL EQUITY AND LIABILITIES		**4,679**	**4,370**
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities	29		
Pledged assets		691	230
Contingent liabilities		763	778

Changes in Equity, Parent Company

PARENT COMPANY SEK million	Note	Share capital	Statutory reserve	Fair-value reserve	Profit/loss brought forward	Profit/loss for the year	Total
Opening balance, 1 Jan 2010		**200**	**100**	**–10**	**1,219**	**–129**	**1,380**
Allocation of preceding year's loss					–129	129	**0**
Acquisition/divestment of operations					14		**14**
Cash-flow hedges, after tax				21			**21**
Hedging of net investments				25			**25**
Loss for the year						–191	**–191**
Closing balance, 31 Dec 2010	30	**200**	**100**	**36**	**1,104**	**–191**	**1,249**
Opening balance, 1 Jan 2011		**200**	**100**	**36**	**1,104**	**–191**	**1,249**
Allocation of preceding year's loss					–191	191	**0**
Acquisition/divestment of operations					–15		**–15**
Cash-flow hedges, after tax				–39			**–39**
Hedging of net investments				–1			**–1**
Loss for the year						–6	**–6**
Closing balance, 31 Dec 2011	30	**200**	**100**	**–4**	**898**	**–6**	**1,188**

Group contributions received from subsidiaries are recognized in compliance with RFR 2 as dividends received from subsidiaries. This means that Group contributions are recognized as financial income. Tax on Group contributions is recognized in profit or loss in compliance with IAS 12: Income Taxes. Recognition is performed for fiscal years starting January 1, 2011 and the amendment applies retroactively. Accordingly, the Parent Company income statement contains Group contributions for 2010 that were previously recognized in equity. Financial items thereby increased by SEK 46 million (income) and tax for the year increased by SEK 12 million (expense). The loss for the year after financial items for 2010 was positively impacted by an amount of SEK 46 million from a loss of SEK 226 million to a loss of SEK 180 million. Tax on profit for the year increased by SEK 12 million from tax revenue of SEK 1 million to an expense of SEK 11 million. The loss for the year has been restated positively by an amount of SEK 34 million from a loss of SEK 225 million to a loss of SEK 191 million. The earnings brought forward for 2010 declined in a corresponding amount from SEK 1,138 million to SEK 1,104 million.

Parent Company cash-flow statement

SEK million	Note	PARENT COMPANY 2011	2010
Operating activities			
Profit/loss after financial items		2	−180
Adjustments for non-cash items	31	133	370
Provisions made		−42	−38
Tax paid		−29	−25
Cash flow from operating activities before changes in working capital		**64**	**127**
Cash flow from changes in working capital			
Increase/decrease in current receivables		2	165
Increase/decrease in current liabilities		105	−26
Cash flow from operating activities		**171**	**266**
Investing activities			
Acquisition of intangible assets		−3	−5
Acquisition of property, plant and equipment		−516	−411
Sale of property, plant and equipment		17	111
Sale of financial assets		2	39
Dividend from associated companies		2	–
Changes in current investments		−161	−135
Changes in non-current investments		−160	110
Acquisition/sale of operations	31	12	0
Cash flow from investing activities		**−807**	**−291**
Financing activates			
Borrowings		461	200
Amortization of leasing liabilities and loans		−144	−134
Group contributions received/paid		46	5
Cash flow from financing activities		**363**	**71**
Cash flow for the year		**−273**	**46**
Cash and cash equivalents at the beginning of the year		352	306
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	31	**79**	**352**

Green Cargo's key ratios

Safety and quality will make Green Cargo profitable. Ultimately, Green Cargo's operations are based on the requirements and instructions drawn up by the owner. The essence of these owner requirements is that operations are to be conducted maintaining a 10-30-50 balance, that is, the long-term financial targets for Green Cargo are to maintain a 10 percent return on equity, a 30 percent equity/assets ratio and pay a dividend of 50 percent of profits.

Green Cargo's key ratios – financial and non-financial
In 2011, to create a clear connection between the overall objectives and the average working day of employees, Green Cargo worked intensively to succeed with the catchphrase, "Safety and quality will make Green Cargo profitable." This also lies behind the "Traffic-safety index" and the quality measure "Delivery punctuality", which comprise the two key non-financial ratios, in addition to the financial targets, which are monitored and reported monthly.

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

CEO Mikael Stöhr has ultimate responsibility for the management and administration of Green Cargo's business activities. In turn, the CEO has organized the company's Executive Management, through their respective management teams and organizations, to take responsibility for and manage and administer the Production and Market divisions, and the staff functions Finance & Business Support, Business Development, HR and Communication respectively. Responsibility for and management of business activities are allocated pursuant to the company's policies and business plan.

Green Cargos godstransport på järnväg.

Definitions of targets and key ratios
Green Cargo's business activities follow rolling three-year business plans drawn up by the Executive management and approved by the Board. Targets and key ratios (both financial and non-financial) for the Group are determined in the business plan. As part of becoming a sustainable company with financial stability that can deliver in line with goals, Green Cargo possesses a long-term perspective through its strategy, this also includes concrete activities in the business plan that show the path forward to achieving these targets.

Communication of key ratios and follow-up to the employees
Green Cargo's managers and staff have procedures, processes and guidelines at hand to communicate goals and visions as well as how the company delivers in relation to objectives.

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

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

- Monitors/notice boards – each unit receives current information about its local performance
- Workplace meetings – results are presented for the Green Cargo Group, but focus is on local performance and activities
- Development dialogs – Local goals are broken down to the perspective of the individual employee
- Cargonet, which is Green Cargo's intranet – is the main source for reporting on the Green Cargo Group's performance
- The employee magazine Axel – central cases are reported in the four quarterly issues. Each issue reports in-depth on a prioritized area covered by the non-financial ratios.

Efficient and sustainable rail logistics for the Swedish business community

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

Accordingly, the key green initiative of 2011 was to increase profitability. Green Cargo has been loss-making but, through safety and quality, Green Cargo will become a profitable company. Only by being profitable, will Green Cargo meet the owner requirements and make the necessary investments including the ongoing modernization of the locomotive fleet, an investment of SEK 1.4 billion.

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

This section reports on Green Cargo's key financial ratios and the five key non-financial ratios: 1. Finance, 2. Safety, 3. Quality, 4. Employees, 5. Society, 6. Environment. Reporting of key non-financial ratios applies to the Parent Company Green Cargo AB, while the key financial ratios apply at Group level.

Finance – Clear earnings improvement in 2011

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

Events in 2011

Financial results improved significantly in 2011. Revenues increased in parallel with profitability measures that had a positive impact on costs. Improved performance in other target areas, principally Safety, Quality (punctuality) and Environment (diesel consumption) also positively impacted profitability.

The severe winter weather at the start of the year had a negative effect on earnings through lost customer revenue combined with increased costs for maintenance, personnel and alternative transport solutions to meet customer needs. A major accident outside Grötingen meant that the year started with high costs for clearing, repair and insurance.

The economic recovery in the first half of the year turned into a recession toward the end of the year as the financial crisis in the Euro-zone impacted business in Sweden resulting in lower transport volumes.

Work continued in all areas of operations to secure the implementation of previously decided restructuring, investments, pricing strategies and other profitability improvement measures. Goal-oriented safety work resulted in reduced costs for equipment and infrastructure damage. In addition, activities to achieve more efficient use of our locomotives and wagons were carried out in 2011, which resulted in the divestment of a number of unutilized wagons thus impacting profitability through increased revenue and reduced tied-up capital. In parallel, streamlining efforts were conducted in large portions of the operations in 2011.

Key initiatives during the year

Work on formulating a new company strategy was ongoing in 2011. This gave rise to the business concept "Efficient and sustainable rail logistics for the Swedish business community," which was adopted by the Board in September. The business concept entails a clear focus on the core operation, rail freight.

Accordingly, in the final quarter of the year, work commenced on integrating freight forwarding operations in NTR AB with the Parent Company's Market Division and on investigating the feasibility of divesting third-party logistics with ancillary properties. The sale of third-party logistics with ancillary properties started after the end of 2011. In October, road freight operations were divested after being incorporated as Green Cargo Åkeri AB.

In the endeavor to meet the owner's profitability requirements and implement the business concept, it is crucial that requirements can be linked to the overall business concept, be broken down and be followed up at an operational level. In the latter part of 2011, work started on the formulation of a new financial control model aimed at breaking down overall financial targets into requirements and performance indicators for the follow-up of subunits. The control model is based on the return on capital employed (derived from owner requirements) and the breakdown of this by units where variations may occur. Implementation of the control model was performed partly in conjunction with the budget work, but will have its main roll-out in 2012. After taking into consideration the strategic objectives of the Group, it provides the necessary prerequisites for control of profitability development, working systematically with improvements and measuring their effects at all levels.

Profit for the year – Financial

Despite a substantial increase in earnings year-on-year, the financial targets were not reached. In 2012, Green Cargo will continue to increase profitability to achieve the set financial requirements of the owner.

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

	Outcome 2010	Target 2011	Outcome 2011	Trend
Return on equity	Negative	10%	1%	↗
Equity/assets ratio	25%	30%	24%	↘
Dividend	–	50%	–	↘

Safety – Long-term safety initiative that delivers results

Events in 2011

Again, the year began with extreme winter weather and difficult conditions for rail operations. This led to an increase in accidents and incidents in conjunction with shunting wagons on terminal tracks and in marshalling yards. Collisions and derailments due to snow and ice were common. On January 17, 2011, a serious derailment at Grötingen on the Northern main line was caused by defective material in a wheel set, resulting in substantial material damage and an extended traffic interruption.

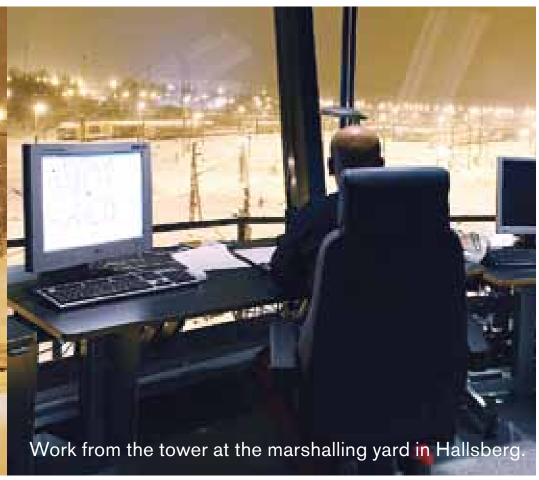
Despite a tough start, the 2011 safety year posted one of Green Cargo's best safety results ever. In the autumn, safety levels were at an all-time high for Green Cargo. No employee suffered any serious injury, caused by traffic operations, during 2011. The total number of accidents declined by about 25 percent and costs for accidents decreased almost SEK 50 million compared with 2010.

Important safety activities in 2011

The collaboration previously initiated with the Association of Swedish Train Operating Companies (ASTOC), the Swedish Forest Industries Association and the Swedish Association of Road Transport Companies regarding the safe loading of round timber continued and resulted in very few incidents involving dropped logs during the year.
All personnel with traffic-safety related duties underwent a safety course in what was designated the competence year. This entailed computer-based tutorials, certification tests and teacher-controlled tuition in combination with follow-up and on-the-job training with instructors.

Safety work during the year was characterized by local commitment to the identification and rectification of local risks at marshalling yards across the country, which resulted in the number of reported incidents increasing and the number of shunting accidents decreasing. Safety work was performed in close collaboration with the Swedish Transport Administration.


Snow clearance of railway track.


Work from the tower at the marshalling yard in Hallsberg.

Results for the year – Safety

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

	Score 2010	Target 2011	Score 2011	Trend
Traffic-safety index; Rail	93.4	94.7	94.3	↗

Quality – 93 percent punctuality within the appointed hour

Events in 2011

Customer expectations vis-à-vis on-time deliveries and proactive deviation management – as and when delays occur – are decisive for Green Cargo's long-term success. The winter period from 2010 through 2011 meant that punctuality and safety had a tough start to the year, resulting in major delays. For the full year, Green Cargo's punctuality was 93 percent for domestic rail freight, which is below target but still an improvement year-on-year.

Measurements by the Swedish Transport Administration show that the punctuality of Green cargo's trains is approximately 15 percentage points higher than for other rail freight companies in Sweden.

Key quality initiatives in 2011

During the year, intensive efforts were made to improve punctuality, which included the entire spectrum from planning to execution of assignments. These efforts involved major portions of the organization's functions and personnel.

At its core, Green Cargo's punctuality entails safety inspections of departing trains as well as the trains being ready for departure on time; an area where Green Cargo completed extensive improvements in 2011.

Results for the year – Domestic quality/punctuality

Green Cargo measures delivery punctuality within the appointed hour for 45,000 to 50,000 wagons each month. For 2011, 570,000 wagons were included in Green Cargo's delivery punctuality measurements.

	Score 2010	Target 2011	Score 2011	Trend
Domestic delivery punctuality, % (within the appointed hour, rail)	95,0	92,0	93,0	↗

Collaboration with Xrail

Seven European rail freight operators have entered into an alliance to provide offers more rapidly as well as ensuring increased transparency and punctuality in European rail freight traffic. Since the start in 2010, a clear upward trend has been achieved. Increased focus on punctuality and goal-oriented collaboration are the prime causes of the increase in quality.

Employees – a year of consolidation

Events in 2011

2011 was a year of consolidation and continued streamlining subsequent to extensive cutbacks in 2010, which were amplified by the economic trend that year. The first quarter of the year saw increased demand, which meant increased staffing needs at the start of the year. The economic trend faltered and, for the final months of the year, instead of increased demand, the company experienced a decline in volumes and a clear slowdown with a consequent reduction in recruitment needs in the short term.

58 cases of work injuries or work-related illnesses occurred in the Green Cargo Group, a level that has remained constant over the past three years. 32 cases required hospitalization and two of the cases led to a stay exceeding 24 hours in hospital. More information is available on Green Cargo's website in the GRI index. In the autumn, a number of structural changes were implemented in the Group:

- Integration of TGOJ
- Integration of the subsidiary NTR started
- Sale of Green Cargo Åkeri AB completed
- The ferry company Sea Rail was divested
- The customer service organization was changed to separate production and sales related operations from each other.

These changes resulted in 17 redundancies in Sweden and Finland, of which, three were in Sweden. The redundancies were resolved through a combination of voluntary solutions and layoffs

Key initiatives in 2011

A key success factor in 2011 entailed strengthening the business culture. The company identified four values that comprise a key building block for the change the company is facing. Behavior and procedures are to be characterized by all personnel, internally and externally, acting to promote Green Cargo as One Company, in which everyone takes Responsibility, works with a clear Focus on Results and promotes Simplicity. The company has worked actively to strengthen the dialog with personnel through workplace and leadership meetings and through the various communication channels available in daily operations.

Two leadership meetings spanning the entire organization were held with the aim of strengthening decision making and dialog in the organization.

The leadership program that was started in 2010 for key selected individuals was completed.

A review was performed of collaboration formats together with union representatives as part of efforts to improve and enhance the efficiency of collaborative efforts.

Images from left: Louise Englund and Carina Bryntesson.

Green Cargo's terminal in Tomteboda during an event in 2011.

A new supplier of occupational healthcare services was contracted, in order to further strengthen the company's aim of more proactively promoting health. While Green Cargo already has clear guidelines regarding alcohol and drug abuse, the company is endeavoring to be proactive in this area to ensure the health of its staff.

An extensive initiative was performed to verify and secure all personnel, salary and pension data.

Approximately 10 percent of personnel are women; the corresponding figure for management positions is 15 percent. Although the company aims to create more balance in the gender distribution, Green Cargo had one case of discrimination during the year that led to corrective measures. More than half of the personnel are 50 years or older and have been employed for 20 years or more. This situation sets the company a substantial challenge in the form of generation change and competence transfer. These areas will continue to require extensive measures in future years.

	Age <30	Age 30–50	Age >50
Age distribution, %	9.3	32.9	57.8

Results for the year – Employees

Green Cargo's employees key ratio measures sickness absence. The measure comprises a compilation of short and long-term absence.

	Score 2010	Target 2011	Score 2011	Trend
Sickness absence, %	3.6	4.0	3.9	↘

Society – Green Cargo in our surroundings

Events in 2011

During the year, Green Cargo actively endeavored to achieve well-functioning infrastructure at the right price; this work is being driven in cooperation with the Association of Swedish Train Operating Companies.

The work primarily concerns safeguarding the interests of freight traffic regarding maintenance and development of infrastructure as well as developments in track fees. This work is performed through meetings, Op-Ed articles, participation in diverse panel discussions and lobbying during Almedalen Week (a week of political speeches).

Furthermore, in 2011, Green Cargo published a white paper. The white paper contains good arguments for the company's view against raised track fees and the implementation of the new ERTMS signal system as well as the need for infrastructure reinvestment and railway maintenance.

The goal for the number of hours of volunteer work was not reached in 2011.

Results for the year – Commitment to society

In the Society target area, Green Cargo worked with the "Green Cargo Volunteer" program. All employees have the opportunity to do eight hours a year of volunteer work and receive compensation in the form of an equal amount of time off.

	Score 2010	Target 2011	Score 2011	Trend
Green Cargo volunteer, No. of hours	770	1,500	833	↗

The environment – the railway is part of the solution

Green Cargo offers fossil-free freight on a large scale. Railway-based logistics using electric trains delivers the lowest environmental impact in the industry and Green Cargo is the only provider of nationwide freight solutions that has the Swedish Society for Nature Conservation's Bra Miljöval (Good Environmental Choice) ecolabel. Environmental initiatives at Green Cargo are based on Green Cargo's integrated certification, which encompasses quality, environment and work environment. The activities are aimed at the diesel-powered part of the transport chain since this is where we have our major environmental impact. This is also the reason that it is the company's annual consumption of diesel that comprises the environmental measure monitored by Green Cargo.

The target for 2011 was to be below 0.9 liters per net tonne kilometer – this target was well beaten by Green Cargo with a level for the full year of 0.83 liters per net tonne kilometer .

Events in 2011

During the year, a major modernization project for Green Cargo's largest diesel locomotives was completed and 62 locomotives were equipped with new engines, resulting in lower diesel consumption and enhanced work environment. The engine replacement entails a major environmental improvement and the Swedish Environmental Protection Agency granted a climate investment grant of SEK 39 million for the project. During the year, Green Cargo had three oil spill incidents involving a total of approximately 100 liters of diesel. All spills were dealt with appropriately and were reported to the emergency services.

Key environmental initiatives in 2011

The modernization of locomotives comprises a major green initiative by Green Cargo. Another green initiative is Green Cargo's award of Climate Certificates to 28 customers. The Minister for Infrastructure, Catharina Elmsäter-Svärd, presented the certificates to customers. To be awarded the certificate, the customers' combined transport volumes with Green Cargo must result in less than 10 grams of fossil CO2 per NTK. As a comparative measure, road freight causes emissions of about 50 grams of fossil CO2 per net tonne kilometer . The Climate Comet of the Year award was presented to Dagab.

Green Cargo's online environmental impact calculator, www.ecotransit.org, was also developed during the year. It is an advanced but user-friendly calculator that provides map-based environmental impact calculations for transport over the entire world with all forms of transport.

Environmental impact from Green Cargo AB

Total emissions	2009	2010	2011
CO_2, transport, tonne	62,456	58,155	50,260
NOX, transport, tonne	290.6	275.9	405.8
Hydrocarbons, transport, tonne	29.9	27.5	41.8
Particles, transport, tonne	5.2	4.8	7.3
Fossil fuel, transport, GWh	233.7	217.3	187.4
Renewable energy, transport, GWh	491.8	453.8	503.5
Re-filled refrigerant, rail, kg CO_2 equivalents	45,955	45,955	59,540

Emissions per net tonne kilometer	2009	2010	2011
CO_2, transport, gram/ntkm	6.27	6.22	3.60
NOX, transport, gram/ntkm	0.029	0.030	0.029
Hydrocarbons, transport, gram/ntkm	0.0030	0.0029	0.0030
Particles, transport, gram/ntkm	0.00052	0.00052	0.00052
Fossil fuel, transport, kWh/ntkm	0.023	0.023	0.013
Renewable energy, transport, kWh/ntkm	0.049	0.049	0.036

Results

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

	Score 2010	Target 2011	Score 2011	Trend
Environmental performance, gram CO2/NTK, electric and diesel trains	3.5	2.1	2.2	↗
No. of Green Cargo climate certificates issued	30	30	28	↘
Liters of diesel per 1000 NTK	1.31[1]	0.9	0.83	

[1] This score is not comparable due to the change of data source for results between 2010 and 2011.

Sustainability report

Green Cargo reports its sustainability efforts in line with the standards of the Global Reporting Initiative (GRI). The sustainability report comprises sustainability information, definitions of measurement methods and the GRI's cross-reference list, which can be found on Green Cargo's website www.greencargo.com.

The sustainability report covers Green Cargo AB. The Parent Company accounts for about 77 percent of the Green Cargo Group's net sales. The most significant sustainability issues are presented in the section Green Cargo's key ratios. The key non-financial ratios presented apply to the Parent Company Green Cargo AB, while the financial key ratios apply to the Group.

Green Cargo's own assessment is that the 2011 Sustainability Report meets the requirements for sustainability reporting at the B+ level, in line with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, version 3.0.

KPMG AB has reviewed Green Cargo's 2011 Sustainability Report and verified that it fulfills the requirements for sustainability reporting at the B+ level.

For more information, please contact Green Cargo by email: miljo@greencargo.com

GRI level

For 2011, Green Cargo has chosen to apply level B+.

Glossary – Operational definitions

Track fees – Track fees or infrastructure fees are those fees paid by train operating companies 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.

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

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

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

Environmental performance – Measurable environmental impact from operations.

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

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

Traffic-safety related duties – 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.

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

Hallsberg's marshalling yard.

Glossary – Financial definitions

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

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

Gross investments – The value of investments made.

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

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

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

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

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

Green Cargo locomotive under the northern light.

green cargo