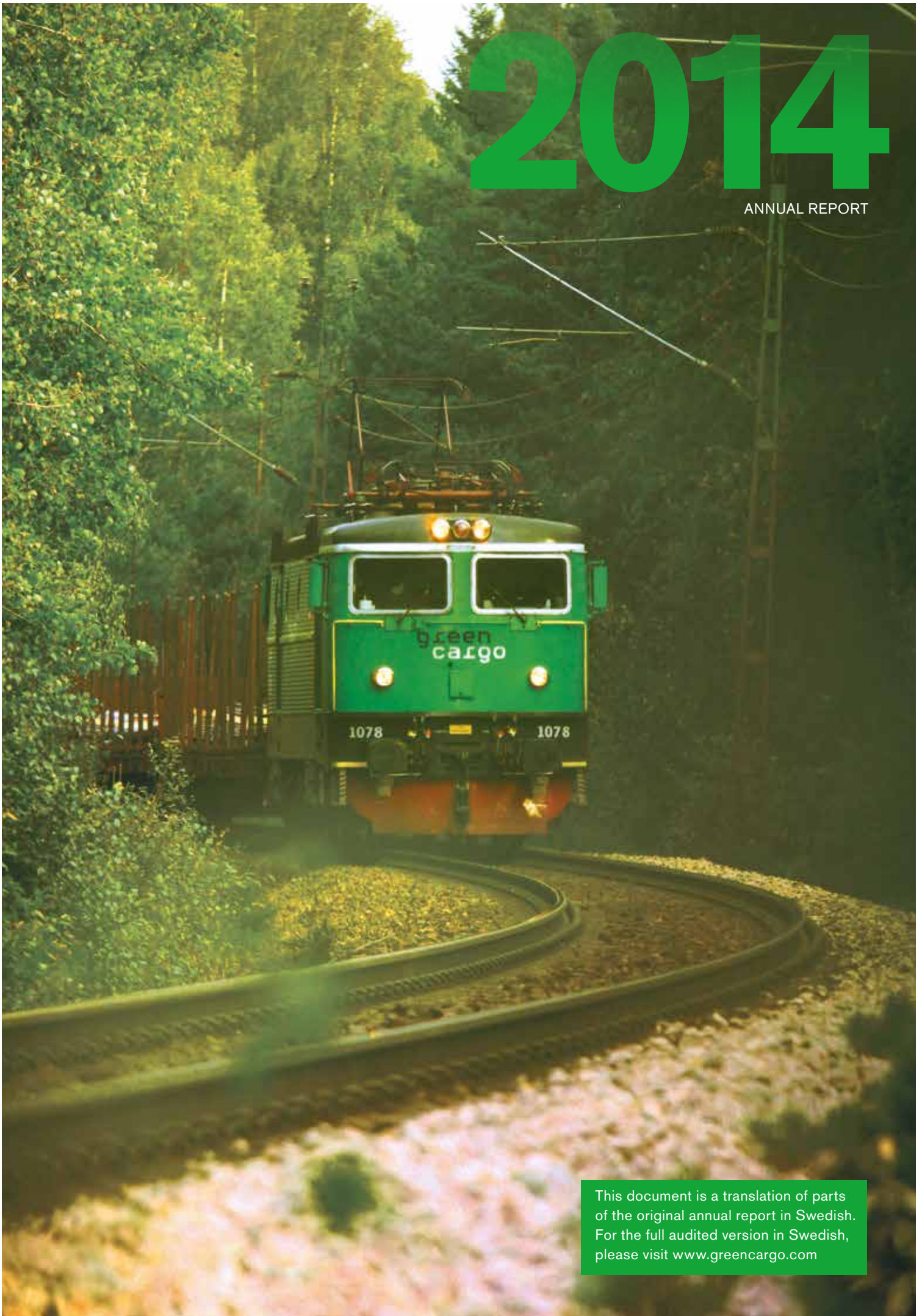


2014

ANNUAL REPORT



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

Five-year overview

PROFIT/LOSS ITEMS	2014	2013	2012	2011	2010 ¹
Net sales	4,154	4,149	4,585	5,418	5,260
Operating profit/loss	-121	-368	-72	32	-198
<i>Operating margin</i>	-2.9%	-8.9%	-1.6%	0.6%	-3.8%
Net financial income/expense	-50	-26	-51	-66	11
Loss after financial items	-171	-394	-123	-34	-187
Profit after discontinued operations	-	14	636	44	41
Profit/loss for the year	-188	-382	519	10	-139

BALANSPOSTER	Dec 31, 2014	Dec 31, 2013	Dec 31, 2012	Dec 31, 2011	Dec 31, 2010
SUMMA TILLGÅNGAR	4,174	4,214	4,850	5,145	4,940
Equity	1,096	1,333	1,740	1,220	1,253
Total external liabilities	3,078	2,881	3,110	3,925	3,687
TOTAL EQUITY AND LIABILITIES	4,174	4,214	4,850	5,145	4,940

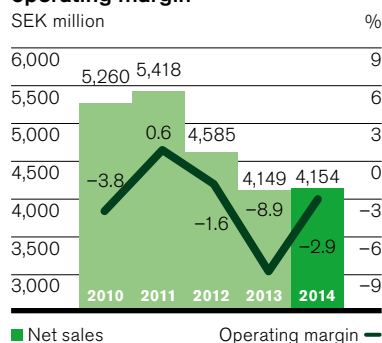
CASH FLOW	2014	2013	2012	2011	2010 ¹
Cash flow from operating activities	67	13	140	198	220
Cash flow from investing activities	-233	15	-565	-813	-313
Cash flow from financing activities	182	-198	-172	306	67
Cash flow from discontinued operations	-	-	786	-6	71
Cash flow for the year	16	-170	189	-315	45

KEY PERFORMANCE INDICATORS ²	2014	2013	2012	2011	2010
Return on operating capital	neg.	neg.	neg.	3%	neg.
Return on equity	neg.	neg.	35%	1%	neg.
Equity/assets ratio	26%	32%	36%	24%	25%
Net debt/equity ratio (multiple)	1.3	1.0	0.6	1.8	1.9
Gross investments, continuing operations	163	343	300	525	427
Gross investments, discontinued operations	-	-	9	15	10
Average number of employees, continuing operations	2,002	2,123	2,323	2,575	2,689
Average number of employees, discontinued operations	-	-	99	230	218

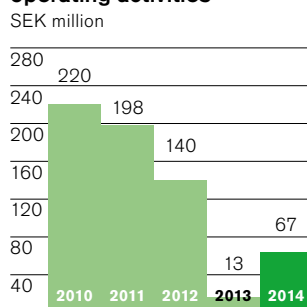
¹ For the 2010, the results for discontinued operations were calculated pro forma after taking into consideration the fact that the divested third-party logistics operations were mostly part of the Parent Company.

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

Net sales and operating margin



Cash flow from operating activities



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 2014 fiscal year. The company is domiciled in Solna. 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. Over the last few years, Green Cargo's operations have been streamlined and now comprise rail-based freight operations. The principal market is linked to Sweden and Swedish trade and industry.

In addition to the Parent Company, the Green Cargo Group also comprises a subsidiary Nordisk Transport Rail AB (NTR) including subsidiaries. The Group also includes the associated companies DB Schenker Rail Scandinavia A/S and SeaRail OY. All of the companies are controlled through board representation and all intra-Group transactions are subject to market terms and conditions.

Freight operations

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

Freight operations at Green Cargo are operated primarily by the Parent Company Green Cargo AB and its subsidiary Nordisk Transport Rail AB (NTR).

Operating environment and market

In 2014, the market remained weak with intense competition. Demand for rail freight is strongly linked to the trend for Swedish basic industries which, in turn, are impacted by demand in the export markets. In addition, a structural change is ongoing in the Swedish forestry and steel industries. Freight volumes in 2014 were up 2 percent on 2013. The increase was primarily attributable to the steel industry. In the fourth quarter, volumes declined about 6 percent year-on-year. One of Green Cargo's major customers, Northland Resources, filed for bankruptcy on December 8. Sales to Northland Resources amounted to about SEK 115 million in 2014.

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

Despite the weak economy, Green Cargo signed new freight agreements to a value of SEK 980 million during the year. These included key, new freight agreements with SSAB, SCA, Outokumpu, Autolink, Real Rail and DB Schenker. Green Cargo is a reliable carrier, which is appreciated in the market. Green Cargo works continuously with a goal-oriented approach to adapt operations to market conditions and improve efficiency in all parts of the Group as well as to increase flexibility.

The streamlining program initiated in autumn 2013, which entailed a new production model and co-location of support operations was the organization's primary focus during the year. The aim of the new production model and co-location of support operations is to enable Green Cargo to run its operations with about 100 less locomotives and about 600 fewer employees compared with 2013.

It is pleasing that, despite the major change and efficiency enhancements that Green Cargo is currently undergoing at all levels of the company, we managed to maintain quality levels for the freight services we perform for our customers. In 2014, Green Cargo's delivery punctuality to customers was 95 percent.

The Group's revenue and earnings

Net sales for the Group totaled SEK 4,154 million (4,149). Freight volumes in 2014 were up 2 percent on 2013. The increase was primarily attributable to the steel industry.

The operating loss totaled SEK 121 million (loss: 368). The improvement in earnings was attributable to the effects of the initiated streamlining program and are, largely, attributable to lower personnel and operating costs. The operating loss included a SEK 41 million impairment of the wagon and locomotive fleet. 2013 was negatively impacted by a SEK 112 million impairment of the wagon and locomotive fleet as well as a provision for onerous contracts of SEK 78 million.

The share in profits from associated companies was SEK 6 million (13), which was attributable to the Danish production company DB Schenker Rail Scandinavia A/S.

The net financial expense for the period was SEK 50 million (expense: 26). The outcome for the comparative period was positively impacted by an amount of SEK 9 million from the sale of the subsidiary Hallsbergs Terminal AB. The net interest expense was SEK 47 million, which was up on the preceding year (expense: 40), mainly due to the recognition of a provision during the period. Market valuations and the revaluation of financial liabilities were negative SEK 3 million (pos: 6).

Tax on profit for the period was SEK 17 million (2).

Discontinued operations (third-party logistics)

On May 31, 2012, Green Cargo Logistics was sold (with its name changed to PostNord Logistik TPL AB) together with the properties associated with this business to PostNord. Accordingly, the third-party logistics segment was reported under discontinued operations in the comparative period.

In 2013, earnings from the discontinued operations totaled SEK 14 million and pertained to the release of provisions for guarantee and risk costs.

The Group's net result including discontinued operations was a loss of SEK 188 million (loss: 382).

Investments

The Group's gross investments in intangible assets and property, plant and equipment during the year totaled SEK 163 million (343). Investments in 2014 pertained mainly to modernization of locomotives. The upgrade of the locomotive fleet requires extensive work and deliveries are made within the framework of a basic order for 62 diesel locomotives and 42 electric locomotives as well as an option for 37 electric locomotives. All locomotives included in the basic order were delivered between 2010 and 2013 and all locomotives under the option agreement were delivered in the 2013–2014 period. The total cost of the locomotive modernization project was SEK 1.7 billion.

Financing

At the closing date, the Group's interest-bearing liabilities were SEK 2,210 million (1,945), of which SEK 897 million (1,073) pertained to financial leases and SEK 1,293 million (860) to loan financing. Pension liabilities of SEK 20 million (13) were included in interest-bearing liabilities. Leases and loans mature between 2015 and 2024, and the debt portfolio has an average term of 3.5 years. Liabilities, including fixed-income derivatives, have an average fixed-interest term of 1.9 years.

During the year, a loan of SEK 444 million was raised and, at year-end, revolving credit facilities totaling SEK 550 million were signed. Interest-bearing liabilities increased SEK 265 million during the year after taking into account amortization and revaluation of liabilities in foreign currencies. Continuous amortization of loans and leasing liabilities totaled SEK 145 million. Leases totaling SEK 117 million were settled.

Interest-bearing assets increased a total of SEK 126 million, which means that, altogether, interest-bearing net debt increased SEK 139 million and totaled SEK 1,449 million on the closing date.

Green Cargo AB has an unutilized working capital credit of SEK 75 million.

For information regarding Green Cargo's financing and asset management, refer to the Risks and risk management section.

Cash flow

Consolidated cash flow for the period was SEK 16 million (neg: 170). Cash flow from operating activities before changes in working capital amounted to SEK 60 million (neg: 3), which was mainly an effect of the underlying improvement in earnings. Adjustments for non-cash items pertained primarily to depreciation and impairment of non-current assets.

Cash flow from investing activities was a negative SEK 233 million (15) and mainly comprised modernization of locomotives and current investments. During the year, investments in property, plant and equipment and intangible assets primarily pertained to the ongoing modernization of locomotives and totaled SEK 124 million (321).

Cash flow from financing activities was SEK 182 million (neg: 198) and was attributable to the amortization of loans and leasing liabilities, and new financing of SEK 444 million.

Events after the closing date

No events with any significant impact on operations or the Group have taken place after the closing date.

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. In 2015, Green Cargo's priorities will be largely characterized by a continued focus on the streamlining program and on taking the next step in implementing the profitability measures required to meet the owners' targets and lay the foundation for sustainable profitability. Implementation of the company's streamlining program is expected to contribute to increased competitiveness moving forward. Green Cargo AB provides no forecasts.

Financial targets

Green Cargo's owner's overriding financial targets for the Group are to secure long-term value creation, capital efficiency and a reasonable level of financial risk. The net debt/equity ratio should be a minimum of 0.6 and a maximum of 0.9. Return on operating capital should be not less than 10 percent measured over a business cycle. However, for the 2013 to 2015 period, the return on operating capital should be an average of not less than 4 percent measured over the period. 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. At December 31, 2014, the return on operating capital was negative and the net debt/equity ratio was 1.3.

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.

Through its operations, Green Cargo is exposed to a number of risks: production is capital intensive by nature; market competition is intensifying and the company's international activities depend on working partnerships with other logistics companies. Last but not least, Green Cargo's customers comprise the Swedish export industries with all the exposure that entails.

The debt crisis in the euro area and a slowdown in the economy still constitute a risk factor for Green Cargo. Green Cargo manages these risks through purposefully adapting operations to market conditions and by improving efficiency and flexibility in all parts of the Group.

Financial concerns in the euro area mean financial risks in the form of fluctuations in interest and exchange rates. The Board has adopted a financial policy that governs the actions of Green Cargo's financial function. 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.

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

Financial risk

Green Cargo's operations are exposed to a number of financial risks that impact the Group's earnings trend and cash flow. Green Cargo's Parent Company has a finance function tasked primarily with identifying, assessing and efficiently managing these risks. It also acts as an internal bank for capital and cash management. The work is carried out in line with the financial policy adopted by the Board. The financial policy sets out the requirements for ongoing follow-up of risks to facilitate good internal risk control. The investments made in the operations are assessed based on their capacity to generate sufficient 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 31.

Green Cargo's production is employee and capital intensive – rail freight builds on a cohesive system (network), whereby all customers share resources. About 70 percent of the cost base is fixed for 12 months forward. Continuous efforts to enhance the efficiency of operations and reduce unit costs are ongoing,

irrespective of whether these pertain to locomotives, wagons, employees, maintenance, etc. To reduce the risk of fluctuating volumes, Green Cargo strives to share risk with customers by means of a combination of variable and fixed pricing. Green Cargo also endeavors to contract longer agreement periods to improve the deployment of its own operations. Other methods for increasing flexibility include complementing our own resources with contracted capacity and increasing possibilities for sharing the use of various resources. The main method applied by Green Cargo to counter earnings risk posed by fixed costs is the establishment of strong, long-term relationships with customers and suppliers.

Safety

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

Customers

Competition is intense from other train operators and other forms of transport. This sets high requirements for creativity in terms of meeting customers' requirements for transportation services at a reasonable price. One key area for investment for the company is the continuous development of the offering and pricing.

Employees

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

Society

Green Cargo is exposed to risk in relation to its operating environment. For example, risks can arise from the macroeconomic trend, changed conditions for rail and other forms of transport as well as other consumption patterns and Green Cargo must monitor and manage these factors. For Green Cargo to be able

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

Environment

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

Green Cargo AB (Parent Company)

Revenue

In all material aspects, the comments pertaining to the Group apply equally for the Parent Company. Operating income for the Parent Company totaled SEK 3,875 million (3,884) for 2014.

Costs

In all material aspects, the comments pertaining to the Group apply equally for the Parent Company. Operating costs for the Parent Company totaled SEK 4,001 million (4,268) for 2014.

Net financial income/expense

In the Parent Company, the loss from financial items in 2014 was SEK 44 million (loss: 8).

The change was primarily attributable to the divestment of third-party logistics in 2013. The corresponding figures for 2013 include a capital gain of SEK 12 million and the release of a SEK 14 million reserve for guarantee and risk costs pertaining to the sale of Green Cargo Logistics.

Net interest income was positively impacted year-on-year, mainly due to lower market interest rates. Market valuations and the revaluation of financial liabilities had a negative impact of SEK 3 million (pos: 5). Net financial items were positively impacted by Group contributions received of SEK 3 million (3).

Operations requiring environmental permits

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 but does, however, operate a 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.

Corporate Governance Report for the 2014 fiscal year

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

Application of the Code

In 2014, Green Cargo's Board applied the Code in the preparation of the Corporate Governance Report including one section on internal control. Green Cargo's website has been successively updated with financial and corporate governance reports. The Annual General Meeting (AGM) took place on April 29, 2014 in Solna. The auditors have carried out a review of Green Cargo's

interim report for the January 1 to September 30, 2014 period. The company has a formal procedure for decisions on employment terms and conditions for senior executives in accordance with the government's guidelines as of April 20, 2009. Green Cargo's guidelines for employment terms and conditions for senior executives were adopted by the AGM on April 29, 2014.

Audit Committee

At the Board meeting in December 2013, the Board decided to establish an Audit Committee in 2014.

The Audit Committee follows a written instruction decided by the Board and is tasked with addressing issues pertaining to risk assessment, financial reporting and auditing. The Committee prepares decision data for items to be addressed by the Board. The Committee's work aims to secure established principles for financial reporting, compliance with internal controls and appropriate relations between the company and its auditors. In 2014, the Audit Committee comprised Margareta Alestig Johnson (Chairman), Lennart Pihl and Daniel Kristiansson. The Committee met three times in 2014. Issues addressed during the year mainly pertained to interim reporting, auditing, following up certain accounting-related assessments and tax issues. The auditors participated in one meeting and, among other things, reported their observations from their review.

Attendance at the Committee's meetings was as follows:

Margareta Alestig Johnson, Chairman	3/3
Lennart Pihl	3/3
Daniel Kristiansson	2/3

Departures from the Code

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

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

In the Board's assessment, given the guidelines for the employment terms and conditions for senior executives established on April 26, 2013, a separate remuneration committee is not appropriate.

Annual General Meeting

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

The AGM took place on April 29, 2014 in Solna. The owner was represented by proxies at the AGM. The AGM resolved to re-elect Lennart Pihl as Chairman, to re-elect Margareta Alestig Johnson, Ann-Christine Hvittfeldt, Lotta Stalin and Tryggve Sthen as Board members, and to elect Daniel Kristiansson as a new Board member for the period until the end of the next AGM. The Meeting resolved against payment of a dividend.

The next AGM for Green Cargo AB will be held on April 27, 2015 at 2:00 p.m. at Green Cargo's premises in Solna, Sweden.

Green Cargo's Board of Directors

Green Cargo's Board of Directors comprises the following members elected at the AGM: Lennart Pihl (Chairman), Margareta Alestig Johnson, Daniel Kristiansson, Ann-Christine Hvittfeldt, Lotta Stalin and Tryggve Sthen. The employee representatives on the Board are: Board member Stefan Bieder (ST), deputy Jerker Liljeberg (ST), Board member Peter Lundmark (SEKO), deputy Anders Gustafsson (SEKO) and co-opted member Ann-Charlotte Juliusson (SACO). The 2014 Annual Report for Green Cargo 2014 provides further details on each Board member. The items addressed by the Board mainly correspond with the Companies Act and the Board's rules of procedure, which was adopted on April 29, 2014. In addition to appointing the President and authorized signatories, the Board's foremost duties are to:

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

In addition, among other items, the Board must approve larger investments, acquisitions and divestments, as well as any departures from the Board's policies. In other respects, all Board members bear equal responsibility for the Board's work unless otherwise decided at a Board meeting. Each year, the Board adopts written rules of procedure. In addition to statutory items pursuant to the Companies Act, the written rules of procedure set out, inter alia, the duties of the Chairman of the Board, information to Board members, the format for Board meetings and the evaluation of the Board's and the Chairman's work. The Chairman leads the work of the Board and is responsible for members receiving the necessary information.

Board meetings

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

Each scheduled Board meeting also addresses the following items:

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

The Board held seven minuted meetings in the 2014 fiscal year. Attendance figures for the Board follow below:

Lennart Pihl, Chairman of the Board	7/7
Margareta Alestig Johnson, Board member	7/7
Lars Erik Fredriksson, Board member ¹	3/3
Ann-Christine Hvittfeldt, Board member	7/7
Lotta Stalin, Board member	6/7
Tryggve Sthen, Board member, Deputy Chairman	7/7
Daniel Kristiansson ² , Board member	3/4
Stefan Bieder, employee representative	6/7
Anders Gustavsson, deputy employee representative	7/7
Jerker Liljeberg, deputy employee representative	7/7
Peter Lundmark, employee representative	7/7

¹ Stepped down at the 2014 AGM.

² Elected at the 2014 AGM.

During the year, the Board of Green Cargo continued and intensified its efforts to counter the negative effects of the economic downturn and the challenges to profitability that face the company. An extensive improvement program with a focus on the transportation network and our own organization's efficiency has been initiated and was continuously followed up over the year. The program's target is to boost earnings by about SEK 400 million by 2016.

The 2014 AGM passed a resolution on directors' fees, details of which can be found in the 2014 Annual Report.

Election of auditors

Responsibility for the election of auditors for state-owned companies is incumbent on the owner, who follows all the steps in the procurement process, in other words, from procurement

criteria to selection and evaluation. The final decision is made by the owner at the AGM. The authorized accounting firm KPMG AB, with Authorized Public Accountant Hans Åkervall in charge, was elected at the end of the 2015 AGM.

Quality assurance of the financial reporting

The Board secures the quality of the financial reporting as follows:

- each year, the Board reviews and approves the established financial policy, and,
- studies the interim reports and adjusts and decides on when they are presented at Board meetings, and ensures that Green Cargo follows the state guidelines for external financial reporting, and,
- reviews the monthly controller report, which comprises a detailed analysis and continuous follow-up of operations vis-à-vis targets in the business plan and compared with previous years, and reviews and reports on internal control.

At the Board meeting at which the annual report for the 2014 fiscal year was presented and a decision taken on its adoption, the Auditors also attended and reported on their observations in connection with the audit of the operations. The auditors also attended the Board meeting in February when the year-end report was adopted for publication and reported their observations in connection with the year-end audit.

Description of internal control of the financial reporting

Control environment

The control environment forms the basis for internal control of the financial reporting. The control environment comprises a framework with the organization, decision-making channels, authorizations and responsibility, which are documented and communicated in governance documents. Examples of such documents at Green Cargo include:

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

A three-year business plan is prepared each year. The business plan includes the strategy and budget, and is broken down to departmental level to optimize follow-up.

Risk assessment

In 2010, a risk analysis was carried out for items in the balance sheet and income statement as of December 31, 2009, for the Green Cargo Group. The analysis applied an approach that focused primarily on items with a risk of erroneous amounts in excess of SEK 20 million. For these items, the source of the respective risk was also identified. Each item was assessed based on specific criteria, such as volatility, subjectivity and complexity. None of the risks identified were assessed as high. No equivalent risk analysis was performed in 2014, instead, those risks identified in 2010 are also deemed relevant for 2014.

Control activities

In 2013, the company had no separate internal control function. Risk assessment comprises the basis for identification of the controls the company must have to prevent the most significant risks or to minimize the consequences of these risks. In the Board's assessment, the risk analysis conducted in combination with the control environment that is already in place mean that no need exists for a separate control function, since this function is managed within the framework of the CFO's responsibility and organization. External expertise is used on an ongoing basis as support and implements control measures each quarter, such as random checks and control of central processes' compliance with policies and regulations. In 2014, extra controls and random checks were carried out for the payroll, IT, procurement and revenue processes.

Information and communication

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

Follow-up

Ten to 12 times per year, the Board receives a report on the financial position in relation to the business plan and the preceding year. Follow-up is also carried out for the targets set for the areas: Finance, Safety, Customers, Employees and the Environment. Each year, the Board meets the external auditors for the external audit report encompassing internal control. An internal control report is prepared within the company that contains a follow-up of any shortcomings identified in the preceding annual report and how these were managed during the year.

APPROPRIATION OF PROFITS

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

Fair-value reserve	-50,071,814
Profit brought forward	876,703,633
Loss for the year	-179,866,205
Total	646,765,614

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

To be carried forward	646,765,614
Total	646,765,614

Consolidated income statement

SEK million	Note	GROUP	
		2014	2013
Continuing operations			
<i>Operating income</i>			
Net sales	4	4,154	4,149
Other operating income	6	13	12
Total operating income		4,167	4,161
<i>Operating expenses</i>			
Operating costs	4, 7	-2,216	-2,347
Personnel costs	8	-1,318	-1,352
Other external costs	9	-475	-468
Other operating expenses		-9	-10
Amortization and depreciation	15, 16	-235	-253
Impairment	15, 16	-41	-112
Share in profit of associated companies	18	6	13
Operating loss		-121	-368
<i>Profit/loss from financial items</i>			
Interest income and similar profit/loss items	12	11	32
Interest expense and similar profit/loss items	13	-61	-58
Profit/loss after financial items		-171	-394
Tax on profit for the year	14	-17	-2
Profit/loss for the year from continuing operations		-188	-396
Discontinued operations			
Profit for the year from discontinued operations	24	-	14
Profit/loss for the year		-188	-382
Of which attributable to Parent Company owners		-188	-382
Total		-188	-382

Statement of comprehensive income

SEK million	Note	GROUP	
		2014	2013
Profit/loss for the year		-188	-382
Items that cannot be reclassified to profit or loss			
Revaluation of defined-benefit pension plans		-9	5
Tax attributable to items that cannot be reclassified to profit or loss	14	2	0
Items that have been or can be reclassified to profit or loss			
Cash-flow hedges		-54	0
Hedging of net investments in operations abroad		-12	-6
Translation differences		10	7
Tax attributable to items that have been or can be reclassified to profit or loss	14	14	1
Total other comprehensive income, net after tax		-49	7
Total comprehensive income for the year		-237	-375
Of which attributable to Parent Company owners		-237	-375
Of which attributable to non-controlling interests		-	-
Total		-237	-375

Consolidated balance sheet

ASSETS SEK million	Note	GROUP	
		Dec 31, 2014	Dec 31, 2013
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		24	27
Ongoing capitalized development expenditure		5	15
Total intangible assets		29	42
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		25	39
Leasehold improvements		3	5
Transport equipment		1,461	1,390
Leased transport equipment	17	843	921
Equipment, fixtures and fittings		31	26
Construction in progress		17	31
Total property, plant and equipment		2,380	2,412
<i>Financial assets</i>			
Participations in associated companies	18	361	350
Non-current investments	19	50	95
Total financial assets		411	445
Deferred tax assets	20	149	149
Total non-current assets		2,969	3,048
Current assets			
Inventories	21	13	13
Accounts receivable		379	431
Receivables from associated companies	4	18	1
Other receivables		2	3
Current tax assets		2	1
Prepaid expenses and accrued income	22	80	81
Current investments	31	588	434
Cash and bank balances	30	123	107
Total current assets		1,205	1,071
Assets held for sale	23	–	95
TOTAL ASSETS		4,174	4,214

Consolidated balance sheet

EQUITY AND LIABILITIES SEK million	Note	GROUP	
		Dec 31, 2014	Dec 31, 2013
Equity			
Share capital		200	200
Other capital contributions		1,047	1,047
Reserves		-56	-7
Profit brought forward		93	475
Profit/loss for the year		-188	-382
Total equity	28	1,096	1,333
Liabilities			
<i>Non-current liabilities</i>			
Pension provisions	32	20	12
Other provisions	25	37	56
Non-current leasing liabilities	17	799	997
Other non-current liabilities	31	654	734
Derivative instruments	31	51	6
Total non-current liabilities		1,561	1,805
<i>Current liabilities</i>			
Accounts payable		232	197
Current leasing liabilities	17	98	76
Other liabilities	31	628	107
Derivative instruments	31	9	7
Accrued expenses and deferred income	26	522	605
Other provisions	25	28	29
Total current liabilities		1,517	1,021
Liabilities attributable to assets held for sale	23	-	55
TOTAL EQUITY AND LIABILITIES		4,174	4,214
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities	27		
Pledged assets		519	567
Contingent liabilities		263	289

Change in Equity, Group

GROUP SEK million	Equity attributable to Parent Company owners						Total	Non-controlling interests	Total equity
	Note	Share capital	Other capital contributions	Reserves	Profit/loss brought forward	Profit/loss for the year			
Opening balance, Jan 1, 2013		200	1,047	-14	-45	520	1,708	8	1,716
Allocation of preceding year's profit/loss					520	-520	0		0
Comprehensive income									
Profit/loss for the year						-382	-382		-382
Divested subsidiaries								-8	-8
Other comprehensive income									
Cash-flow hedges, after tax				0			0		0
Hedging of net investments, after tax				-5			-5		-5
Translation difference				7			7		7
Revaluation of defined-benefit pension plans				5			5		5
<i>Total other comprehensive income</i>		-	-	7	-	-	7	-	7
Total comprehensive income		-	-	7	-	-382	-375	-8	-383
Closing balance, Dec 31, 2013	28	200	1,047	-7	475	-382	1,333	0	1,333
Opening balance, Jan 1, 2014		200	1,047	-7	475	-382	1,333	-	1,333
Allocation of preceding year's profit/loss					-382	382	0		0
Comprehensive income									
Profit/loss for the year						-188	-188		-188
Other comprehensive income									
Cash-flow hedges, after tax				-38			-38		-38
Hedging of net investments, after tax				-12			-12		-12
Translation difference				10			10		10
Revaluation of defined-benefit pension plans				-9			-9		-9
<i>Total other comprehensive income</i>		-	-	-49	-	-	-49	-	-49
Total comprehensive income		-	-	-49	-	-188	-237	-	-237
Closing balance, Dec 31, 2014	28	200	1,047	-56	93	-188	-1,096	-	1,096

Consolidated cash-flow statement

SEK million	Note	GROUP	
		2014	2013
<i>Operating activities</i>			
Loss after financial items		-171	-394
Adjustments for non-cash items	29	256	410
Tax paid		-25	-19
Cash flow from operating activities before changes in working capital, continuing operations		60	-3
Cash flow from changes in working capital			
Increase/decrease in current receivables		63	4
Increase/decrease in current liabilities		-56	12
Cash flow from operating activities, continuing operations		67	13
<i>Investing activities</i>			
Acquisition of intangible assets		-5	-14
Acquisition of property, plant and equipment		-158	-329
Sale of property, plant and equipment		39	22
Dividends from associated companies		-	1
Changes in current investments		-154	395
Changes in non-current investments		45	-80
Sale of operations		-	20
Cash flow from investing activities, continuing operations		-233	15
<i>Financing activities</i>			
Borrowings		444	-
Amortization of leasing liabilities and loans		-262	-198
Cash flow from financing activities, continuing operations		182	-198
Cash flow from discontinued operations	24	-	-
Cash flow for the year		16	-170
Cash and cash equivalents at the beginning of the year		107	277
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	123	107

Parent Company income statement

SEK million	Note	PARENT COMPANY	
		2014	2013
<i>Operating income</i>			
Net sales	4	3,865	3,873
Other operating income	6	10	11
Total operating income		3,875	3,884
<i>Operating expenses</i>			
Operating costs	4, 7	-1,926	-2,081
Personnel costs	8	-1,319	-1,353
Other external costs	9	-473	-465
Other operating expenses		-10	-10
Amortization and depreciation	15, 16	-232	-247
Impairment	15, 16	-41	-112
Operating profit/loss		-126	-384
<i>Profit/loss from financial items</i>			
Profit/loss from participations in Group companies	10	3	25
Profit/loss from participations in associated companies	11	4	1
Interest income and similar profit/loss items	12	10	22
Interest expense and similar profit/loss items	13	-61	-56
Profit/loss after financial items		-170	-392
Tax on profit for the year	14	-10	-2
Profit/loss for the year		-180	-394

Parent Company statement of comprehensive income

SEK million	Note	PARENT COMPANY	
		2014	2013
Profit/loss for the year		-180	-394
Other comprehensive income			
Cash-flow hedges		-54	0
Tax	14	12	0
Total other comprehensive income, net after tax		-42	0
Total comprehensive income for the year		-222	-394

Parent Company balance sheet

ASSETS SEK million	Note	PARENT COMPANY	
		Dec 31, 2014	Dec 31, 2013
Non-current assets			
<i>Intangible assets</i>	15		
Capitalized development expenditure		21	23
Ongoing capitalized development expenditure		5	15
Total intangible assets		26	38
<i>Property, plant and equipment</i>	16		
Land, land improvements and buildings		1	1
Leasehold improvements		3	5
Transport equipment		1,462	1,391
Leased transport equipment	17	843	921
Equipment, fixtures and fittings		29	24
Construction in progress		17	30
Total property, plant and equipment		2,355	2,372
<i>Financial assets</i>			
Participations in Group companies	18	52	52
Participations in associated companies	18	316	316
Non-current investments	19	50	95
Receivables from Group companies	4	–	12
Total financial assets		418	475
Deferred tax assets	20	149	147
Total non-current assets		2,948	3,032
<i>Current assets</i>			
Inventories	21	13	13
Accounts receivable		331	379
Receivables from Group companies	4	18	27
Receivables from associated companies	4	18	1
Other receivables		1	3
Current tax assets		1	1
Prepaid expenses and accrued income	22	81	92
Current investments	31	588	434
Cash and bank balances	30	123	106
Total current assets		1,174	1,056
Assets held for sale	23	–	95
TOTAL ASSETS		4,122	4,183

Parent Company balance sheet

EQUITY AND LIABILITIES SEK million	Note	PARENT COMPANY	
		Dec 31, 2014	Dec 31, 2013
Equity			
<i>Restricted equity</i>			
Share capital		200	200
Statutory reserve		100	100
		300	300
<i>Non-restricted equity</i>			
Fair-value reserve		-49	-7
Profit brought forward		876	1,270
Profit/loss for the year		-180	-394
		647	869
Total equity	28	947	1,169
Liabilities			
<i>Non-current liabilities</i>			
Pension provisions	32	12	12
Other provisions	25	37	56
Non-current leasing liabilities	17	799	997
Other non-current liabilities	31	651	742
Derivative instruments	31	51	6
Total non-current liabilities		1,550	1,813
<i>Current liabilities</i>			
Accounts payable		219	180
Liabilities to Group companies	4	133	153
Current leasing liabilities	17	98	76
Other liabilities	31	627	107
Derivative instruments	31	9	7
Accrued expenses and deferred income	26	511	594
Other provisions	25	28	29
Total current liabilities		1,625	1,146
Liabilities attributable to assets held for sale	23	-	55
TOTAL EQUITY AND LIABILITIES		4,122	4,183
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities	27		
Pledged assets		519	567
Contingent liabilities		263	289

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
Closing balance, December 31, 2012			200	100	4	892	378	1,574
Retroactive correction of hedging of net investments					-11			-11
Adjusted opening balance, Jan 1, 2013			200	100	-7	892	378	1,563
Allocation of preceding year's profit/loss						378	-378	0
Comprehensive income								
Profit/loss for the year							-394	-394
Other comprehensive income								
Cash-flow hedges, after tax					0			0
<i>Total other comprehensive income</i>			-	-	0	-	-	0
Total comprehensive income			-	-	0	-	-394	-394
Closing balance, Dec 31, 2013		28	200	100	-7	1,270	-394	1,169
Opening balance, Jan 1, 2014			200	100	-7	1,270	-394	1,169
Allocation of preceding year's profit/loss						-394	394	0
Comprehensive income								
Profit/loss for the year							-180	-180
Other comprehensive income								
Cash-flow hedges, after tax					-42			-42
<i>Total other comprehensive income</i>			-	-	-42	-	-	-42
Total comprehensive income			-	-	-42	-	-180	-222
Closing balance, Dec 31, 2014		28	200	100	-49	876	-180	947

Parent Company cash-flow statement

SEK million	Note	PARENT COMPANY	
		2014	2013
<i>Operating activities</i>			
Profit/loss after financial items		-170	-392
Adjustments for non-cash items	29	253	401
Tax paid		-25	-18
Cash flow from operating activities before changes in working capital		58	-9
Cash flow from changes in working capital			
Increase/decrease in current receivables		74	-13
Increase/decrease in current liabilities		-71	24
Cash flow from operating activities		61	2
<i>Investing activities</i>			
Acquisition of intangible assets		-4	-13
Acquisition of property, plant and equipment		-158	-329
Sale of property, plant and equipment		26	22
Dividends from associated companies		4	1
Changes in current investments		-154	395
Changes in non-current investments		57	-80
Sale of operations		-	22
Cash flow from investing activities		-229	18
<i>Financing activities</i>			
Borrowings		444	-
Amortization of leasing liabilities and loans		-262	-181
Group contributions received/paid		3	4
Cash flow from financing activities		185	-177
Cash flow for the year		17	-157
Cash and cash equivalents at the beginning of the year		106	263
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	29	123	106

Signatures

The consolidated financial statements and annual report have been prepared in accordance with international accounting standards as adopted by the European Parliament and Council Regulation (EC) No 1606/2002 of July 19, 2002 in respect of the application of international accounting standards and generally accepted accounting principles and provide a fair and accu-

rate 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 30, 2015

Lennart Pihl
Chairman of the Board

Ann-Christine Hvittfeldt
Board member

Margareta Alestig Johnson
Board member

Daniel Kristiansson
Board member

Tryggve Sthen
Board member

Lotta Stalin
Board member

Stefan Bieder
Employee representative

Peter Lundmark
Employee representative

Jan Kilström
President and CEO

Our auditors' report was submitted on March 30, 2015

KPMG AB

Hans Åkervall
Authorized Public Accountant

Glossary

OPERATIONAL DEFINITIONS

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 Schenker Rail 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 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 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 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.

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

FINANCIAL DEFINITIONS

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

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

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 non-controlling interests.

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

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 non-controlling interests divided by total assets at the end of the period.

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



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

For more information please see:
www.greencargo.com

If you have any questions, please contact:
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