
railcare
ANNUAL REPORT 2022

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Railcare Group AB (publ) is a Swedish public company with its registered offices in Skellefteå, Sweden. Corp. ID. No.: 556730–7813. LEI code: 549300UH2JD85PIJOK89. In this document, "Railcare" refers to the Railcare Group, Railcare Group AB and its subsidiaries.

The complete Annual Report is available on Railcare's website, www.railcare.se or www.railcare.se/en/. The printed version of the Annual Report is distributed only to shareholders who have ordered printed copies. The 2022 Annual Report was published in April 2023. All amounts are expressed in Swedish kronor. Kronor is abbreviated as "SEK", thousands of kronor are abbreviated as "SEK 000" and millions of kronor are abbreviated as "SEK million" or "SEK m". Figures in brackets refer to the preceding year, unless otherwise stated. This report contains forward-looking information based on Railcare's current expectations. No guarantee can be given that these expectations will prove to be correct. Actual outcomes may therefore differ substantially from what appears in the forward-looking information as a consequence of, for example, changes in economic, market and competition conditions, changes in legal requirements and other policy measures, exchange rate fluctuations and other factors. Data regarding the market and competitive situation reflects Railcare's own assessments unless a specific source is indicated. These assessments are based on the best and latest data available. The audited Annual Report includes pages 32-110.

The Swedish version shall prevail in case of any discrepancy between the Swedish version and this English translation.

We do things differently

Railcare is an innovative company that adds value by working for more sustainable railways through committed employees and smart machines.

As a railway specialist we offer services such as track maintenance using our proprietary machinery, transport using our own locomotives and drivers, locomotive and wagon workshops, as well as machinery development.

Our corporate culture is to do things differently and this approach characterises our entire operation. For us, this means coming up with unexpected ways of solving problems. It also means that all of our employees show – and are expected to show – a lot of personal responsibility for everything from customer deliveries to embodying our values.

The year in brief

New framework agreement with the Swedish Transport Administration [Q1]

Railcare signed a new framework agreement with the Swedish Transport Administration relating to contracting work in Sweden. The agreement span a period of three years with the option to extend it by one year and an additional year. The new agreement provides conditions for Railcare's latest innovation MPV, a battery-powered maintenance machine for railways.
The framework agreement includes preparatory work ahead of future track replacements and maintenance work included in the Swedish Transport Administration's plans. In line with previous agreements with the Swedish Transport Administration, work will be carried out on a continuous call-off basis.

LKAB [Q2]

Railcare renewed its agreement with LKAB Malmtrafik regarding the transport of iron ore. The value of the agreement was approximately SEK 50 million and it spanned the period until 31 December 2022.

"This transport requires high delivery reliability and the renewed confidence of LKAB is evidence of our effective transport operations"

Mattias Remahl, CEO Railcare Group AB

Railcare is equipped for the future [Q2]

At the beginning of June, Railcare participated in the world's largest trade fair for railway machinery and maintenance technology, IAF Münster 2022. There was a lot of interest in battery power where Railcare is at the forefront.

"There is a general understanding in the industry that we must also convert diesel-powered railway machines to fossil-free. However, not as many operators have taken this step and done something about it. We have already proven that it is possible with our battery-powered Multi Purpose Vehicle and we are now investigating whether we can develop the technology and use it like a battery bank to operate other machines and vehicles on the railway."
Ulf Marklund, CEO of Railcare Machine AB.

800 healthcare and care workers treated to ice hockey [Q4]

Railcare paid for 800 healthcare and care workers to watch three ice hockey matches in October, November and December. This was to honour a promise made during the pandemic when Railcare chose to use its reduced employer's contributions to support healthcare, for example.

Snow removal contract extended by three years [Q2]

The Swedish Transport Administration exercised its option to extend its existing snow removal contract with Railcare by another three years. The extended contract covers the period up to 30 April 2025 and the value of the order is SEK 40 million per year.

KEY PERFORMANCE INDICATORS RAILCARE GROUP IN SUMMARY 2022

Net sales

497 SEK million

Sales growth

13 %

Operating profit/loss (EBIT)

52 SEK million

Operating margin

11 %

Profit/loss for the year

37 SEK million

Dividend per share

0.60 SEK

Number of employees

157

Proportion of private sector customers

70 %

Proportion of public sector customers

30 %

Mathilda Boström,
machine operator

Railcare is stronger than ever

The past year has largely been characterised by concerns and uncertainty in the wider world. Our way of doing things differently and seeing opportunities rather than problems has helped to continue to develop the operations. Despite everything happening around us, we are stronger than ever and we have every reason to be optimistic about the future.

The green industrialisation is increasing the focus on sustainable transport and the need for effective railways. Sustainable transport and logistics solutions, along with a secure energy supply, are two of the biggest challenges to making the transition a reality. At Railcare, we are at the forefront and driving progress towards more sustainable railways and ultimately a sustainable society.

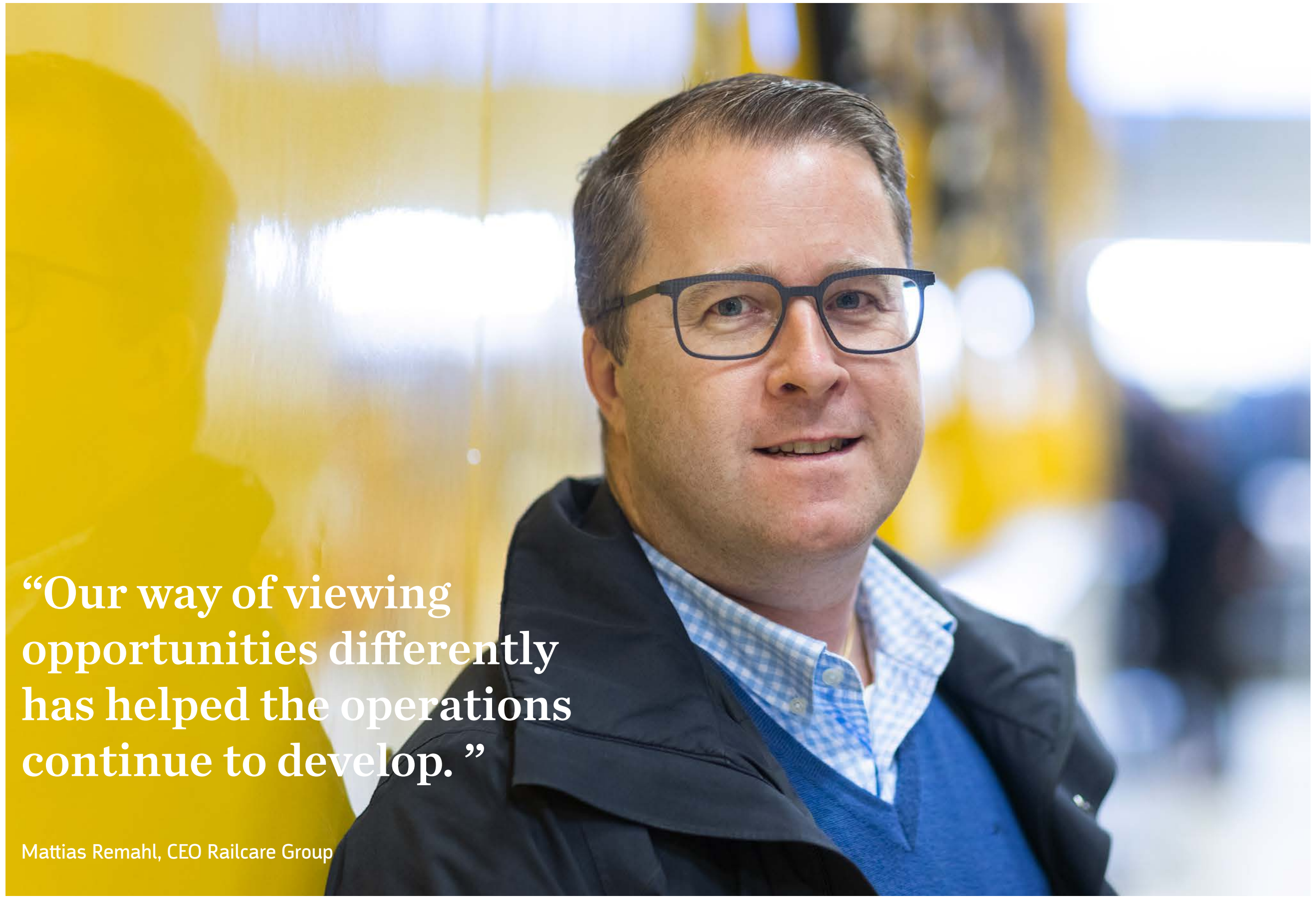
New financial targets

The Russian invasion and war in Ukraine began in early 2022 and created additional concerns in the wake of the pandemic. To date, this has had a relatively small impact on our operations, although the rapidly rising inflation had a short-term effect at the end of the year. Cost increases have an ongoing impact on our business, while income adjustments in long contracts often take place once a year. Underlying demand for our services increased during the year and net sales rose by just over 13 percent compared with the previous year, which was in line with our target.

Operating profit (EBIT) was SEK 52 million and net sales SEK 497 million, resulting in an operating margin of just over 10 percent. As our previous financial targets were achieved in 2022, the Board adopted new targets at the beginning of this year. The new targets, which are to be met by 2027, are sales of SEK 800 million with an operating margin of 10 percent.

Contracting Sweden

Contracting Sweden has reported its highest ever volumes and made a rapid recovery after the pandemic. This is important because maintenance needs on the railways are still very high. Advance planning ahead of



Mattias Remahl, CEO Railcare Group

track replacements is better, and we are now carrying out the majority of preparatory work well in advance of the actual track replacement, which makes planning easier both for us and our customers.

Our battery-powered maintenance machine MPV has carried out maintenance work in the Citybanan railway tunnel, which is perhaps the ideal environment for the MPV. Maintenance conducted underground is easier to plan and carry out because no emissions are generated. This is not only due to environmental and working environment requirements but also safety in the form of fire alarms that can be left on while the work is carried out because no smoke is formed. It also improves productivity because all of the time can be spent on the actual maintenance work.

The relining operation, where we renovate stone and concrete culverts has grown considerably and it is clear that water management is a high priority for the Swedish Transport Administration. Renovating existing culverts that run beneath the railways is more cost-effective and does not disrupt rail traffic. This is especially significant as time on track grows increasingly important.

"The green industrialisation is increasing the focus on sustainable transport and the need for effective railways. At Railcare, we are at the forefront and driving progress towards more sustainable railways and ultimately a sustainable society."

Contracting Abroad

In Contracting Abroad, capacity utilisation remained low. We have made further adaptations and carried out cost-saving measures to help the operation become profitable again. Part of this work has entailed bringing together all of the operators, who work on both the Swedish and UK markets, in one company. This has made it possible to use resources more efficiently and create a better foundation for doing a good work.

Transport Scandinavia

This segment has continued its growth trajectory and capacity utilisation has been high. The 10-year contract with Kaunis Iron creates a basis for the operation and contributes to its long-term approach. This is why it was extremely important that Kaunis Iron obtained a new environmental permit so that the assignment can continue as planned.

LKAB continues to place its trust in us, even though we did not carry out any transport in the first quarter. The collaboration is working well and our agile, flexible employees ensure that the transport runs to schedule. This sets us apart from other operators and is something we should be proud of and protect in the future.

The locomotive workshop in Långsele has enjoyed continued strong growth. Demand for maintenance and green upgrades, such as engine replacements, is strong and it is clear that the operation has a good reputation in the industry. We are carrying out major assignments for both Infranord and Nordic Re-Finance, which include the installation of on-board equipment and the adaptation of some of their locomotives for the Nordics. The Swedish Transport Administration's announced environmental goals and the introduction of a new signalling system mean that demand for the locomotive workshop's services will remain strong.

Machines and Technology

The focus for the Machines and Technology segment has been on further developing the next-generation MPV, with pantographs to enable charging from overhead lines. At the end of May/beginning of June, we participated in the world's largest trade fair for railway machinery and maintenance technology, IAF Münster 2022.

There is an understanding in the industry that a transition is needed, but so far not many railway companies have made progress in this respect. Our position as an innovator in the railway industry is driving progress

"I am deeply impressed by my colleagues who are the heart of our operations. Constantly focusing on finding solutions makes a difference, especially for our customers.

This also creates a strong, successful corporate culture that can be summed up neatly by the term *doing things differently.*"

and this means we attract attention from the wider world. This gives us good opportunities both to consolidate our market position and to grow as a company.

With everything happening in the world around us, I can say that we are stronger than ever. Our way of doing things differently helps us to identify solutions both for our customers and ourselves. We should take pride in this, while at the same time it is crucial that we develop and nurture this moving forward.

Market outlook 2023

Demand for railway maintenance has never been higher while at the same time rail transport is expected to increase considerably in the years to come. It is therefore natural that the railways are at the focus of the green transition.

The green industries springing up in northern Sweden will require a very large amount of transport of various kinds. We are already established in northern Sweden and we offer high delivery reliability. Furthermore, new construction and maintenance will be needed on the existing railways. We are seeing an increased volume of work in Sweden and we hope that volumes will increase in the UK too.

I am deeply impressed by my colleagues who are the heart of our operations. Constantly focusing on finding solutions makes a difference, especially for our customers. This also creates a strong, successful corporate culture that can be summed up neatly by the term *doing things differently*. We shall continue this journey together and there is every reason to be optimistic about the future – even in times like this.

Mattias Remahl
CEO of Railcare Group AB

The Swedish railway in numbers

15,600
km of railway track

78%
of the railway network is electrified

11,000
switches

500
stations

165
tunnels

4,550
railway bridges

20%
of the total freight transport work

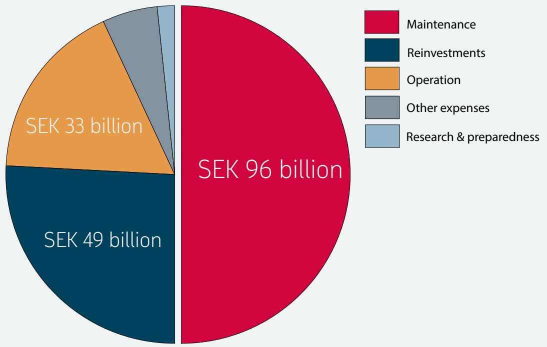
530
freight trains a day

3,100
passenger trains a day

Market potential

Significant maintenance needs

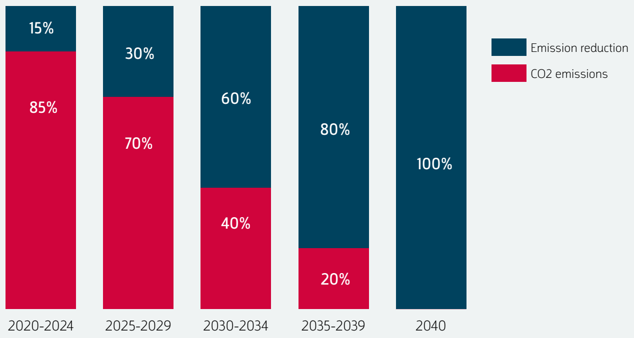
Major investments are being carried out to maintain the railways. Railcare's maintenance services can be divided into "basic maintenance" and "other maintenance and reinvestment".



Railcare is a major supplier of other maintenance and reinvestment on the railways on behalf of the Swedish Transport Administration. We are also a subcontractor to the contractors who manage basic maintenance on behalf of the Swedish Transport Administration, such as Infranord and NRC Group. In both cases, Railcare's services are used to maintain the quality of railway tracks and to benefit from efficient machinery and methods. A greater focus on maintenance creates potential for further assignments.

Reduction in greenhouse gases

During a presentation for the Anläggningsforum 2022 forum, the Swedish Transport Administration announced that all work on the railways must be completely emission free by 2040.



The latest machine developed by Railcare is the world's first and largest 100% battery-powered maintenance machine for the railways. Following good production results throughout 2022, we are now investigating whether it is also possible to power other railway machines and vehicles that currently run on diesel. This would open up possibilities for our entire industry and contribute to an emission-free railway.

Increased transport

According to the Swedish Transport Administration's national plan for transport infrastructure, freight and passenger rail transport will both increase by approximately 50 percent by 2040.

+50%

Our transport operations are the largest growing segment in recent years. Thanks to our flat organisational structure, ,which enables flexible, solution-oriented decisions, together with employees who are committed and driven, we are a reliable partner in every project. We have also been early in securing locomotive drivers and access to locomotives for a growing operation.

New signalling system

The European Rail Traffic Management System (ERTMS) is an EU-wide signalling system that will be implemented on all of Sweden's railways. The system comprises two elements: a signalling unit and a train protection system. The Swedish Transport Administration is responsible for introducing the system and upgrade the signalling unit and develop the ERTMS train protection system.

In order to operate trains on these routes once the system has been introduced, railway operators will need to have a functioning ETCS on-board system that monitors that the trains are maintaining the right speed and prevents trains from driving past a stopping point, for example.

Railcare Locomotive Workshop offers various workshop services from extending the service life of rolling stock and engine replacement to the installation of train protection systems. The locomotive workshop has knowledge and experience of the installation, commissioning and approval processes for the new ETCS on-board system. It offers this service to customers both nationally and internationally.

Our market

Railcare's market comprises niche parts of the railway industry, from specific sections within track maintenance to freight and specialist rail transport.

Customers in the private sector include various railway operators, contractors, mining companies and other customers in need of reliable transport of heavy and/or oversized loads. The other customer category relates to public infrastructure administrators and railway operators in Scandinavia and the UK. During 2022, private sector customers accounted for approximately 70 percent of consolidated net sales. Public sector customers accounted for approximately 30 percent.

INVESTMENTS IN RAILWAYS

Effective railways are the foundation for sustainable transport in our society. Railways, with their long life span and low emissions, are a prerequisite for ensuring more environmental transport of goods and passengers.

Work has been under way for several years to build a uniform railway network in the EU and mainly in EU countries. The aim is to increase railway efficiency and competitiveness compared to other modes of transport. This has resulted in major investments throughout Europe, of which the new digital signaling system ERTMS (European Rail Traffic Management System) is a part.

There is a strong focus in Sweden on railway maintenance. Railway infrastructure has been neglected for many years, resulting in an accumulated maintenance deficit that risks impacting Sweden's competitiveness, according to a survey by the Confederation of Swedish Enterprise. Ongoing railway maintenance that decreases the risk of disruption to traffic and reduced speeds is required to make sustainable transport systems of the future a reality.

Railcare specialises in carrying out specific railway maintenance, which is usually conducted prior to track

In Sweden, the Swedish Transport Administration has announced major investments in railway maintenance with a focus on planned maintenance, such as track replacements, switch replacements and reballasting.

Peter Granholm (left) and Charlie Maistedt (right), mechanics replacements or major track renovations. Examples include cable laying, drainage and reballasting before the large track replacement machines sweep in. Thanks to the vacuum technology and our unique niche, we carry out assignments both within our framework agreement with the Swedish Transport Administration and as a subcontractor to major operators.

There are significant railway maintenance needs internationally, and a lot of work currently carried out manually could be performed by efficient, sustainable machines. In the UK, where Railcare has operated for several years, there is a large maintenance deficit in the railways, and there are also major challenges when it comes to clay deposits that affect the condition of the railways. In order to meet the needs of passengers and freight carriers it is crucial to overcome these challenges.

Exports of Railcare's products and services are an important complement to our core operations. Railcare sees potential in the UK to both manage and streamline maintenance work on the railways. The Railcare machines in operation in the UK can also be used on other markets, which means the UK is an important international shop window.

Tone Lindgren,
locomotive driver

DEMAND FOR GREEN TRANSPORT FROM THE NEW GREEN INDUSTRY

In northern Sweden, extensive industrial development is currently taking place as new green industries in fossil-free steel, battery manufacture and renewable energy etc. are being established.

According to an article in business daily Dagens Industri, over SEK 1,000 billion will be invested north of Gävle – an investment without parallel since the industrialisation. The market is currently the driving factor where customers are demanding green electricity, fossil-free steel and the mining materials needed to make the transition as a result of the climate crisis.

The knock-on effect of this is competition for everything from skills to space on the railways. The Malmbanan track capacity needs to be increased, the ports in Luleå, Piteå and Skellefteå shall be expanded. These will be the hubs for onward transport by road and rail.

The multi-billion-kronor investments entail a societal change with increased transport needs, which also requires more capacity in the transport infrastructure if companies in the north are to reach their full potential,

The multi-billion-kronor investments entail a societal change with increased transport needs, which also requires more capacity in the transport infrastructure.

according to Norrbotten Chamber of Commerce. The increased requirements placed on the railway infrastructure are not, however, restricted to northern Sweden. The Swedish Transport Administration's own analysis indicates that passenger and freight transport will both increase by approximately 50 percent by 2040. This is transport on a railway that is already in need of extensive maintenance, while there are many congested sectors where it is difficult to gain rail time and access. The supply of locomotives and drivers is also beginning to pose a challenge for many operators.

Railcare has a strong position as a reliable, flexible supplier in the areas of freight, contract and specialist transport. Our customers include various railway operators, contractors, mining companies and other customers in need of niche rail transport.

TOUGHER REQUIREMENTS ON THE RAILWAY INDUSTRY

The Swedish Transport Administration has announced that the Swedish railways shall be fossil free by 2030 and completely emission free by 2040. Needless to say, this places tough requirements on everyone who works with and on the railways.
This is particularly true in an industry where there are high levels of investment in machinery and vehicles.

For all railway operators that own their own locomotives and machinery, this entails many requirements in the future. Reducing emissions through improved engines and fuels is becoming an important area.

Another major change is the upgrade of locomotives to the new European Train Control System (ETCS) on-board system. This will be necessary when the new ERTMS signalling system is introduced on the Swedish railways.

We are already seeing increased demand for emission-free alternatives for railway maintenance machines. Our battery-powered Multi Purpose Vehicle. (MPV) was launched in 2021 and has been operating throughout 2022 with good production results. The MPV is important proof to the whole industry that large diesel-powered railway machines can also be run sustainably. We have now started building MPV2. This will be our second battery-powered maintenance machine, which is being equipped with pantographs to enable charging directly from overhead lines.

As a railway operator, Railcare is also well-prepared for the future thanks to its locomotive workshop that has knowledge and experience of engine replacement, extending the service life of locomotives and ETCS installation. These services are also offered to customers nationally and internationally, where demand is strong.

Apart from being a maintenance machine, it is also a large battery bank for operating other railway machines which transforms the potential to reduce fossil fuel emissions in the sector.

Jonas Sääf,
machine operator

VISION

Railcare shall develop with satisfied customers and favourable profitability, thereby growing shareholder value.

BUSINESS CONCEPT

In close partnership with its customers, Railcare shall develop innovative and sustainable services, products and methods for the railway industry's various segments. Railcare is to be characterised by its culture of safety, skilled personnel, high quality and delivery reliability.

Strategy

Our interest in doing things differently will continue to be a success factor in future.

Focus on the employees, who are by far our most important asset

Railcare shall be an attractive employer for employees today and in the future. Each employee contributes to our corporate culture, and it is only together that we create the energy that so often describes Railcare's employees. This is a success factor for high-quality deliveries to our customers. We believe that our energy is created through a high level of personal responsibility, with safety always coming first, by showing respect to everyone and by building a strong team spirit.

Carry out effective contractor assignments that contribute to more sustainable railways

An increased focus on railway maintenance means that Railcare's niche technology and working methods will be in demand. Railcare also has the first battery-powered maintenance machine for the railways in operation. This is already creating benefits for customers and the business, and future requirements will further increase demand for electrified machines.

Provide reliable, sustainable transport on the railways

There is a solid foundation for this because Railcare is agile, flexible and easy to work with. In the transition to more sustainable transport, our locomotive workshop has a central role to play with regard to our customers and our own fleet of locomotives. The locomotive workshop enables us to offer renovation and upgrades for worn-out locomotives, with everything from new engines with lower emissions to the technology of the future. As regards Railcare's own locomotive fleet, future requirements on fossil fuel emissions and ETCS equipment will require a transition to secure future business opportunities.

Driving progress towards more sustainable railways

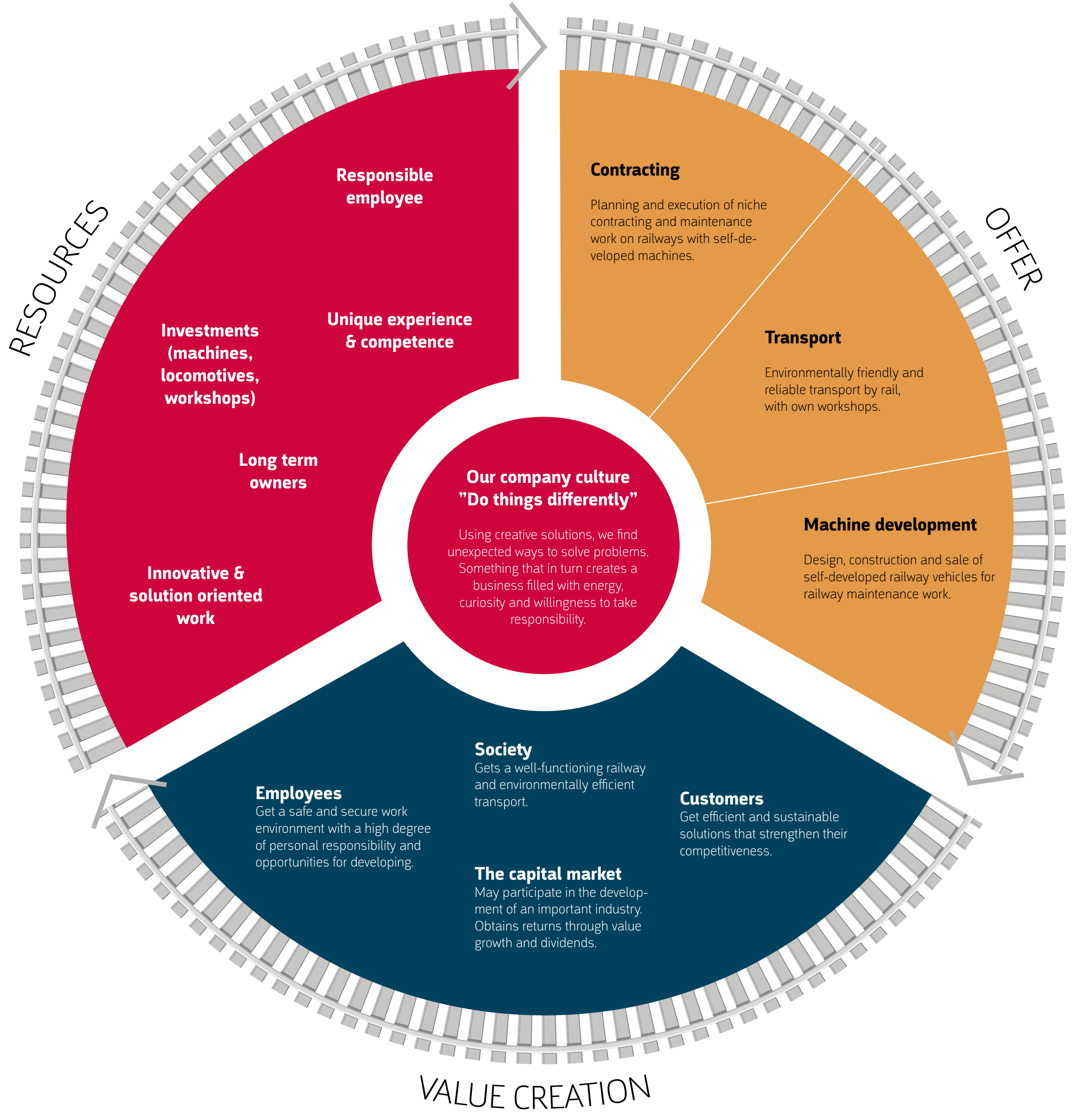
Increasingly strict requirements will be placed on climate-neutral transport and contractors. During this transition, Railcare shall be a role model and realise what we have envisioned. We are doing this partly by developing new fossil-fuel free machines and partly by updating our own fleet of machinery and vehicles with fossil-free alternatives. Railcare is also actively striving in the long term to upgrade and/or replace the locomotives used in our operations with better options. The Company has already taken the first step by putting the only battery-powered machine of its kind into service. This is a valuable first step for our business, the environment and the industry in general. The innovation also opens up the possibility of developing the battery bank to operate other diesel-powered railway machines.

Embodying the entrepreneurial spirit

Railcare's success over the years is rooted in its origins as a company run by an entrepreneur. The strength of an agile, high-energy and solutions-oriented organisation is something we value and want to continue to nurture. It involves being able to make fast but well-balanced decisions that can create business opportunities, within the framework of our vision and targets. It also requires us to create new methods, innovations and working methods in parallel with building machines and the organisation. Our interest in doing things differently will continue to be a success factor in future.

Business model

Our business model is based on the customers' need for well-functioning railways and transport. Railcare's technological and logistics expertise offer innovative, specially adapted solutions for a sustainable railway sector. and environmentally friendly transport to customers on a global market.



TARGETS

The objective is to maintain positive growth and to develop continuously as a niche innovative company. For its shareholders, Railcare shall be an energetic and profitable company.

Everyone who interacts with our operations – employees, customers, suppliers and business partners – shall share our basic view that all human beings are equal, have high ethical and moral standards, and prevent and reduce any negative environmental impact. We will reduce fossil fuel emissions by 40 percent by 2025.

As we build Railcare for the future, people are our main asset, as are the innovations that drive us forward.

FINANCIAL TARGETS

Sales

800 **SEK million**

EBIT

10 %

Railcare's ambition is to achieve these targets by the end of 2027.

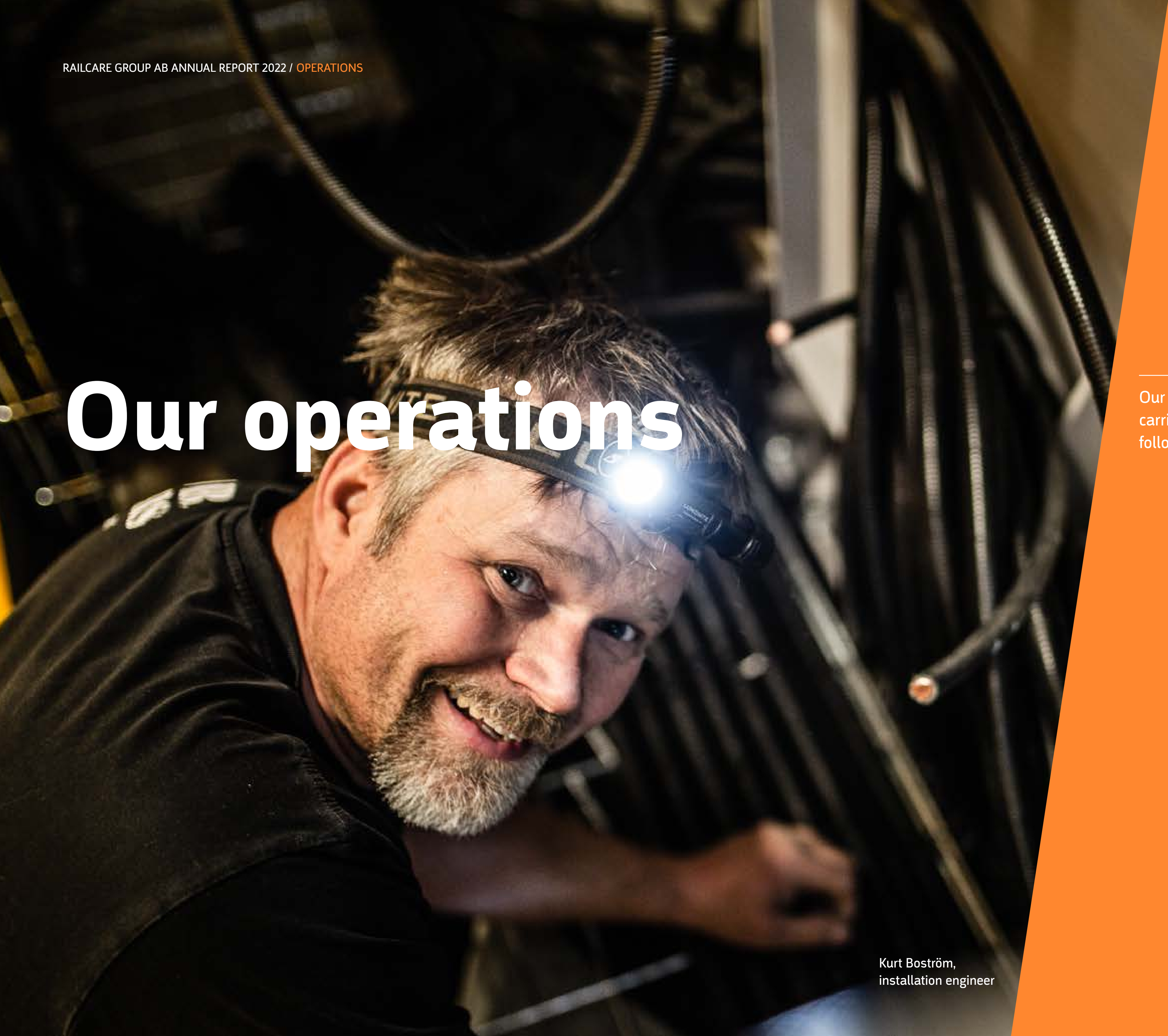
DIVIDEND

Dividend policy

30-40 %

The Company's dividend policy is to distribute 30-40 percent of the Group's profit after tax, while maintaining an equity/assets ratio of 25 percent after dividends.

Our operations



Kurt Boström, installation engineer

Our operations are carried out in the following segments:

CONTRACTING SWEDEN

Proportion of sales 36 %

CONTRACTING ABROAD

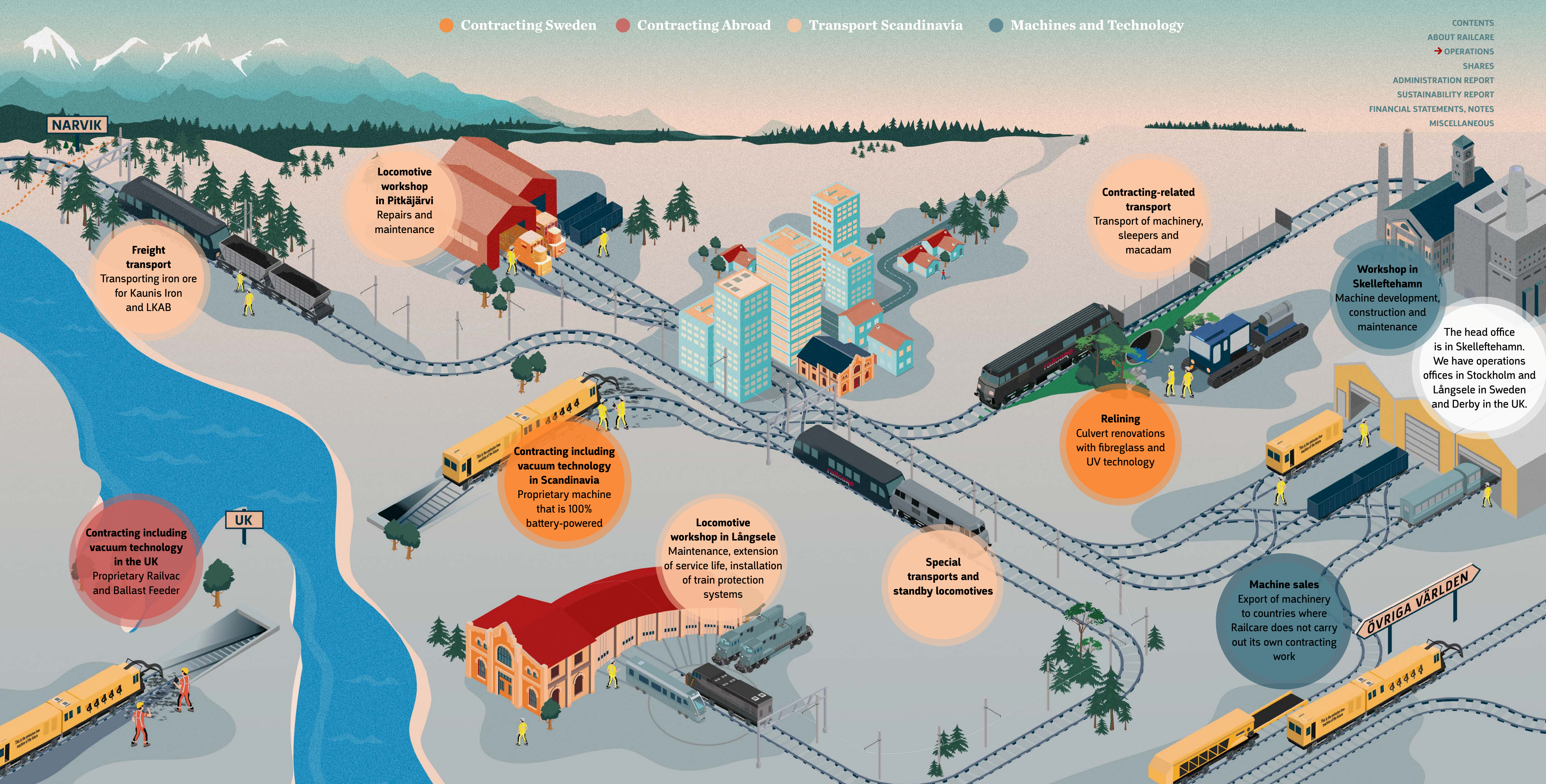
Proportion of sales 7 %

TRANSPORT SCANDINAVIA

Proportion of sales 52 %

MACHINES & TECHNOLOGY

Proportion of sales 5 %


Contracting Sweden
Contracting Abroad
Transport Scandinavia
Machines and Technology
NARVIK
Freight transport
Transporting iron ore for Kaunis Iron and LKAB
Locomotive workshop in Pitkäjärvi
Repairs and maintenance
Contracting-related transport
Transport of machinery, sleepers and macadam
Workshop in Skelleftehamn
Machine development, construction and maintenance
The head office is in Skelleftehamn. We have operations offices in Stockholm and Långsele in Sweden and Derby in the UK.
Relining
Culvert renovations with fibreglass and UV technology
Contracting including vacuum technology in Scandinavia
Proprietary machine that is 100% battery-powered
UK
Contracting including vacuum technology in the UK
Proprietary Railvac and Ballast Feeder
Locomotive workshop in Långsele
Maintenance, extension of service life, installation of train protection systems
Special transports and standby locomotives
Machine sales
Export of machinery to countries where Railcare does not carry out its own contracting work
ÖVRIGA VÄRLDEN

CONTRACTING SWEDEN

Our contracting operations in Sweden carry out maintenance contracts on the railways using our own staff and our own machinery. With the help of vacuum technology, we perform various types of track maintenance, such as cable relocation, cable laying, reballasting and snow clearing. Vacuum technology is a gentle and efficient method that does the job with minimal impact on the track structure. The same technology can now be found in our 100 percent battery-powered MPV (Multi Purpose Vehicle), which means the work can be carried out emission free and with a better working environment for our machine operators and less noise for local residents.

Relining

Another part of our contracting business specialises in culvert renovations beneath railways and roads and in industrial sites, as well as permit inspections of culverts. Relining, as it is called, is performed using fibreglass lining that is UV-cured. An environmentally friendly technology that can be used on culverts regardless of shape. The relining is carried out without disrupting rail traffic.

Net sales	Profit/loss after financial items	Net margin
177 SEK million	21 SEK million	12 %

CONTRACTING ABROAD

We also offer railway services with vacuum technology in the UK, Denmark, Finland and Norway.

Our largest market outside Sweden is currently the UK, where railway maintenance largely involves reballasting beneath tracks and switches. Our proprietary Railvac machines and specially-adapted Ballast Feeder UK machines are used for these assignments.

The machines that are adapted for the UK can also be used in other countries, which means that the market potential for these machines is extensive.

Net sales	Profit/loss after financial items	Net margin
33 SEK million	-9 SEK million	-27 %

TRANSPORT SCANDINAVIA

In the transport business, we offer railway transport with our own locomotives, wagons and staff. We carry out contracting-related and specialist transport as well as freight transport with traffic permits in Sweden and Norway. For major maintenance contracts, we are on hand to provide a complete solution or solely to supply individual resources, such as personnel, locomotives, wagons or machines. Transport services can involve transporting sleepers and macadam, and providing the track replacement train itself. We transport ore on behalf of the mining industry using round trips. Furthermore, we provide standby locomotives for the Swedish Transport Administration that can be used at short notice for vehicle recovery and, in exceptional cases, evacuation.

Locomotive workshop

Within this segment, Railcare also offers workshop services for railway vehicles, such as extending the service life of rolling stock, reviews, repairs and regular maintenance. The locomotive workshop is ECM certified.

Net sales	Profit/loss after financial items	Net margin
263 SEK million	28 SEK million	11 %

MACHINES & TECHNOLOGY

At Railcare we design, build, develop and sell maintenance machines with vacuum technology. The latest machine we have developed is the battery-powered Multi Purpose Vehicle (MPV), the world's first and largest battery-powered maintenance machine of its kind.

Other machines that Railcare has developed are: Railvac – used in areas that ordinary excavators cannot access or to replace jobs previously performed manually. Ballast Feeder System – handles large volumes during reballasting and refilling. Snow clearance machines – clear or melt snow into water which is stored in large tanks. This enables large volumes of snow and associated problems to be removed.

The machines operation also develops existing machines and vehicles. This may include new technology and new operational methods, as well as service and maintenance. The machinery is exported to countries where Railcare does not carry out its own contracting work.

Net sales	Profit/loss after financial items	Net margin
23 SEK million	8 SEK million	33 %

CASE

Contracting Sweden

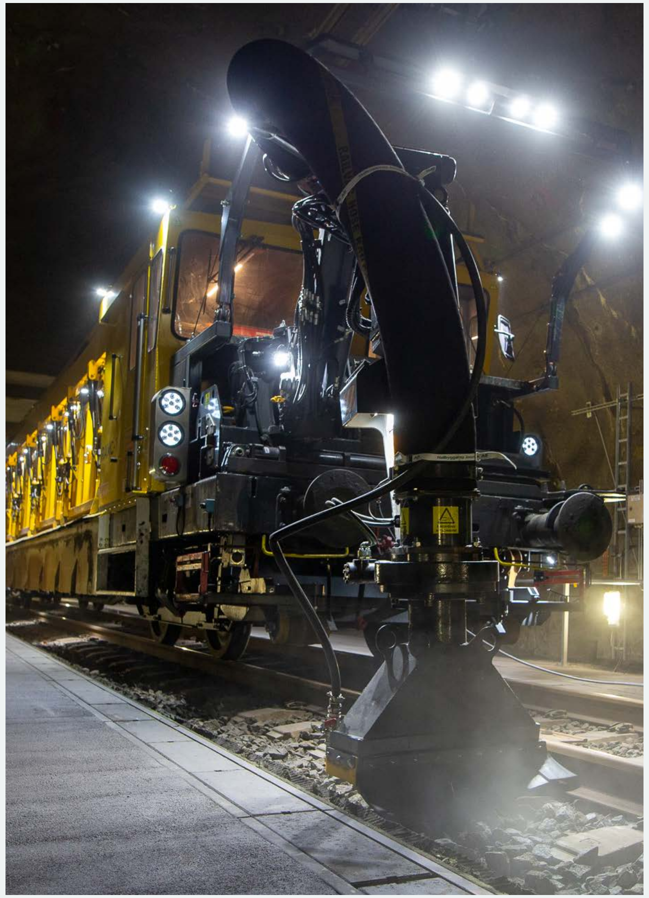
The world's largest battery-powered maintenance machine for the railways

In 2022, the Swedish Transport Administration commissioned Railcare to vacuum clean the Citybanan railway tunnel in Stockholm. And it is no coincidence that the MPV was used in the tunnel. Jonny Granlund, interim operations manager at Railcare AB explains:

"The fact that the machine is battery-powered and does not generate any emissions has made the planning phase far easier."

The Swedish Transport Administration takes regular air quality measurements and it was revealed that the levels of quartz and steel dust were slightly too high,and that needed to be managed.

"As Citybanan is classified as a complex area, it is subject to a lot of requirements. For example, petrol must not be used in the tunnel, and planning is more difficult for certain tools and machines that may produce smoke. Since the MPV is battery powered, we have not needed to plan for any of this," concludes Jonny.



A positive atmosphere, despite challenging heights

On behalf of Infranord and the end customer the Swedish Transport Administration, Railcare has renovated a 32-metre central section of a 128-metre stone culvert.

The culvert ran under a country road, a service road, a double-track railway and finally a pedestrian and cycle path. To avoid digging the ground or disrupting traffic, relining was the best method of achieving a durable culvert in an efficient, environmentally friendly way. Access to the work area was via the outlet of the culvert.

With a regular culvert, the actual positioning takes approximately two hours. In this project it took 12 hours, in a space with a height of 1.6 m, where employees are unable to strand up straight. However, this did not affect the attitude of Railcare's employees. Göran Bäckman, supervisor for Infranord, concludes:

"This is one of the most positive collaborative atmospheres I have experienced. Railcare maintained a positive attitude throughout despite the challenging work environment."

The culvert will now last for another 60 years in its current location.

CASE

Contracting Abroad

Railcare renews framework agreement with Network Rail

In 2022 Railcare signed a new two-year framework agreement with Network Rail. Network Rail has overall responsibility for construction and maintenance of large parts of the British rail network.

The new framework agreement is essentially the same as before. All of Network Rails' departments and five geographical regions can use the framework agreement and call off services continuously.

The pricing has been adjusted to some extent, and Network Rail can now call off Railcare's machines directly in its own vehicle system, NROL, which simplifies bookings for the customer.

"I'm pleased that Network Rail appreciates our products and services. We are looking forward to continuing to work together in simplified ways,"
commented Mattias Remahl, CEO of Railcare Group.

"The railway in the UK is central for sustainable passenger and freight transport, and we see that Railcare can fulfil an important function in meeting the existing maintenance needs."

Mattias Remahl, CEO

CASE

Transport Scandinavia

Successful transport assignment with Leonhard Weiss

Railcare has worked on three track replacements on behalf of Leonhard Weiss.

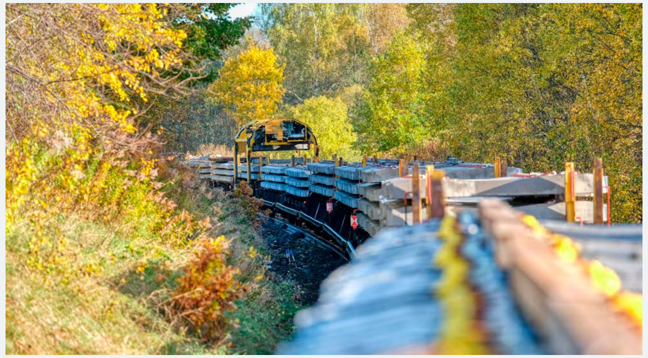
The track replacements took place on the Borås-Herrljunga (40 km), Gällivare-Harrträsk (10 km) and Varberg-Borås (80 km) routes and Railcare's job was to manage all transport by rail during these projects.

"The transport during these track replacements has been very successful. Despite several problems along the way, which always arise in projects like these, we have not had a single standstill. Even though unimaginable amounts of sleepers were involved, every single one has arrived, enabling the work to be carried out completely according to plan. This is the result of a very good collaboration with Railcare," says Per-Erik Lindström of Leonhard Weiss.

For Railcare, the work consisted of machinery and wagon transport, transporting sleepers to and from the factory, and providing locomotives and personnel for track replacement machinery, ballast cleaners and macadam wagons.

"Railcare can assist with turnkey solutions in transport. Everything from logistics and production planning to ensuring they have the personnel resources required for our projects. In addition, they have very knowledgeable and solution-oriented employees."

Per-Erik Lindström, Leonhard Weiss



Railcare carries out extensive projects for Nordic Re-Finance

On behalf of the locomotive rental company Nordic Re-Finance, Railcare is working to upgrade and adapt a total of 28 locomotives to be rented out to the Scandinavian market. The projects will take place in 2022-2024.

"We are very happy with the trust placed in us, and with the close collaboration we have with Nordic Re-Finance. It gives us a long-term perspective while the business develops," says Patrik Söderholm, operations manager at Railcare Locomotive Workshop.

"Railcare has an overall offering that is quite unique. Since the Group has everything from its own workshop to locomotives and locomotive drivers, it has an excellent understanding of the needs that arise. This is apparent partly through the knowledge they possess, along with the response time to problems that arise," says Arvid Haag, Fleet Manager at Nordic Re-Finance.

Railcare has been given the task of adapting six Traxx locomotives for the Nordics as well as handling the entire approval process via the EU Agency for Railways, ERA, and their one-stop-shop database. Railcare will also install the new ETCS train protection system on 22 TMe locomotives in Nordic Re-Finance's locomotive fleet that are intended for freight traffic and contract work.

Dennis Devahl, mechanic

CASE

Machines and Technology

A large power bank on the railways

Railcare's battery-powered MPV has been used in the railways for almost two years with excellent results, and an additional machine is expected to come into service in spring 2024. The successful results mean that Railcare is now looking at taking battery power further.

"We are going to investigate whether the battery bank itself can power other maintenance machines or vehicles on the railways. If so, it would serve as a large power bank," says Ulf Marklund, CEO of Railcare Machine, before continuing:

"Every machine and locomotive on the railways that can be powered by battery instead of diesel, would benefit the environment, customers and drivers alike."

Examples of such vehicles include old diesel-powered shunting locomotives in Sweden, which are often used in industrial areas and railway yards.

"There are good opportunities for charging batteries in these locations, which is why battery power may be of interest," Ulf concludes.

Efficient snow clearing machines

Railcare has been contracted by the Swedish Transport Administration for several years to remove snow from the railways during the winter.

Under the snow removal contract, Railcare provides efficient and safe snow removal using snow melters and flexible snow ploughs.

The snow melters have been developed in partnership with the Swedish Transport Administration and are mainly used in railway yards and at stations. The machines work especially well in those environments because they remove the snow from the track altogether instead of moving it to one side or somewhere else.

The snow clearing machines work by sweeping up the snow and placing it in large tanks. The snow then melts into water and is stored in the machine's large tank.

The snow ploughs are used both in the railway yards and on the rail network.

The advantage with these ploughs is that the plough blade itself can be moved depending on whether the snow is to be cleared to the right, left, in both directions or pushed forward.

Railcare has been an innovator on the railways since 1992.

We have developed the first vacuum machine and the world's first snow melter, and now the first and largest fully battery-powered maintenance machine on the railways.

We want to continue to lead this development, and we are therefore steadfastly working towards even more sustainable railways.

More sustainable railways

Railcare works towards more sustainable railways and will reduce fossil fuel emissions from its vehicles and machines by 40 percent by 2025. Our long-term sustainability work proceeds from the foundation of a safe working environment, reduced fossil-fuel emissions, and employees who are encouraged and able to contribute their ideas. This is how we intend to continue to maintain the railways we serve, to maximise use for many years to come.

We seek to ensure that everyone who participates in our operations – employees, customers, suppliers and collaboration partners – all share our basic sustainability values. Everyone who interacts with our operations shall share our respect for the equal value of all human beings, high ethical and moral standards, and a sharp focus on preventing and reducing any negative environmental impact.

Read more in our Sustainability Report, pages 38-48.

SUSTAINABILITY FOCUS

Reduction in fossil fuel emissions from our own machinery and locomotives by 2025

40 %

Innovation and development of sales (average over the last three-year period)

6 %

Zero tolerance attitude to irregularities, bribery, corruption and human rights breaches.

0 cases

Our corporate culture is one of our greatest asset

Railcare originated in a family business, and we believe that our corporate culture and values are extremely strong. The culture is instilled in each employee, each idea and each delivery.
Our corporate culture is to do things differently. Our flat organisational structure enables us to retain a family feel. Everyone is closer to each other, which means we are able to make faster and better decisions. This also makes it easier to act based on our values:

Safety
At Railcare we work safely – or not at all. We our proud of this motto and it applies to everything from the car or bicycle we take to work to following the railway industry's strict safety procedures.

Value-creation
We shall create value for our customers, suppliers, colleagues and thereby the Company as a whole. Taking responsibility and keeping our promises creates good results for our stakeholders.

Development
All Railcare employees shall develop both their own skills and the skills of others. An interest in better solutions continuously drives us forward.

Respect
Honesty, humility and common sense are important qualities in taking our culture forward. We treat everyone with respect.

"A strong part of our culture is our focus on solutions and being independent. This dates back to our early days, when there were no supervisors or project managers. Today, the projects are bigger, and we have supervisors there to help as multiple machines are involved. At the end of the day, however, the machine operators and locomotive drivers remain our outward face."

Ulf Marklund,
Deputy CEO and founder


Machine operators (from left): Emil Beckman, Kalle Alnqvist, Tommy Beckman, Kjell Dahlqvist, Emil Rydén and Lars Dahlqvist.

Our employees are the Company's most important asset, which is why we concentrate on attracting and retaining the right people.

As of 31 December 2022, 157 people were employed by Railcare, of whom 13 percent were women and 87 percent men.

Employee turnover for the year was 14 percent.

In 2022, the tax expense amounted to SEK 3.6 million.

Social security expenses totalled SEK 45.2 million.

Employee comments

Kajsa Andersson Junkka, locomotive driver

"The best bit about my job is the freedom and variety. You never know exactly what the day will bring, and there's a lot of freedom with responsibility. And the view from the driver's cab isn't bad either.

There's a family feeling at Railcare and the Company is responsive to those of us working on the railways."

Tina Hofverberg, production planner

"I like the fact that my job is diverse and that I get to be involved in projects from beginning to end. We have short decision paths that create open, personal relationships between locomotive drivers and customers. This also means that it's easy to engage in trusting dialogue with each other, which I value. In short, my job is extremely stimulating as no two days are alike."

Jonny Marklund, machine operator

"Railcare is always striving to move forward and find new solutions to challenges that arise. Employees are given a lot of responsibility to carry out the work and the Company relies on us to perform our duties. This gives us the freedom to structure our work in the way we think best, together with colleagues. After a period of working hard, it's also very nice to have ten days off."

Kristoffer Krave, project manager

"Railcare is a friendly organisation where anything can be discussed. We have a very strong sense of community. Wherever you turn, you're met by a smile and helpful attitude.

You can be yourself and develop in your work together with driven colleagues."

Shares

Railcare Group AB's share has been listed since 2007 and was included on Nasdaq Stockholm's Small Cap list in 2018 under the ticker "RAIL", ISIN code SE0010441139.

Between 1 January and 31 December 2022, approximately 2.7 million Railcare shares were traded on Nasdaq Stockholm with a total value of approximately SEK 54 million.

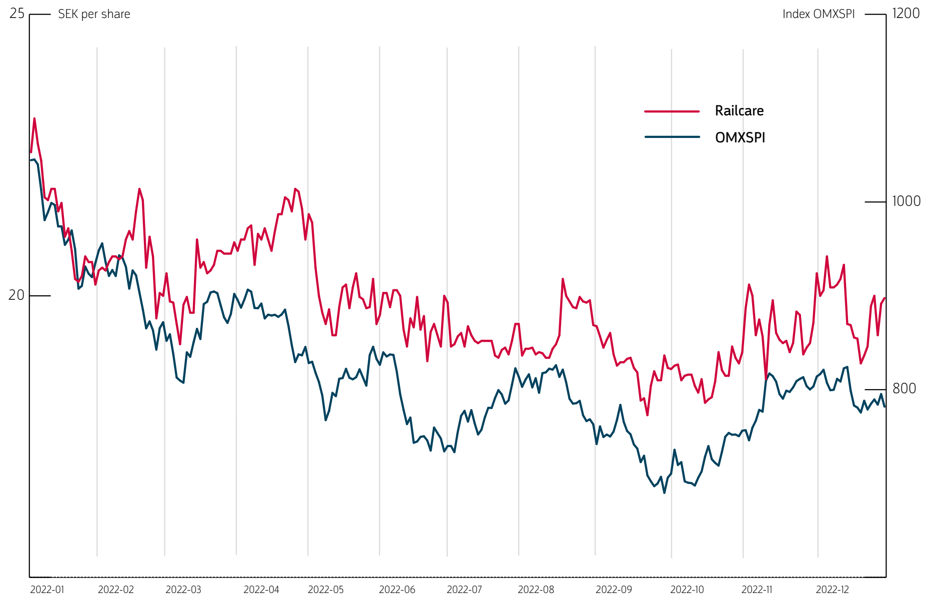
Over the year, the share price fluctuated between a low of SEK 17.88 on 22 September and a high of SEK 23.15 on 4 January. The closing price on the last day of trading in December 2022 was SEK 19.96.

SHAREHOLDERS

As of 31 December 2022, Railcare Group AB had 4,261 shareholders. The ten largest shareholders represented 59.7 percent of the total shareholding. The largest shareholder was Norra Västerbotten Fastighets AB, with a holding representing 29.5 percent of the Company's share capital.

Some of Railcare's shareholders are registered abroad or in mutual funds, and are therefore not visible by name in the register of shareholders.

Share price performance 1 January - 31 December 2022



Share price performance 2018-2022

Shareholder structure

Ten largest shareholders 31 December 2022	Number of shares	Proportion of share capital and votes (%)
Norra Västerbotten Fastighets AB	7,121,395	29.5
TREAC Aktiebolag	2,390,000	9.9
Ålandsbanken AB	1,236,162	5.1
Försäkringsbolaget Avanza Pension	868,103	3.6
Bernt Larsson	750,987	3.1
HSBC Bank PLC	600,000	2.5
Mikael Gunnarsson	485,000	2.0
Nordnet Pensionsförsäkring AB	406,139	1.7
Harry Markku Sjöblom	268,697	1.1
Torsten Germund Dahlquist	267,341	1.1
Ten largest shareholders	**14,393,824**	**59.7**
Other shareholders	9,730,343	40.3
Total	**24,124,167**	**100.0**

Distribution by size category

Holding	Number of shareholders	Number of shares	% of votes and capital
1-500	**2,715**	387,011	1.60
501-1,000	**556**	451,220	1.87
1,001-5,000	**743**	1,714,850	7.11
5,001-10,000	**113**	845,545	3.50
10,001-15,000	**24**	308,197	1.28
15,001-20,000	**22**	395,713	1.64
20,001-	**88**	20,021,631	82.99
Total		**24,124,167**	**100.0**

SHARE CAPITAL AND CAPITAL STRUCTURE

The share capital amounted to approximately SEK 9.9 million and the quotient value was SEK 0.41 per share as of 31 December 2022. Each share carries one vote at the Annual General Meeting. According to the Articles of Association, the share capital shall amount to a minimum of SEK 8,979,000 and a maximum of SEK 35,916,000, distributed between at least 21,900,000 and at most 87,600,000 shares.

DIVIDEND

The Company's dividend policy is to distribute 30-40 percent of profit after tax while maintaining an equity/assets ratio of 25 percent after dividends. The Board of Directors intends to propose that the 2023 Annual General Meeting approve a dividend of SEK 0.60 (0.60) per share, totalling SEK 14,474,500 (14,474,500), for the 2022 financial year.

PERSONS DISCHARGING MANAGERIAL RESPONSIBILITIES

Under Article 19 of Regulation (EU) No 596/2014 of the European Parliament and of the Council (the EU Market Abuse Regulation (MAR)), persons discharging managerial responsibilities (PDMR) and their closely related parties are required to notify Railcare and Finansinspektionen (FI – the Swedish Financial Supervisory Authority) without delay and within three (3) business days at the latest of each transaction conducted on their own account involving shares or debt instruments issued by Railcare or involving derivatives or other financial instruments associated with these when a total transaction amount of EUR 5,000 has been reached during the calendar year.

Information on transactions for persons discharging managerial responsibilities can be found on the FI website.

INVESTOR RELATIONS

Railcare publishes information for shareholders and other stakeholders through press releases, Interim Reports, Year-end Reports and Annual Reports, which can be accessed on the Company's website.
Railcare seeks to provide information openly, clearly and accessibly to all stakeholders.

Share capital development in Railcare Group AB

Year	Transaction	Change in share capital	Change in number of shares	Total number of shares	Quo-tient value	Total share capital, SEK
2007	**Formation**	121,500	12,150,000	12,150,000	0.01	121,500
2007	**New share issue with capital contributed in kind**	5,953,500	595,350,000	607,500,000	0.01	6,075,000
2007	**Private placement**	1,300,000	130,000,000	737,500,000	0.01	7,375,000
2007	**Private placement**	124,240	12,424,000	749,924,000	0.01	7,499,240
2008	**New share issue with capital contributed in kind**	461,538	46,153,846	796,077,846	0.01	7,960,778
2009	**Reverse split 200:1**	0	-792,097,457	3,980,389	2.00	7,960,778
2011	**Private placement**	800,000	400,000	4,380,389	2.00	8,760,779
2017	**Bonus issue for non-restricted equity**	219,019	-	4,380,389	2.05	8,979,797
2017	**Split 5:1**	0	17,521,556	21,901,945	0.41	8,979,797
2018	**Conversion**	455,556	1,111,111	23,013,056	0.41	9,435,353
2020	**Conversion**	455,556	1,111,111	24,124,167	0.41	9,890,908

4,261

Number of shareholders in Railcare Group AB as of 31 December 2022. Source: Euroclear

Railcare as an investment

To invest in Railcare is to invest in the railways of the future – sustainable transport infrastructure for the society of tomorrow.

Railcare has a stable business model, where innovation and commitment create value for our customers. We are driving the development of next-generation maintenance machines, delivering energy-efficient transport and smart methods for railway maintenance.

A STRONG AND STABLE BUSINESS MODEL

Our business model is based on the customers' need for effective railways and reliable transport. Railcare offers innovative, specially adapted products, services and methods for a sustainable railway sector.

Our own initiatives combined with macroeconomic trends are important factors behind the Company's stable financial position and conditions for market growth.

Railcare has increased both its net sales and profit every year since it was listed on Nasdaq in 2018.
The Company has paid a dividend every year since 2019.

FOCUS ON INNOVATION

Railcare likes to do things differently. Thanks to a good understanding of our customers' needs and through creativity, we come up with different and unexpected ways of solving problems. This makes Railcare a unique partner for customers who want a sustainable, efficient railway sector.

Since 1992, we have been innovators in the railway sector by developing, building and selling next-generation railway machinery – from the first vacuum machines and snow melters to today's first and largest fully battery-powered maintenance machines.
Our interest in doing things differently will continue to be a success factor in future.

LONG-TERM VALUE CREATION

Relationships are at the heart of everything Railcare does. Innovation and solutions are driven by people and Railcare shall be characterised by a safety culture, skilled personnel, high quality and delivery reliability.

These are essential for the Company to develop long-term relationships with its customers and employees.

Railcare has a flat organisational structure with short decision paths. Employees show a lot of personal responsibility, which contributes to commitment and drive and, in turn, to better solutions for customers' businesses.

SHAPING THE SUSTAINABLE RAILWAYS OF THE FUTURE

Demand for railway transport in Sweden is expected to increase by 50 percent by 2040, and demand for both railway maintenance and transport services is growing at the same rate.

Railcare facilitates sustainable machinery and methods for railway maintenance, as well as transport that combines high capacity with low energy consumption. Railcare also has ambitious goals for reducing its fossil fuel emissions.

This is how we create genuine value. For customers, employees, shareholders and society.

Administration Report

The Board of Directors and CEO of Railcare Group AB (publ), corp. ID no. 556730-7813, hereby submit the annual accounts for the Parent Company and the Group for the financial year 1 January – 31 December 2022.

FINANCIAL SUMMARY – RAILCARE GROUP

SEK 000	2022	2021	2020	2019	2018
Net sales	497,035	437,946	401,301	370,610	270,147
Operating profit/loss (EBIT)	52,365	56,219	60,386	31,977	1,543
Net financial income/expense	-5,457	-4,370	-4,818	-5,757	-5,334
Profit/loss for the year	36,783	40,514	43,776	20,760	-1,419
Total assets	592,873	557,965	521,388	459,166	413,170
Earnings per share after dilution, SEK	1.52	1.68	1.82	0.87	-0.06
Equity per share, SEK	10.12	9.17	8.08	6.69	5.81
Operating margin, %	10.54	12.84	15.05	8.63	0.57
Equity/assets ratio, %	41.17	39.64	37.37	33.51	32.34
Dividend, SEK per share	0.60*	0.60	0.60	0.30	—

NET SALES AND PROFIT

In 2022, net sales increased by 13.5 percent to SEK 497.0 million compared to SEK 437.9 million for 2021. This increase is primarily attributable to Contracting Sweden, as this segment had relatively low volumes the previous year but reported higher volumes in 2022 than it has for many years. The relining operation has enjoyed high growth and has been a major contributor to the segment.

Operating profit for the full year 2022 was SEK 52.4 million. This is a decrease on the previous year, when operating profit totalled SEK 56.2 million. The decrease can be attributed to increased operating expenses, mainly increased volume-related costs, such as costs for subcontractors and materials. The number of employees has increased by 16, primarily to meet increasing demand in the transport operations. This has resulted in increased personnel costs.

The rapid rise in inflation also had a short-term negative impact on profit as cost increases take place on an ongoing basis while the income under long-term contracts is adjusted once a year. A similar effect is seen with fixed-price contracts such as the locomotive workshop in Långsele.

Contracting Sweden

Net sales for the full year 2022 increased by 42.6 percent to SEK 186.2 million (130.6). Profit after financial items increased to SEK 21.3 million (7.6). This segment has had higher capacity utilisation during the year than in the previous year, which was a relatively weak year. Work associated with the snow contract with the Swedish Transport Administration continued with the same scope as before.

The relining operation has performed strongly throughout the year, in terms of both sales and profit. A continued strong focus by customers on drainage explains the significant rise in volumes, both with regard to culvert inspections and culvert renovations.

Key performance indicators – Contracting Sweden

Amounts in SEK 000, unless otherwise stated	2022	2021	Change, %
(A) Net sales	**186,211**	**130,556**	**42.6**
(B) Profit/loss after financial items	**21,306**	**7,575**	**181.3**
(B / A) Net margin, %	**11.4**	**5.8**	**5.6**

Contracting Abroad

Net sales decreased by 25.2 percent for the full year 2022 compared to the previous year, and amounted to SEK 35.9 million (48.0). Profit after financial items decreased sharply compared with the preceding year and amounted to SEK -9.1 million (3.8). The operation in Denmark, which contributed the equivalent of SEK 5.8 million in profit the previous year, has been discontinued.

All operators in our UK and Swedish contracting operations have been merged in a single company. The aim of the changes is to create a more efficient organisation with improved resource management based on current customer needs. As a result of the reorganisation, costs equivalent to SEK 3 million were recognised in profit and loss in 2022.

Key performance indicators – Contracting Abroad

Amounts in SEK 000, unless otherwise stated	2022	2021	Change, %
(A) Net sales	**35,870**	**47,954**	**-25.2**
(B) Profit/loss after financial items	**-9,080**	**3,797**	**-339.2**
(B / A) Net margin, %	**-25.3**	**7.9**	**-33.2**

Transport Scandinavia

Net sales increased by 2.0 percent in the full year 2022 compared to the previous year, totalling SEK 279.3 million (273.9), the highest net sales on record for the segment. However, profit after financial items decreased compared with the preceding year and amounted to SEK 28.0 million (39.5). The rapid rise in inflation had a short-term negative impact on profit as cost increases take place on an ongoing basis while the income under long-term contracts is adjusted once a year. A similar effect is seen with fixed-price contracts in the locomotive workshop in Långsele.

The locomotive workshop in Långsele has had high capacity utilisation and the order intake has been strong throughout the year, which contributed to a higher volume than in the previous year. Two parallel projects were carried out on behalf of Nordic Re-Finance. One of them comprised the installation of ATC and the adaptation of six Traxx locomotives to the Nordics, and the other comprised the installation of ETCS and the adaptation of their TMe locomotives for the Nordics. The locomotive workshop has also upgraded two TB locomotives for Infranord. The assignment involved changing to stage V engines to ensure that locomotives satisfy current demands on performance and CO2 emissions, as well as improving the working environment with a new type of driver's cab and a general upgrade to ensure vehicles remain up-to-date and environmentally friendly for many years to come.

Key performance indicators – Transport Scandinavia

Amounts in SEK 000, unless otherwise stated	2022	2021	Change, %
(A) Net sales	**279,294**	**273,888**	**2.0**
(B) Profit/loss after financial items	**28,051**	**39,472**	**-28.9**
(B / A) Net margin, %	**10.0**	**14.4**	**-4.4**

Machines and Technology

Net sales in the Machines and Technology segment increased significantly compared to the preceding year and amounted to SEK 88.1 million (37.2). The volume increase is mainly ascribable to intra-Group rental of locomotives to Transport Scandinavia. Profit after financial items increased to SEK 7.6 million (0.8).

The ongoing construction of a new, enhanced MPVe is on schedule, and the machine is expected to be completed in the second half of 2023.

Key performance indicators – Machines and Technology

Amounts in SEK 000, unless otherwise stated	2022	2021	Change, %
(A) Net sales	**88,120**	**37,197**	**136.9**
(B) Profit/loss after financial items	**7,570**	**763**	**891.5**
(B / A) Net margin, %	**8.6**	**2.1**	**6.5**

Significant events in 2022

Railcare signs new framework agreement with the Swedish Transport Administration

[21 January]

Railcare has signed a new framework agreement with the Swedish Transport Administration relating to contracting work in Sweden. The agreement spans a period of three years with the option to extend it by one year and an additional year. The new agreement provides conditions for Railcare's latest innovation MPV, a battery-powered maintenance machine for railways.

The framework agreement includes preparatory work ahead of future track replacements and maintenance work included in the Swedish Transport Administration's plans. In line with previous agreements with the Swedish Transport Administration, work will be carried out on a continuous call-off basis.

"We are delighted to be signing a new agreement with the Swedish Transport Administration, a key customer. The fact that the new framework agreement includes our battery-powered maintenance machine represents an important step for Railcare and for the railways as a whole. This is what drives the transition towards more sustainable railways," commented Mattias Remahl, CEO of Railcare Group AB.

Railcare signs renewed agreement for iron ore transport for LKAB

[5 April]

Railcare has renewed its agreement with LKAB Malmtrafik to transport iron ore . The value of the agreement was approximately SEK 50 million and it spanned the period until 31 December 2022.

This type of transport requires high delivery reliability and the fact that we have now received the renewed confidence of LKAB is evidence of our effective transport operations and is obviously very pleasing," commented Mattias Remahl, CEO of Railcare Group AB.

The transport, which encompasses three round trips per day on the stretches Svappavaara-Kiruna and Svappavaara-Gällivare, will start immediately.

Swedish Transport Administration extends snow removal contract

[22 April]

The Swedish Transport Administration has exercised its option to extend its existing snow removal contract with Railcare by another three years. The extended contract covers the period up to 30 April 2025 and the value of the agreement is SEK 40 million per year. Under the snow removal contract, Railcare provides a number of machines and personnel that are strategically deployed across Sweden ahead of the winter season. This enables services to be provided to those areas most in need, in the shortest time possible. Snow melters are used primarily in railway yards and stations, where the snow is swept up and melted in large tanks. The snow ploughs are used both in the railway yards and on the rail network.

"Last winter, for the first time and from as early as the start of December, we operated snow removal services on the Skånebanan track. Climate change is contributing to significant changes in the weather and it feels reassuring that our snow removal machines will continue to provide the snow removal services at strategically important places in Sweden's infrastructure for the next three winter seasons," said Mattias Remahl, CEO of Railcare Group.

Railcare helps Infranord give two TB diesel locomotives a new lease of life

[18 May]

In order to better meet future environmental requirements and technical standards, Infranord wants to upgrade two worn-out TB locomotives. The locomotives shall be given better engines that produce lower emissions, the new ETCS train protection system and a modernised driver environment. The work has been ongoing since the turn of the year and is expected to be completed by the end of 2022.

"The environmental value is the main reason for the upgrade. However, there will also be a new signalling system on the railway, so with this upgrade, we will adapt the locomotives to two future requirements at the same time," says Jörgen Tryggvesson Finnsson, Technical Project Manager at Infranord Maskin and continues:

"The reason we chose Railcare for this project is that they have experience of similar locomotive upgrades from their own transport operations. This is valuable when choosing a supplier."

LIQUIDITY, CASH FLOW AND FINANCIAL POSITION

Cash flow for the year resulted in an outflow of SEK -7.0 million (13.5). The decreased cash flow is primarily an effect of higher investment in Railcare's operations and increased operating receivables as a result of work carried out in the locomotive workshop in Långsele that has yet to be invoiced. Over the year, SEK 14.5 million (14.5) was paid in dividends to shareholders.

Cash flow from operating activities amounted to SEK 87.8 million (99.4). Cash flow from investing activities amounted to SEK 53.2 million (-38.9), and primarily relates to the further development of the battery-powered MPVe. The new MPVe will be able to be charged from overhead lines using pantographs. The maintenance machine is expected to be ready in the second half of 2023.

Cash flow from financing activities amounted to SEK -21.2 million (-47.9). During the year, loan amortisation totalled SEK -39.1 million (-52.6), of which SEK -12.8 million (-25.0) was attributable to amortisation of lease liabilities. During 2022, the Group raised bank loans of SEK 32.4 million (19.2) to finance ongoing investments. Dividends paid during the year amounted to SEK 14.5 million (14.5).

Railcare's financial targets state a minimum equity/assets ratio of 25 percent. The equity/assets ratio was 41.2 percent at the end of the year, compared to 39.6 percent on 31 December 2021.

INVESTMENTS

Consolidated investments for the full year amounted to SEK 53.3 million (43.2), divided between SEK 0.2 million (1.0) in intangible assets and SEK 53.1 million (42.2) in property, plant and equipment. The investments mainly relate to machinery for Railcare's own operations, where the further development of the MPVe accounts for most of the invested amount.

PARENT COMPANY

Railcare Group AB (publ), corp. ID no. 556730–7813 is a Parent Company registered in Sweden with its registered office in Skellefteå, Sweden. The Parent Company's operations focus primarily on Group-wide operations/administration, including Group Management, finance and IT.

The Parent Company's net sales for the full year amounted to SEK 36.7 million (35.4) and profit after tax amounted to SEK 3.3 million (23.3). Profit in the Parent Company has been adversely impacted by an impairment of the shares in Danish subsidiary Railcare Danmark A/S. The impairment loss, which amounted to SEK 4.4 million, is a result of the discontinuation of the operations in the Danish subsidiary during the year. Group contributions from subsidiaries had a positive profit effect of SEK 9.3 M (-1.2).

RISKS AND RISK MANAGEMENT

Through its operations, the Group is exposed to various types of risk including operational, external and financial risks. The Group's work with risk management and internal control is described in the Corporate Governance Report on pages 50-62. A description of the risks considered significant by Railcare follows.

Surrounding world

The railway market is significantly affected by economic fluctuations and political decisions and priorities, which in turn affect demand for Railcare's products and services. The Group works to minimise the effects of these fluctuations by, for example, signing long-term agreements with strategically important customers, by operating in different countries, by monitoring political discussions and decisions and by participating in the industry's reference groups.

Permits

Railcare's operations and machines require permits and government approvals in the various countries where operations are conducted. Safety is of the utmost importance in the rail industry and there are major regulatory compliance risks linked to safety and the working environment. Attracting and retaining skilled employees is central to compliance with the rules and requirements imposed on Railcare, and the Company focuses sharply on the working environment, safety and corporate culture. The internal operating system includes established processes for managing requirements linked to current conditions.

Customers

The Group's customers are relatively large and few in number, and relationships with public sector operators are important to the Group. Delivering high-quality products and services is crucial to building and maintaining long-term customer relationships and Railcare therefore strives to exceed its customers' expectations. As the customers are large and often private sector operators, the credit risk for the Group is low.

Valuation of non-current assets

Railcare holds substantial value in the form of non-current assets, such as machines for railway maintenance, snow removal on railways and in railway areas, as well as locomotives and wagons. These non-current assets are recognised at cost less depreciation and any impairment. There is a risk that these assets are overvalued, which is why the Group performs annual impairment testing where the future discounted cash flow of the non-current assets is set against their carrying amount. Historically, these tests have not indicated any impairment need.

In addition to non-current assets held, as of 1 January 2019, the Group also recognises right-of-use assets attributable to leases in the balance sheet. Just as for other non-current assets, there is a risk that these right-of-use assets have decreased in value. Where there are indications that the value has decreased, such assets are also tested for impairment.

Financial risks

The Group's operations are exposed to various financial risks, including currency risk, credit risk and liquidity risk. However, Railcare considers these risks to be relatively limited. For more information on risk management and a sensitivity analysis, see Note G3.

OUTLOOK

Based on the Group's positive relations with significant key customers in Sweden, the other Nordic countries and the UK, Railcare assesses that the market outlook is favourable. Railcare has extensive transport and snow removal contracts, providing a solid foundation for its operations.
The market conditions are strengthened by major planned infrastructure investments in these countries for several years to come. Railcare's innovative technology development is expected to remain a strong competitive advantage which provides the Company with considerable opportunities for expansion, with new vehicles and working methods being developed that strengthen railways' position on the logistics market.

The Group's employees and other key resources have the capacity to meet the anticipated high demand, generating favourable conditions for continued profitable growth in 2023.

PROPOSED DISTRIBUTION OF PROFIT

The following profit is at the disposal of the Annual General Meeting:

Share premium reserve	17,446,427
Retained earnings	8,816,172
Profit/loss for the year	3,312,460
Total	**29,575,060**

The Board of Directors and the CEO propose that the profit be appropriated as follows:

A dividend of SEK 0.60 per share to be paid to shareholders, totalling	14,474,500
to be carried forward to a new account	15,100,559
Total	**29,575,060**

Sustainability Report

Sustainability and responsible enterprise are aspects that are integrated into Railcare's operations and customer offering. We believe that this is fundamental to meeting demands in a rapidly changing world.

Our business model describes our overarching view of our sustainability work and what we want to focus on to ensure operational progress and continuously improving sustainability work.

Agenda 2030

Railcare views the UN's Sustainable Development Goals (SDGs) for 2030 as a framework for the future, affording us the opportunity to continuously adapt and improve our sustainability work.

We are certain that we can contribute to solutions to several of the current global challenges. As a societal actor, we have an opportunity to drive the transition.

SUSTAINABLE RESOURCES

The people are our greatest asset. New ideas start with our employees. This is where the Company's drive and commitment can be found. This is where the delivery takes place.

SUSTAINABLE OFFERING

The machines are our tools. They contain smart technology. They create the right conditions for more sustainable solutions. They take us where we want to go.

SUSTAINABLE VALUES

Together we create value that lasts over time. For our employees and customers. For shareholders and society.

Guidelines

Railcare has Group-wide guidelines and policies that are communicated to the entire Group, as well as local guidelines and policies for the UK.

Our guidelines are decided at Board level and are updated continuously. Every employee is required to familiarise him or herself with the Company's policies and follow the rules and procedures Railcare sets out within the scope of its sustainability work. We also seek to work with suppliers and customers who share our underlying values regarding sustainability.
The guidelines we follow, and which are relevant for sustainability reporting are:

Code of Conduct
Everyone in the Railcare Group and our stakeholders shall work from an overall perspective that focuses on ethics, the environment, people and the Company's future. The Code of Conduct applies to employees, customers and suppliers.

Corporate Governance Policy
Structured corporate governance is critical to ensuring that Railcare complies with laws and regulations and adheres to our values, vision and business concept.

HSEQ Policy
A positive and safe working environment is an important strategic issue for Railcare. The Group's working environment shall be experienced as open, stimulating and positive. We shall provide the right conditions for safe and effective work.

Electricity and Traffic Safety Policy
Railways are hazardous environments and the Group has a zero-tolerance attitude to accidents. Employees shall be highly safety conscious regarding their own personal safety and that of their colleagues, and always follow applicable safety procedures. We work safely – or not at all.

HR policy
Railcare shall be a value-driven company. This policy helps to clarify our fundamental values and how they are applied in practice in the operations.

Quality Policy
Addresses activities, processes and responsibilities linked to quality, and describes procedures for risk management, follow-up and reporting.

Environmental Policy
By being an innovation leader we can deliver climate-smart solutions that contribute to a better and more environmentally friendly society.
The Group shall have a corporate culture that automatically considers and integrates sustainability into all operational and strategic issues, as well as into its business relations and collaborations with other stakeholders.

Dennis Eriksson, machine operator

Sustainability in the value chain

External factors that have an impact

- Supply of raw materials
- Increased demand for sustainable transport
- Logistics and deliveries
- Desire to contribute to 2030
- Stricter sustainability requirements, laws and controls
- Climate change
- Major industrial transition
- Efficient use of resources
- Stronger focus on infrastructure based on a capacity perspective
- Reporting requirements

Influence & opportunity to have an impact	RAW MATERIALS (a small opportunity)	SUPPLIERS (some opportunity)	RAILCARE (big opportunity)	CUSTOMERS (some opportunity)	END USERS (a small opportunity)
Sustainability factors in the value chain	• Non-renewable raw materials • Human rights • Anti-corruption	• Anti-corruption • CO2 emissions • Working environment	• CO2 emissions • Beneficial, safe and secure working environment • Development and training • Diversity	• Energy consumption • Business ethics	• Noise levels • CO2 emissions • Accessible infrastructure
How Railcare can make a difference	• Influence our suppliers to make the right choices by following our Code of Conduct.	• Follow our Code of Conduct. • Collaborations and dialogue to reduce CO2 emissions. • Collaborations and dialogue for decent, safe working conditions.	• Build and develop machines that reduce CO2 emissions. • Continuously upgrade the fleet of locomotives with better options. • Create a beneficial, safe and secure working environment for our employees. • Carry out maintenance on the railways to make them last for many years to come. • Carry out maintenance on current machines so that they last for a long time to come.	• Carry out repairs and maintenance on locomotives and wagons. • Offer energy-efficient transport. • Share knowledge about new technology.	• Work responsibly and with a long-term approach for more sustainable railways with machines that take account of their surroundings.

Stakeholder analysis

	EMPLOYEES	CUSTOMERS	SUPPLIERS	SHAREHOLDERS	LOCAL COMMUNITIES	DECISION MAKERS
Opportunities	• Strong business culture "One Railcare" • Development • Enjoyment and high-energy team • Responsible behaviour and participation	• Delivery and quality • Solution oriented; builds confidence • Fossil-free machines and transport • Support and help each other progress	• Consensus with subcontractors, share working methods and Code of Conduct • Good relationships	• Return and growth • Long-term value • Sustainability	• Railcare's reputation as a local operator • Sponsorship of clubs and associations in areas where we operate	• Political decisions regarding the railways • Maintenance deficit • Signalling system • Industry collaboration • Customer dialogue • Environmental requirements and regulations regarding transition
Risks	• Skills supply • Diversity and equality • Risk of subcultures from having a lot of small companies • Safe working environment	• Focus on prices during negotiations • Key person dependency	• Controls on business ethics and social issues • Ability to transform linked to climate and environmental impact	• Understanding of the industry • Seeing the long-term strategy in an organisation driven by entrepreneurs when, for example, innovation takes place in parallel with construction		• Predictability and long-term approach

Our key areas

Based on our value chain and stakeholder analysis, we have arrived at five prioritised areas where Railcare's sustainability work can have the biggest impact. In other words, these are areas which we can influence and which also create value for our business partners.

These prioritised areas are expected to remain relevant for many years to come, although the areas may be updated and changed depending on developments in the operations, market and surrounding world.

Our prioritised areas contribute to five of the UN's Sustainable Development Goals (SDGs) for 2030.

Innovation and development

Construction, operation and maintenance of the railways account for approximately 0.4 million tonnes of CO2 emissions a year, one-third of which comes from diesel consumption.* The Swedish Transport Administration's aim is to have climate-neutral infrastructure by 2040. Continuing to develop new fossil-free machines and effective methods for railway maintenance creates business opportunities both for us and our customers. It also results in more sustainable railways, which more climate-friendly transport can use.

Energy consumption

Railcare's contracting and transport operations currently use machines that run on diesel. This is a major source of our CO2 emissions that we have an excellent opportunity to influence by upgrading our fleet of machines and vehicles in the long term and by developing fossil-free machines that help our customers become fossil free.

Safety and the working environment

The railway industry is a hazardous environment to be in, and one prerequisite for us to run our operations is that we work safely or not at all. This is a priority for everyone; suppliers, customers and employees.

*Based on Liljeström C. 2018, Liljeström et.al. 2019.

Anti-corruption and business ethics

It is of great importance to Railcare and all our stakeholders that operations be conducted completely legally and safely. We shall be characterised by acting honestly and transparently, for society and the individual.

Corporate culture

Our corporate culture and employees are our biggest success factors. It is important to us as a Company that our employees work in an environment where they thrive and where equality and respect for everyone are valued.

Charlie Majstedt, mechanic

Innovation and development

By using smart technology we strive to be the leading railway specialist. Developing innovative solutions and machines with sustainability as our driving force is essential to improving the market, the industry and our business.

The machines currently used for contracting work on the railways are mainly diesel-powered, meaning that their use causes emissions. We initiated the transition of the whole railway industry when we introduced an entirely new battery-powered machine in 2021. The battery-powered MPV (Multi Purpose Vehicle) is a work vehicle with diverse uses in railway maintenance.

In 2022, we continued to develop a battery-powered MPV with pantographs to enable charging from overhead lines. We are also investigating whether the battery bank itself can be used as a large power bank on the railways to operate other machines and vehicles that currently run on diesel. Our operating system follows up the number of hours allocated to innovation and development projects on an annual basis.

Our priorities

- The ongoing development and construction of battery-powered maintenance machines.
- Investigating how the battery bank can be used to operate other diesel-powered machines on the railways.

TARGET

Development of battery power, with fewer fossil fuel emissions and less noise.

OUTCOME 2022

MPV1 has been in operation throughout 2022.

Construction of MPV2 has begun, which has been developed with pantographs.

Innovation and development average 3 percent of sales in the most recent three-year period.

3 %

Expenditure on the development of machines, wagons and engine replacements averaged 6 percent of sales in the last three years.

6 %

Energy consumption

This relates to environmental improvements we can make for the benefit of the surrounding world, as well as the key conditions required for our organisation to ensure a safe working environment.

Our environmental work is based on moderate use of natural resources and a commitment to continuously strive to minimise and reduce our environmental impact. Our customers in both the public and private sectors set environmental requirements. As a contractor, we are for example required to meet certain general environmental requirements and quality and environmental management standards, as well as site and object-specific demands depending on the project. The Swedish Transport Administration has also announced that the transport infrastructure shall be completely emission free by 2040.

Due to the high levels of investment in machines and vehicles, stricter environmental requirements represent both a risk and an opportunity for Railcare. Thanks to our innovative capacity, we mainly see opportunities.

Fossil fuel emissions from machines and vehicles

Railcare's main environmental impact comes from the machines used for railway maintenance and from some of the locomotives used for transport. They are largely diesel powered and therefore generate emissions when used. In order to manage the risks associated with increased environmental demands on our operations, we have decided to reduce fossil fuel emissions from our machines and vehicles by 40 percent by 2025. This is an aggressive goal that ensures that the entire operations work towards a clear shared target.

Other energy consumption

The Group also works continuously in other areas to further reduce energy consumption. This might include reviewing electricity agreements, using electric vehicles alongside the railways, choosing the most environmentally friendly alternative for business travel and/or reducing volumes of waste and spillages from production. We have clear procedures for how to act in the event of potential environmental incidents.

This is in line with our Environmental Policy: to continuously strive to minimise and reduce our environmental impact without negatively affecting operations.

Our priorities

- Develop battery power and build more machines that can be used in our contracting operations.
- Use and/or convert locomotives with better engines to help reduce diesel consumption.
- Ensure that functional working methods are in place in the supply chain that satisfy applicable legislation relating to chemicals, fuels and waste.

TARGET

Reduce fossil fuel emissions from our machines and vehicles by 40 percent by 2025 (compared to the base year 2020).

40 %

OUTCOME 2022

MPV1 in full operation in 2022, and construction of MPV2 has begun.

Conversion to stage V engines in a Railvac machine. Railcare also decided in 2022 to lease five new locomotives in the highest environmental class, Euro 5.

Safety and the working environment

The well-being of our employees is critical, and health and safety is therefore a matter of the utmost concern for Railcare.

We shall maintain a beneficial, safe and secure physical and psychosocial working environment, ensuring that all employees have the best workplace possible. This also applies to external subcontractors who carry out assignments for Railcare.

Safety on the railways

The working environment on and around railway tracks places high demands on awareness of the dangers. Regular rail traffic is often under way adjacent to work sites, and stringent safety regulations therefore apply to railways in Sweden and abroad.

Railcare always prioritises safety and has clear policies in place that ensure safe working practices. The Company provides continuous training and certifications to ensure knowledge of current regulations and expertise.

We work actively with risk assessments (in accordance with CSM RA), workplace inspections, health and safety inspections, and internal audits. External personnel must also complete the right safety training before starting work.

Control

Railcare has developed an operating system that is a central component in its safety work. Through the system, all employees (internal and external) have access to important documents via a computer, tablet or mobile phone provided by the Company. The operating system includes a specific area relating to safety control. The system stores examples of deviations, faulty equipment and vehicle maintenance with traceability and the opportunity for follow-up. The Group also has a CSM monitoring system, which uses indicators to issue warnings in the event of an excessive number of deviations in any particular area.

Operations managers are responsible for addressing and following up any deviations with the aim of preventing incidents and improving health and safety work. These measures are compiled and updated regularly in an action list.

On the basis of incidents, risk assessments, workplace inspections, health and safety inspections, and internal audits, we set targets and produce action plans that are followed up by Group Management on a quarterly basis.

Our priorities

- We have ongoing safety training for work in and around the railways.
- All incidents and any deviations registered in the operating system are followed up in weekly production meetings in each business area.
- The health & safety team meets on alternate weeks to review reported incidents with the aim of providing support through measures and detecting any recurring incidents and responding to them.

We work safely – or not at all!

Permits and licences

Railcare holds all necessary permits and licences in the jurisdictions where operations are conducted.

- Railcare T AB is a railway company approved by the Swedish Transport Agency with a licence and safety certificate part A+B, and an administrator of proprietary infrastructure in Skelleftehamn and Långsele.
- Railcare T AB has an ECM certificate for locomotives, wagons and track-bound mobile machinery regarding the management, development, control and execution of vehicle maintenance. The certificate covers Railcare's workshops in Skelleftehamn and Pitkäjärvi.
- Railcare Lokverkstad AB has an ECM certificate for locomotives, wagons and track-bound mobile machinery regarding the execution of vehicle maintenance.
- Railcare Sweden Ltd. is approved by the industry organisation Railway Industry Supplier Qualification Scheme (RISQS) to provide services to the railway network in the UK.

These permits and certifications require us to evaluate suppliers in connection with every new appointment of a supplier. In doing this, we follow a check list that includes ensuring that the supplier has documented working methods relating to its quality, environmental and HSEQ work.

TARGET

Vision zero approach to railway accidents according to the Swedish Transport Agency's definition*

OUTCOME 2022

Vision zero achieved in 2022.

0 cases

*The accidents included in the figure above shall
• be related to moving railway vehicles
• be unwanted or unintentional
• include suicide in the figure above
• not have occurred in workshops, warehouses or depots (e.g. locomotive sheds).

and shall have had one or more of the following consequences:
• at least one person died within 30 days
• at least one person was so seriously injured that it led to hospital care, more than 24 hours
• railway vehicles, railway infrastructure, the environment or property not transported by the railway vehicle suffered damage corresponding to a minimum of SEK 1.4 million (EUR 150,000)
• train traffic on the line was shut down for a total of at least six hours

Anti-corruption and business ethics

When employees thrive at work, have a stimulating environment where they are able to develop, and are given the opportunity to take responsibility, present ideas and solutions, their commitment increases. As an employer, we want to retain and develop these characteristics.

Our operations are currently conducted in Sweden, Scandinavia and the UK, which are also our main markets. The main risk relating to potential bribery and corruption in the operations relates to our business relationships: how we act in relation to customers and what we accept from our suppliers.

However, we assess that the risk of bribery and corruption is limited. We do not work with long supply chains and all purchasing is direct from the supplier and mainly within Europe. Our main customers are government-owned companies in Sweden and the UK governed by clear agreements, guidelines and codes of conduct to prevent irregularities from occurring.

Crime is not accepted, and the objective is for it to be eradicated. Railcare complies with laws and guidelines in terms of improprieties, bribery and corruption. We take a zero tolerance attitude to these three behaviours and other similar illegal actions.

Human rights

Our customers demand that production and transport of goods used in construction take place under conditions that are compatible with the fundamental rights of all employees in the supply chain. Given that we have large and public sector customers that are under continuous scrutiny, there are risks associated with not being able to meet these demands relating to human rights.

Our Code of Conduct states that we shall respect the recognised international human rights, the UN's Global Compact, and our internal and external work shall be based on these laws and guidelines. The Code of Conduct is the foundation of everything we do and is an important tool that provides all employees, including contracted personnel, guidance on Railcare's view of its operations and how the Company conducts business.

Our priorities:

- Railcare strives to increase commitment to, and understanding of, the importance of following the Code of Conduct. Potential breaches shall be reported to the relevant line manager or management, who shall follow up reported incidents.
- If anyone at Railcare thinks they know of any improprieties, bribery or corruption, they are required to report the matter to their line manager, Group Management or the Board of Directors. Any cases that are reported are followed up by management.
- In 2023, we shall introduce a whistleblowing system.

TARGET

Zero tolerance attitude to irregularities, bribery, corruption and human rights breaches.

OUTCOME 2022

Reported cases and/or ongoing inquiries

0 cases

Corporate culture

When employees thrive at work, have a stimulating environment where they are able to develop, and are given the opportunity to take responsibility, present ideas and solutions, their commitment increases. As an employer, we want to retain and develop these characteristics.

Railcare originated in a family business, and we believe that our corporate culture and values are extremely strong. The corporate culture is not embedded in the buildings where we work. It is present in every individual employee and leader. Our values are present in every idea, every delivery and in all the decisions we make.

Our corporate culture is the prerequisite for an open atmosphere where people are encouraged to present their ideas that develop our business and organisation.

Our priorities:

- We organise our operations into relatively small companies as this makes everything easier, from fast decisions and adhering to values to detecting potential deviations.
- Ongoing training, continued education and refresher courses to enable each employee to carry out their assignments safely and effectively.
- Activities of all sizes to foster a stronger sense of community.

Gender equality, diversity and non-discrimination

It is Railcare's fundamental view that all people are of equal value and that no one should be discriminated against or subjected to harassment on the grounds of gender, gender identity or expression, ethnic background, religion or other belief, disability, sexual orientation or age. Railcare also has a zero tolerance attitude to harassment, bullying and abusive behaviour.

The Company's work on gender equality, diversity and non-discrimination is conducted in accordance with international laws and guidelines.

Our priorities:

- Employee survey carried out every other year. In particular, we monitor the results from a working environment perspective; physical, mental and psychosocial. The health & safety committee, management and employees are given the results, and any deviations in any area are followed up by the relevant operations manager.
- Our equality committee works continuously to improve our work relating to equal opportunities, gender equality and diversity. This includes aspects ranging from producing an equality plan, to where and how we have a presence.

TARGET

To actively work to preserve our corporate culture as the Group grows. To continuously talk about our values and help each other adhere to them.

OUTCOME 2022

Based on the 2021 employee survey:

Average score on a scale of 1-5

"I enjoy going to work" 4.1

"My colleagues treat me with respect" 4.5

A word from the Chairman of the Board

When reports are written about the need for railway maintenance, I never hear a cry of "fake news". The need for maintenance seems to be virtually insatiable. However, this is not the main reason for the NV Group's expanded and long-term investment in Railcare Group AB. Rather it is our belief in the Company's entrepreneurial culture and in its innovative and customisation capabilities.

If you were to sum up how Railcare operates, you would say "doing things differently". The Swedish term for this originates in northern Sweden and is a positive expression meaning the opposite to conformity. It is a key element of Railcare's corporate culture with the implications of believing in change, in employees' willingness to take responsibility and in finding unexpected ways of solving problems.

For the Board of Directors and personnel, it is far more than a slogan. It is about having the courage to invest, develop new technology and challenge working methods in collaboration with our customers.

Well-known examples of this from the past, in addition to the core business of vacuum technology and adapted transport solutions, include Railcare's development of a snow melter, relining for culvert renovations and battery-powered railway machines (MPVs).

As we sum up the latest financial year, the natural question is: Have we been doing things differently in 2022? In some areas the answer is clear-cut.

At the end of 2021/beginning of 2022, we announced our target of reducing fossil fuel emissions in our operations by 40 percent by 2025, which presupposes a raft of changes in working methods. During the year, Railcare has started to develop the next-generation MPV, which has pantographs to enable it to charge from overhead lines. This technology is contributing to a sustainable transition of railway maintenance vehicles, and also creates opportunities for further transformations in the industry.

In northern Sweden, where the green industry is taking shape, the railways are crucial to enabling climate-smart, efficient transport solutions. Stricter environmental requirements and a new signalling system are also paving the way for additional assignments for Railcare's workshops.

At the beginning of 2023, the Board set new targets: achieving SEK 800 million in sales through organic growth with at least 10 percent profitability by 2025.

The main challenge for the Company now, which was established 30 years ago, is to grow further while retaining its entrepreneurial spirit by nurturing its corporate culture and attracting the right skills. In short, it needs to continue to challenge traditional solutions and create uniqueness while creating value and doing things differently.

Anders Westermark
Chairman of the Board, Railcare Group AB

Corporate Governance Report

Railcare Group AB (publ), with corp. ID no. 556730-7813, is a Swedish public company subject to Swedish law, primarily the Companies Act and the Annual Accounts Act.

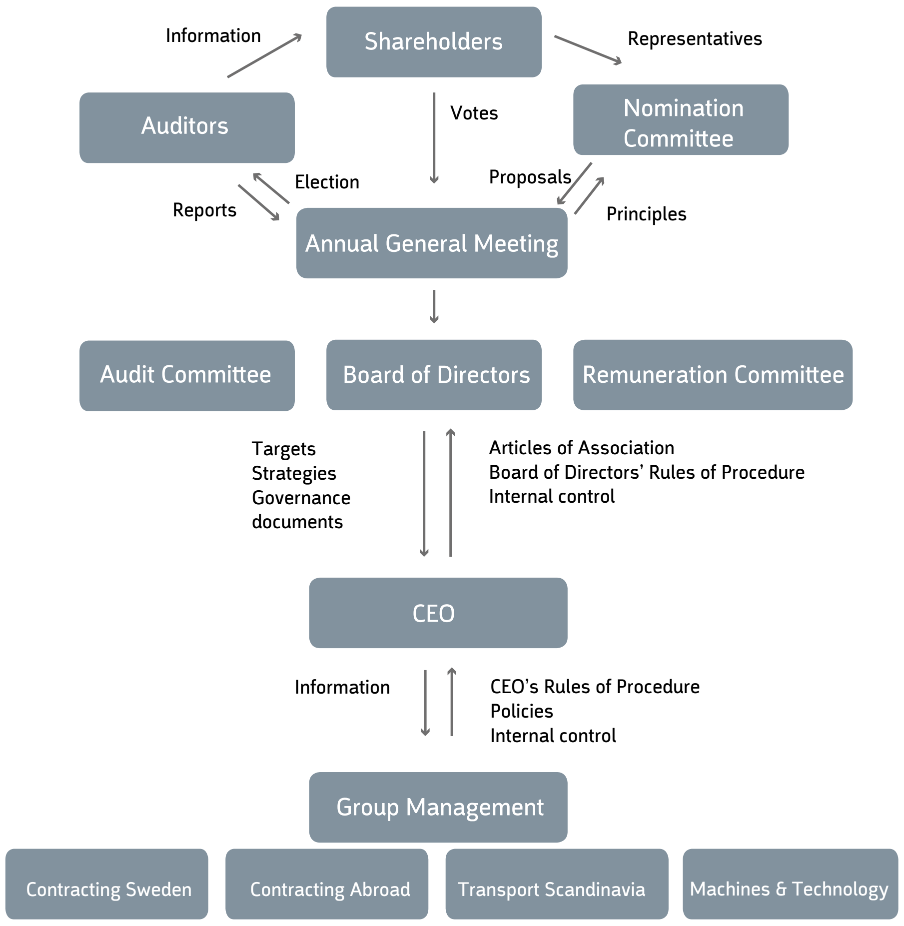
The Company's registered office is located in Skellefteå, Sweden, and the Company also has offices in Skelleftehamn and Stockholm, Sweden. Railcare Group AB's shares are listed on the Nasdaq Stockholm exchange. Railcare's Articles of Association, its internal guidelines and policies, Nasdaq's rules for issuers and the Swedish Corporate Governance Code form the basis for Railcare's corporate governance.

ARTICLES OF ASSOCIATION

The name of the Company is Railcare Group AB and the Company is a public limited liability company. The Board of Directors shall have its registered office in the municipality of Skellefteå, Sweden. The Company's operations are to carry out contracting operations and sell expert knowledge in the civil engineering industry, as well as other related operations. Amendments to Railcare's Articles of Association are made in accordance with the provisions of the Companies Act. The Articles of Association, which include information on share capital, the number of Board members and auditors, and regulations governing the notice to convene the AGM and the agenda of the Annual General Meeting are available on the Company's website, www.railcare.se/en/.

THE SWEDISH CORPORATE GOVERNANCE CODE

Railcare's corporate governance is based on the Swedish Corporate Governance Code, referred to as "the Code". The Code is based on the principle of "comply or explain", which means that a company that applies the Code may deviate from individual rules.



Deviations from the Code and the reasons for such deviations are reported continuously in the text. In 2022, Railcare has deviated on one point, in the section on nomination committees.

SHAREHOLDERS

Railcare's share has been listed on Nasdaq Stockholm Small Cap under the ticker "RAIL" since 2018. According to the share register, maintained by Euroclear Sweden, Railcare had 24,124,167 shares on 31 December 2022. The share capital amounted to approximately SEK 9.9 million and the quotient value is SEK 0.41 per share. All shares are of the same class and have the same voting rights.

The largest shareholder as of 31 December 2022 was Norra Västerbotten Fastighets AB at 29.5 percent. Some of Railcare's shareholders are registered abroad or in mutual funds, and are therefore not visible by name in the register of shareholders. For more information on the share and shareholders, see pages 28-30.

ANNUAL GENERAL MEETING

In accordance with Railcare's Articles of Association, the Annual General Meeting shall be announced by means of an advertisement in Post- och Inrikes Tidningar (the Swedish Official Gazette) and by making the announcement available on the Company's website, www.railcare.se/en/, and by advertising it in Dagens Industri (Swedish financial newspaper).

In accordance with the Swedish Companies Act, the Annual General Meeting shall be convened no earlier than six weeks, and no later than four weeks, prior to the Meeting. An Extraordinary General Meeting at which an amendment to the Articles of Association is to be addressed shall be announced no earlier than six weeks, and no later than four weeks, prior to the Meeting, while other Extraordinary General Meetings shall be announced no earlier than six weeks, and no later than three weeks, prior to the Meeting.

Shareholders entitled to attend and vote at the Annual General Meeting, either in person or by proxy with a power of attorney, are those who are entered in the Company's share register maintained by Euroclear Sweden on the sixth (6th) banking day prior to the Annual General Meeting (that is, on the record date) and who notify the Company of their intention to participate no later than the date stated in the announcement of the Meeting.

To participate in the AGM shareholders with nominee-registered shares, in addition to registering for participation in the AGM, are required to register their shares in their own name to ensure the shareholder is included in the share register on the record date. A shareholder may be accompanied by an assistant at the General Meeting if the shareholder notifies the Company thereof in advance. Each shareholder in the Company registering a matter sufficiently early, is entitled to have that matter addressed by the Annual General Meeting.

Upon written request to the Board of Directors, shareholders are entitled to have matters addressed by the Annual General Meeting.
Such requests must have been received by the Board of Directors no later than seven weeks prior to the Meeting. The request shall be addressed to the Board of Directors, but sent to Railcare Group AB, FAO. Anders Westermark, Box 34, SE-932 21 Skelleftehamn, Sweden.

At the Annual General Meeting, information is provided regarding the Company's progress over the preceding year and resolutions are made on key matters. At the Annual General Meeting, shareholders have the opportunity to ask questions about the Company and its earnings for the year in question. To be entitled to participate in the Annual General Meeting and vote in accordance with their shareholdings, shareholders must have been included in the share register and have submitted notification of their participation within a certain period. Shareholders unable to attend in person may vote by proxy.

Annual General Meeting 2022

Railcare's Annual General Meeting in 2022 took place on 4 May 2022, at 1 p.m. at the Company's premises at Näsuddsvägen 10, in Skelleftehamn, Sweden. All of the Board members, the majority of Group Management, the Company's auditors and the Chairman of the Nomination Committee attended the AGM. At the Annual General Meeting, 43.3 percent of all shares and votes were represented.

Among other matters, the Annual General Meeting resolved:

- to distribute the Company's profit by means of a dividend of SEK 0.60 per share
- to discharge the Board members and CEO from liability

- to re-elect Board members Adam Ådin, Anders Westermark, Anna Weiner Jiffer, Björn Östlund, Catharina Elmsäter-Svärd and Ulf Marklund.
- to elect Anders Westermark as Chairman of the Board
- to re-elect audit firm Ernst & Young Aktiebolag, with authorised auditor Fredrik Lundgren as principal auditor

The full minutes of the Annual General Meeting and other information regarding the Meeting is available at www.railcare.se.

Annual General Meeting 2023

Railcare's Annual General Meeting in 2023 will take place on 4 May 2023 at 11:00 a.m. at the Company's premises at Näsuddsvägen 10 in Skelleftehamn, Sweden. For further information on the Annual General Meeting, please see the notice published on Railcare's website, www.railcare.se/en/.

NOMINATION COMMITTEE

The task of the Nomination Committee is, on behalf of the shareholders, to evaluate the composition and work of the Board, prepare the AGM's resolutions for voting on and issues relating to fees, and, if necessary, propose guidelines for how the Nomination Committee shall be appointed and work.

The most recently approved guidelines for appointing the Nomination Committee and its work were adopted by the Annual General Meeting on 4 May 2022. The adopted guidelines apply until further notice.

The Nomination Committee held two minuted meetings ahead of the 2023 AGM. The Nomination Committee's complete proposals to the AGM are presented in the notice to attend and on the Company website.

Composition

The guidelines state that the Nomination Committee shall comprise the Chairman of the Board, who also convenes the first meeting, and a further two members appointed by the two largest shareholders in the Company in terms of votes on 30 September. If either of the two largest shareholders by votes does not exercise its right to appoint a member, the next largest shareholder by votes shall have the right to appoint a member to the Nomination Committee. The composition of the Nomination Committee shall follow the Swedish Corporate Governance Code, the Code, unless a deviation can be justified and reported. The Chairman of the Nomination Committee shall be the member appointed by the largest shareholder by votes unless the members agree otherwise. The composition of the Nomination Committee shall be published no later than six months prior to the planned AGM.

Nomination Committee for Railcare Group's Annual General Meeting 2023

The Nomination Committee was set up in accordance with the guidelines and comprises Anders Westermark (Chairman of the Board), Lina Ådin (appointed by Treac AB), and Jonas Holmqvist (appointed by Norra Västerbotten Fastighets AB). The Nomination Committee appointed Lina Ådin as Chairman. Combined, the members of the Nomination Committee represent 39.5 percent of the total number of shares and votes in the Company (as of 30 September 2022).

All the members of the Nomination Committee are independent with regard to the Company and management. None of the members of the Nomination Committee are independent with regard to the Company's largest shareholders. This is a deviation from rule 2.3 of the Code, which states, for example, that at least one member of the Nomination Committee is to be independent of the Company's largest shareholder in terms of votes. The Company's largest shareholder deems the deviation to be appropriate in light of the Company's ownership structure and the fact that the members are knowledgeable about the Company and its operations. No remuneration was paid to the Nomination Committee.

BOARD OF DIRECTORS

The Chairman of the Board and Board members are elected annually at the Annual General Meeting for the period until the next Annual General Meeting has been held. Nominations are made by the Nomination Committee comprising the Chairman of the Board and two representatives appointed by Railcare Group AB's largest shareholders, and according to the Articles of Association, the Board of Directors shall consist of five to seven members.

The Board of Directors is the second highest decision-making body after the General Meeting. Chapter 8 of the Swedish Companies Act describes the Board's responsibilities, which include the Company's organisation and the management of the Company's affairs, as well as continuously assessing the Company's and, if the Company is the Parent Company in a Group, the Group's financial position. Two of six members of

Railcare Group AB's Board of Directors are women. For more information on the Board, see page 54 and pages 57-58.

Diversity Policy

The Company complies with the Code and thereby applies rule 4.1 of the Code. The Company has also prepared a Diversity Policy that the Nomination Committee also follows when proposing Board members.

Excerpts from Railcare's Diversity Policy:

The Nomination Committee shall take into account age, gender, education and professional background, and propose a Board with the scale and composition that ensures its ability to manage the Company's affairs with integrity and efficiency. The Board of Directors, which the Nomination Committee proposes, shall have a suitable composition considering the Company's operations, development stage and other conditions, and be characterised by diversity and breadth in terms of the competencies, experience and background of the members elected by the General Meeting. An even gender distribution shall be sought when electing Board members.

FEB
- Market and business situation
- Recently signed and potential agreements
- Organisational
- Report by the Audit Committee incl the auditor's report
- Year-end report
- Proposed dividend
- Liquidity
- Forecast
- Current and planned investments

MAR
- Market and business situation
- Report by the Audit Committee
- Approval of Annual Report etc.
- Notice of Annual General Meeting
- Recently signed and potential agreements
- Organisational
- Liquidity
- Forecast
- Current and planned investments

MAY
- Market and business situation
- Recently signed and potential agreements
- Organisational
- Report by the Audit Committee
- Interim Report (jan-mar)
- Liquidity
- Forecast
- Current and planned investments
- Report risk analysis
- Annual General Meeting
- Statuary Board Meeting
- Extraordinary Board Meeting regarding strategy for future locomotive supply

AUG
- Market and business situation
- Recently signed and potential agreements
- Organisational
- Report by the Audit Committee
- Interim Report (jan-jun)
- Liquidity
- Forecast
- Current and planned investments
- Current status strategy for future locomotive supply

SEP
- Strategy day

NOV
- Market and business situation
- Recently signed and potential agreements
- Organisational
- Report by the Audit Committee incl the auditor's report
- Interim Report (jan-sep)
- Liquidity
- Forecast
- Current and planned investments
- Internal control, risk management and policy compliance
- Information on the appointment of a Selection Committee

DEC
- Market and business situation
- Recently signed and potential agreements
- Organisational
- Report by the Audit Committee
- Liquidity
- Forecast
- Adoption of budget

Extract from the work of the Board of Directors in 2022

The Nomination Committee shall also consider Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2012/06) and other specific regulatory requirements regarding the composition of the Board.

Independence of the Board of Directors

According to the Code, a majority of the Board's members shall be independent in relation to the Company and Group Management, and at least two of such Board members shall also be independent in relation to the Company's major shareholders. A majority of Railcare's Board members are independent. Five of the six Board members are independent in relation to Railcare and its senior executives, and five of the six Board members are independent in relation to the Company's largest shareholders.

WORK OF THE BOARD OF DIRECTORS

In 2022, the Board of Directors of Railcare comprised Anders Westermark (Chairman from the AGM), Catharina Elmsäter-Svärd, Ulf Marklund, Anna Weiner Jiffer, Adam Ådin and Björn Östlund.

The Board held eight minuted Board meetings during the year. The CEO participates in each Board meeting and reports on the Company's current situation, including market conditions and the business position. Other employees may participate during Board meetings when necessary. In the sessions where the Board discusses the CEO, the CEO, Deputy CEO and other employees from the Company do not participate. Once a year, the work of the CEO and Group Management is evaluated.

The Board's Rules of Procedure are established at the statutory Board meeting held directly after the Annual General Meeting. The Board's Rules of Procedure present the duties that the Board is to carry out and when each agenda item shall be addressed, depending on the Board meeting and quarter. Examples of duties include determining the Company's business plan including budget, overall goals and strategies; appointing, evaluating and when necessary dismissing the CEO; adopting Interim Reports, the Year-end Report and Annual Report; and ensuring that the Company has good internal control. The Board has also adopted instructions for the CEO that outline the CEO's responsibilities and duties.

The Chairman of the Board is responsible for ensuring that Board members, through the care of the CEO, continuously receive the information necessary to monitor the Company's position, performance, liquidity, financial planning and progress. It is incumbent on the Chairman to fulfil the Annual General Meeting's assignment regarding the establishment of a Nomination Committee.

In addition to the statutory Board meeting, the Board of Railcare Group AB shall hold at least seven meetings per calendar year and extraordinary meetings shall be held if a Board member or the CEO so request. Prior to each Board meeting, information and documentation is distributed over a digital system.

For Board members elected by the Annual General Meeting who are not employees and members of the Board's various committees who are not employees, Board fees were paid at an amount of SEK 200,000 to the Chairman of the Board and SEK 100,000 to each of the other Board members. For more information on the Board, see the table below and pages 57-58.

The Board's independence, attendance and remuneration

	Independent in relation to Railcare and its senior executives	Independent in relation to major shareholders	Attendance at Board meetings	Attended AGM	Audit Committee	Remuneration Committee	Remuneration in 2022
Anders Westermark	Yes	No	7 (8)	Yes	6 (6)	1 (1)	200,000
Catharina Elmsäter-Svärd	Yes	Yes	8 (8)	Yes	-	1 (1)	100,000
Anna Weiner Jiffer	Yes	Yes	8 (8)	Yes	-	1 (1)	100,000
Adam Ådin	Yes	Yes*	8 (8)	Yes	6 (6)	1 (1)	100,000
Björn Östlund	Yes	Yes	8 (8)	Yes	6 (6)	1 (1)	100,000
Ulf Marklund	No	Yes	7 (8)	Yes	-	-	-

* Up to and including November 2022, Adam was not independent in relation to major shareholders.

Audit Committee

In 2022, the Audit Committee, a committee of the Board of Directors, comprised Adam Ådin, (Chairman), Anders Westermark and Björn Östlund. The Audit Committee is a preparatory body within the Company's Board of Directors that shall, for example, ensure that the Board of Directors meets its supervisory responsibilities with regard to internal control, risk management, accounting and financial reporting, as well as regulatory compliance. The work of the Audit Committee is regulated by special instructions adopted by the Board of Directors as part of its Rules of Procedure. In this connection, the Audit Committee shall contribute in particular to good financial reporting and to maintaining the market's confidence in the Company.

The Audit Committee shall ensure qualified, efficient and independent external auditing of the Company and effective communications between the Board of Directors and the external auditor.

The Audit Committee shall normally meet at least five times per calendar year. Once a year, a meeting should be held at which no member of management is present. Minutes shall be kept of the meetings of the Audit Committee. The Audit Committee shall inform the Board of Directors of what has been discussed by the Committee. In 2022, the Audit Committee held six meetings, four of which were held in connection with the quarterly closing of the accounts. Discussions primarily concerned the Company's profit and financial position, internal control, risk management, quarterly reports, etc.

Remuneration Committee

The Board of Directors has decided that the entire Board of Directors, excluding Board members who are also members of Group Management, shall comprise the Remuneration Committee.

The duties of the Remuneration Committee are:

- to approve proposals for guidelines for remuneration to senior executives, for subsequent adoption by the Annual General Meeting,
- to set guidelines for individual remuneration to the CEO, and propose guidelines to the CEO for individual remuneration to other senior executives, thereby ensuring that these proposals are in accordance with the Company's remuneration principles established by the Annual General Meeting, and
- to monitor the system by which the Company complies with the law, applicable stock exchange regulations and the Swedish Corporate Governance Code regarding regulations on the disclosure of information related to remuneration to senior executives.

During 2022, the Remuneration Committee comprised the entire Railcare Board of Directors, excluding Ulf Marklund, according to point 9.2 of the Code. The Remuneration Committee is convened as necessary and held one meeting where minutes were kept in 2022.

Assessment of the work of the Board of Directors

At the end of the year, the Board of Directors' work is assessed with the aim of improving the work and efficiency of the Board of Directors. The Chairman of Railcare's Board of Directors, Anders Westermark, is responsible for the assessment and for presenting it to the Nomination Committee. At the end of 2022, the Chairman of the Board distributed a survey to which all members were required to respond. The responses were collected and presented to the full Board of Directors. The results of the assessment were then submitted to the Nomination Committee at a minuted meeting.

CEO AND GROUP MANAGEMENT

In 2022, Group Management comprised Mattias Remahl, CEO and CFO, Jonny Granlund, Business Area Manager for Contracting Sweden and Transport, Ulf Marklund, Deputy CEO and Operations Manager for Railcare Machine AB, and Lisa Borgs, IR and Accounting Manager.

Daniel Öholm, former CEO and Business Area Manager for Contracting Abroad, participated in the work of the Group Management during the first half of the year. Ulf Marklund and Jonny Granlund are engaged on a consulting basis. More information about transactions with related parties can be found in Note G28. For more information on Group Management, see page 59.

Mattias Remahl has held the role of both CEO and CFO throughout 2022. The roles differ, although many areas of responsibility are similar. In this report, we distinguish between the two roles' areas of responsibility.

The CEO leads the operating activities according to internal and external steering documents and is responsible for reporting on the Group's development to the Board of Directors. The CEO and CFO participate in each Board meeting and Audit Committee meeting to report and present the Group's information according to the adopted steering documents.

Group Management meets once a month, except in July, with a focus on operational governance of the operations, and follow-up of the budget and strategic issues.

Group Management meetings are held in conjunction with meetings for Railcare's operational managers, who report on the various operations (companies). Group Management receives this information in the meeting and makes decisions on matters concerning the entire Group.

Board of Directors

Anders Westermark

Chairman of the Board since 2022, elected 2018

Born: 1959
Position: Chairman of the Board since 2022, Chairman of the Remuneration Committee and member of the Audit Committee.
Other ongoing significant assignments: Anders is an Investment Manager at Norra Västerbotten Förvaltning AB and Chairman of the Board of Stiftelsen Skelleftepress, Grit Media AB and Samköpsgruppen TU. He is also a Board member of Treac AB and several other media, property and investment companies.
Other experience: Anders has previous experience as CEO in the areas of media, construction and financial control.
Education: Graduate economist from Linköping University and has completed the Stockholm School of Economics' Executive Education programme.
Holding in Railcare Group AB (incl. closely related parties): Anders holds 108,500 shares directly in Railcare Group AB. Anders also represents Norra Västerbotten Fastighets AB with 7,121,395 shares in Railcare Group AB.

Catharina Elmsäter-Svärd

Board member, elected 2016

Born: 1965
Position: Board member and member of the Remuneration Committee.
Other ongoing significant assignments: Catharina is CEO of Byggföretagen and Chairman of the Board of Swedish Civil Aviation Administration and AB Elmsäters i Enhörna.
Other experience: Catharina has been a member of the Riksdag (Swedish Parliament) for 11 years and was Minister for Infrastructure between 2010 and 2014. She was also Chairman of the Board from 2016 to 2022.
Education: Graduate market economist from RMI-Berghs.
Holding in Railcare Group AB (incl. closely related parties): Catharina holds 2,925 shares in Railcare Group AB through AB Elmsäters i Enhörna.

Björn Östlund

Board member, elected 2019

Born: 1957
Position: Board member and member of the Audit Committee and the Remuneration Committee.
Other ongoing significant assignments: Björn is the owner of and a Senior Advisor at Koninfra AB. He is also Chairman of the Board of SIBEK AB and Board member of Vossloh Nordic Switch Systems AB, NVBS Rail AB and Leksands IF Ishockey AB.
Other experience: Björn's previous experience includes senior positions within ÅF/AFRY and the Swedish Transport Administration. He has been Deputy Director General of Banverket (the former Swedish Rail Administration), Head of Traffic at the Swedish Transport Administration, Head of the Delivery Division at Banverket, Head of Banverket Planning and Head of Banverket Production, now Infranord. He has worked in transport infrastructure since 1994 with board assignments for Botniabanan and the Tågoperatörerna (train operators) industry organisation.
Education: Graduate civil engineer in industrial economics from Linköping University.
Holding in Railcare Group AB (incl. closely related parties): Björn holds 1,502 shares in Railcare Group AB.

Board of Directors, cont.

Anna Weiner Jiffer

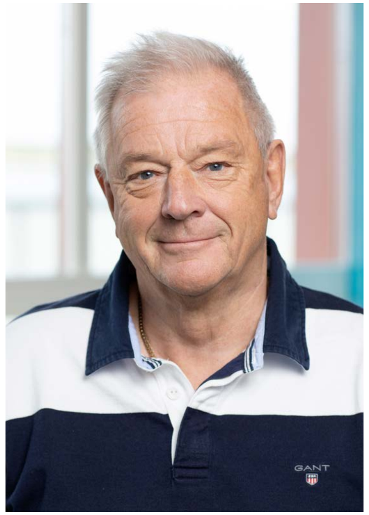
Board member, elected 2016

Born: 1971
Position: Board member and member of the Remuneration Committee.
Other ongoing significant assignments: Anna is Chairman of the Board of Beans In Cup Holding AB, HållbarTillväxt AB and Polynova AB. She is a Board member of LC-Tec AB and Fortinova AB, and owner and Senior Management Consultant in Business and Company Development at Serendipity AB.
Other experience: Anna was previously a Board member and CEO of Real Holding i Sverige AB (publ), CEO and founder of Ellen AB and Q-Sense AB, as well as Global Business Area Manager at IKEA of Sweden. She was also a Board member of Railcare Group during 2007-2011.
Education: Master of Science in Civil Engineering from Chalmers University of Technology.
Holding in Railcare Group AB (incl. closely related parties): Anna holds 5,000 shares in Railcare Group AB.

Adam Ådin

Board member, elected 2017

Born: 1980
Position: Board member, Chairman of the Audit Committee and member of the Remuneration Committee.
Other ongoing significant assignments: Adam is an Investment Manager and Board member of Treac AB. He is Chairman of the Board and a Board member of several companies, primarily in Västerbotten, including Garga Group AB, Stilmek AB and Ambra AB.
Other experience: Adam has experience in financial management, finance, management and business development in the role of senior executive.
Education: MA in Business Administration from Umeå University.
Holding in Railcare Group AB (incl. closely related parties): Adam holds 75,000 shares directly in Railcare Group AB and represents 2,390,000 shares through Treac Aktiebolag.



Ulf Marklund

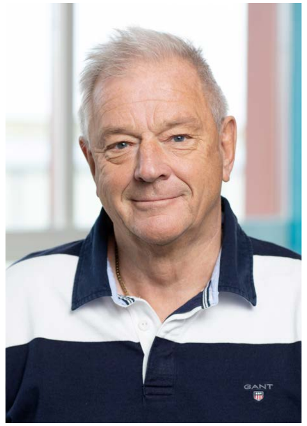
Board member, elected 2007

Born: 1954
Position: Board member and Deputy CEO of Railcare Group AB.
Other ongoing significant assignments: Ulf is Chairman of the Board and CEO of Matech Marin AB. He is a Board member of AC Finance AB and several small local companies in Skellefteå and its surroundings.
Other experience: Ulf is an innovator and developer, he co-founded Railcare Group and was previously its CEO.
Education: Two-year construction engineering programme at technical college.
Holding in Railcare Group AB (incl. closely related parties): Ulf holds 71,000 shares through Fuersson Management Ltd.

Group Management

Mattias Remahl

Born: 1976
Position: CEO and CFO
Other ongoing significant assignments: Mattias is a Board member of Humivic AB and Kurjovikens Bränneri AB.
Other experience: Mattias has 16 years of experience from the metal and mining group Boliden, where he was, among other things, Finance Director of the Mining Business Area and Group Tax Manager.
Education: Bachelor of Business Administration, Luleå University of Technology.
Holding in Railcare Group AB (incl. closely related parties): Mattias holds 125,000 shares through Humivic AB.
Employed: 2021
In Group Management since: 2021



Ulf Marklund

Born: 1954
Position: Deputy CEO
Other ongoing significant assignments: Ulf is Chairman of the Board and CEO of Matech Marin AB. He is a Board member of AC Finance AB and several small local companies in Skellefteå and its surroundings.
Other experience: Ulf is an innovator and developer. Ulf co-founded Railcare Group AB and was previously its CEO.
Education: Two-year construction engineering programme at technical college.
Holding in Railcare Group AB (incl. closely related parties): Ulf holds 71,000 shares through Fuersson Management Ltd.
Employed: 1992*
In Group Management since: 1992

Lisa Borgs

Born: 1978
Position: IR and Accounting Manager
Other ongoing significant assignments: Lisa has no other ongoing assignments as a member of any administrative, management or control body.
Other experience: Lisa has previously worked as a consultant in accounting and auditing. Since 2016, Lisa has worked closely with the Group's CFO and is responsible for the Group reporting. Lisa has over 20 years' experience of accounting and auditing.
Education: Bachelor of Business Administration, Dalarna University.
Holding in Railcare Group AB (incl. closely related parties): Lisa holds 4,450 shares in Railcare Group AB.
Employed: 2014
In Group Management since: 2022

Jonny Granlund

Born: 1967
Position: Business Area Manager
Other ongoing significant assignments: Jonny is CEO and a Board member of JOTAG AB.
Other experience: Jonny has previously worked at Banverket (the former Swedish Rail Administration) Industridivisionen as Project Manager and Site Manager for major maintenance and investment work in the Eastern, Central and Northern regions in Sweden. Jonny has more than 30 years of experience working within the railway industry.
Education: High school, two-year engineering programme.
Holding in Railcare Group AB (incl. closely related parties): Jonny holds 103,213 shares in Railcare Group AB.
Employed: 2007*
In Group Management since: 2021

* Engaged on a consulting basis

AUDITORS

According to Railcare's Articles of Association, the Company shall have one or two auditors, or a registered firm of auditors, examine the Company's annual accounts and the administration by the Board of Directors and the CEO. The Company's current auditor is the registered audit firm Ernst & Young Aktiebolag.

The audit firm was appointed auditor in 2007 and was re-elected at the 2022 Annual General Meeting. Fredrik Lundgren, Authorised Public Accountant and member of FAR (industry organisation for accounting consultants, auditors and advisers in Sweden), was re-elected as Auditor in Charge at the Annual General Meeting on 4 May 2022 for the period until the 2023 Annual General Meeting.

Each year, the Company's auditors report their observations from the audit to the entire Board in connection with the closing of the annual accounts. The Board also meets with the Company's auditors at least once a year, without the presence of Group Management, to learn about the direction and scope of the audit and to discuss the coordination between the external audit and internal control and the view regarding the Company's risks.

In 2022, the Company's auditors participated in two meetings with the Audit Committee, primarily addressing the audit of the annual accounts for 2021, as well as the review of the Interim Report for January-September 2022. In connection with one of these meetings, the Audit Committee met with the Company's auditor without the presence of Company management.

REMUNERATION TO SENIOR EXECUTIVES

Guidelines for remuneration to senior executives are decided at the AGM, based on a proposal from the Board's Remuneration Committee. On the basis of the remuneration principles determined by the AGM, the Remuneration Committee decides on guidelines for individual remuneration to the CEO and proposes guidelines to the CEO for individual remuneration to other senior executives in Group Management.

The AGM 2020 decided on guidelines for remuneration to and other employment terms for senior executives. These guidelines are described in Note G8, and are available in their entirety on the Company's website, www.railcare.se/en/.

The guidelines essentially mean that the Company shall offer its senior executives remuneration on market terms and that the criteria in connection with this shall comprise the senior executive's responsibilities, role, competencies and position.

In 2022, the Remuneration Committee had one meeting where minutes were kept and the Committee reviewed and discussed the applicable remuneration based on the set guidelines. No departures were noted. The Committee delegated the task of making a final decision on the CEO's salary review to the Chairman.

Deputy CEO Ulf Marklund and Business Area Manager Jonny Granlund are currently paid consultancy fees. The consultancy fees paid correspond to market-based fixed cash salaries adjusted upwards for other payroll overheads, such as social security contributions and pensions. The deviation, i.e. paying consultancy fees instead of paying salaries in accordance with the remuneration model that complies with the Company's guidelines for remuneration, is permitted within the opportunity the Board has to deviate from the guidelines in order to fulfil the Company's long-term interests, and is justified by the Company's need to offer market-based, competitive total compensation.

According to the Companies Act, the Board must prepare a proposal for new remuneration guidelines when there is a need for significant changes to the guidelines, but at least every four years. The Board considers there to be no need for changes and takes the view that the current guidelines ought to continue to apply.

INTERNAL CONTROL OF FINANCIAL REPORTING

Railcare's Board of Directors and CEO are responsible for internal control, which is regulated by the Companies Act, the Annual Accounts Act and the Swedish Corporate Governance Code. The Audit Committee is tasked with monitoring Railcare's internal control, primarily so that external reports are prepared in accordance with applicable legislation, but also so that Railcare's internal regulations are complied with. The purpose of the internal control of financial reporting is to ensure with reasonable assurance that the external financial reporting is reliable and that it is prepared in accordance with generally accepted accounting principles, that applicable laws and regulations are followed, and to ensure compliance with the requirements imposed on listed companies.

Railcare's internal control model is based on frameworks developed by the Committee of Sponsoring

Organizations of the Treadway Commission ("COSO"). The framework has five basic components, which are presented below.

Control environment

The control environment forms the basis for the internal control of financial reporting and a key part of maintaining good internal control is that decision paths, authorisations and responsibilities are clearly distributed and communicated within the organisation. Examples of documents regulating this are the Rules of Procedure for the Board of Railcare Group AB, Instructions to the CEO of Railcare Group AB, Instructions to the Audit Committee, Financial Policy and the Financial Handbook.

The Group is divided into operational units. Within each operational unit, there is an operations manager who is responsible for meeting targets and budgets, as well as governance issues.

Railcare's organisational structure is communicated in the Group's operating system, QMS, so that responsibilities and roles are clear to all who work with financial information.

The Financial Handbook for Railcare Group establishes the division of roles and responsibilities for the employees who work with financial reporting. The Financial Handbook includes the Group's accounting principles, as well as reporting schedules and instructions to ensure that the accounting is uniform and conducted in a timely manner.

The Financial Policy sets overarching targets and guidelines for financial risk and for how financial activities are to be conducted. The Financial Policy also sets out how the responsibility for the financial activities is to be distributed and how the risks are to be managed and reported. The Financial Policy includes instructions on how the ongoing operations are to be conducted.

Risk assessment and risk management

Within Railcare, systematic efforts are conducted with regard to how risks are to be assessed and managed in terms of operational, strategic and financial risks. The Board of Directors establishes principles and guidelines for the Company's risk management, while the operational responsibility lies with the CEO. The Board of Directors has established an Audit Committee that continuously addresses matters of risk management and the internal control of financial reporting. The Audit Committee bears a responsibility delegated from the Board of Directors to prepare matters related to internal control of financial reporting and to follow up on measures connected to risk management.

Risks identified within the Group are assessed annually by management with the aim of identifying new risks and updating the Company's view on previously identified risks. This assessment maps and evaluates the risks identified based on their impact and probability. This evaluation is presented to the Audit Committee and the Board of Directors annually.

Significant risks that may affect financial reporting include items based on accounting estimates, such as property, plant and equipment and revenue recognition. Financial risks such as liquidity, currency and credit risk are managed by Group Management and the Board of Directors based on the adopted Financial Policy.

Each month, the CEO presents the Board with the financial results for ongoing follow-up and evaluation by the Group. The financial reports are distributed via the Group's operating system, with different levels of authorisation, which prevents unauthorised individuals from accessing confidential material. In connection with meetings of the Audit Committee and the Board, more detailed information is presented in the form of profit and liquidity forecasts, for example.

Control activities

Railcare's control structure is designed to manage the risks considered by the Board of Directors to be significant for the internal control of financial reporting. Control activities include managing the risks considered by the Board of Directors to be significant to internal control, and control activities are also designed to enable employees to detect or prevent risks of errors in the reporting at an early stage. The effectiveness of the controls is assessed by individuals selected from within the organisation, and the results are compiled annually at the Group level and presented to the Audit Committee and the Board of Directors. Examples of control activities include monthly follow-up meetings with managers in the various operational units, and profit forecasts are continuously followed up and updated.

Other control activities are aimed at ensuring that the Company's non-current assets are correctly valued and include reviewing the investment budget and quarterly matching of the asset registers.

Intangible assets with an indefinite useful life (goodwill) are not impaired, but are tested for impairment annually. Assets that are depreciated or amortised are assessed for a reduction in value whenever events or changes in circumstancesindicate that the carrying amount may no longer be recoverable. Impairment losses are registered at the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. When assessing impairment requirements, assets are grouped at the lowest level at which there are essentially independent cash flows (cash-generating units).

The Company's CFO is responsible for ensuring that control activities for financial reporting are maintained and followed, and works with and monitors the control activities alongside the finance department throughout the year. Railcare continuously works to improve and develop its internal control of financial reporting.

The Board of Directors has assessed that Railcare does not need a specific internal audit function. Given the size and character of the operations, combined with existing reporting to the Board of Directors and the Audit Committee, it is not considered financially justifiable. The established control system is deemed sufficient to safeguard the quality of financial reporting.

Information and communication

Railcare's steering documents, in the form of policies, are adopted annually by the Board of Directors. Guidelines and instructions are updated when required by the relevant individual responsible in accordance with Guidelines for managing steering documents. All steering documents are accessible via QMS and this is regulated based on specific levels of authorisation to ensure that employees have access to necessary and relevant information.

Railcare's Communications Policy and Insider Policy describe how the Group should handle matters connected with internal and external communications, how insider information should be handled, and how responsibilities are distributed within the Company.

Internal communication is conducted on an ongoing basis throughout the Group. Information in the form of newsletters and videos are distributed by email several times a year to all employees in the Group. This ensures all employees are updated and informed about what is happening in the Group and the various operations. Although Railcare's employees meet in person, meetings are also held digitally and over the phone.

Railcare's external communications are conducted predominantly via the Company's website. The website is constantly updated with essential information for external stakeholders and updated in accordance with the laws, regulations and guidelines that Railcare follows as a company listed on the Nasdaq Stockholm. Examples include updating documents relating to investor relations, such as Interim Reports, Annual Reports, materials for general meetings, etc.

Monitoring activities

Compliance and efficiency of internal control is followed up by the CEO and CFO who in turn report to the Audit Committee and the Board of Directors. Group Management meets monthly focusing on the operational governance and, where necessary, discusses necessary measures for effective internal control. Each month, the CEO presents a summary report to the Board via QMS containing information about the Group's and segments' results compared to earlier periods. Ahead of each regular Board meeting, the Board is presented with more extensive and detailed reporting. These reports present prevailing market conditions, risks associated with ongoing projects and potential departures from the forecast and the budget.

The CFO is responsible for ensuring that analyses and comments presented to the Board of Directors are accurate and that the Board and the Audit Committee receive all relevant information and materials, so that the Board and the Audit Committee have a timely and accurate picture of the internal control of financial reporting.

The Board of Directors evaluates the risks associated with the internal control of financial reporting continuously and reports this to the CEO and CFO, who communicate the observations made by the Board to the organisation and ensure that appropriate measures are implemented. In this work, the Board is guided by principles and guidelines, and compliance is monitored throughout the year via continuous dialogue at Audit Committee and Board meetings. The internal control is assessed to be effective.

Financial statements and notes

The notes on pages 69-109 constitute an integrated part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Amounts in SEK 000	**Note**	**Jan-Dec 2022**	**Jan-Dec 2021**
Net sales	G5	497,035	437,946
Capitalised work on own account		12,130	8,341
Other operating income	G6, G12	3,104	6,359
Total		**512,269**	**452,646**
Raw materials and consumables		-193,141	-140,987
Other external costs	G9, G10	-75,762	-62,858
Personnel costs	G8	-146,341	-138,950
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-42,811	-52,096
Other operating expenses	G7, G12	-1,849	-1,536
Total operating expenses		**-459,904**	**-396,426**
Operating profit/loss (EBIT)		**52,365**	**56,219**
Financial income		21	57
Financial expenses		-5,478	-4,427
Net financial income/expense	G11	**-5,457**	**-4,370**
Share of profit after tax from associated companies reported according to the equity method		-	-182
Profit/loss before tax		**46,907**	**51,667**
Income tax	G13	-10,125	-11,152
Net profit/loss for the period		**36,783**	**40,514**

Amounts in SEK 000	**Note**	**Jan-Dec 2022**	**Jan-Dec 2021**
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate differences from the translation of foreign operations		637	250
Other comprehensive income for the period, net of tax		**637**	**250**
Total comprehensive income for the period		**37,420**	**40,764**

Amounts in SEK		**Jan-Dec 2022**	**Jan-Dec 2021**
Earnings per share before and after dilution	G22	1.52	1.68
Average number of shares		24,124,167	24,124,167
Number of shares outstanding on the reporting date		24,124,167	24,124,167

The notes on pages 69-109 constitute an integrated part of these consolidated financial statements.

Consolidated Statement of Financial Position

Amounts in SEK 000	Note	31/12/2022	31/12/2021
ASSETS			
Non-current assets			
Intangible assets	G14		
Capitalised development costs		538	967
Patents		188	263
Goodwill		6,300	7,293
Transportation licences		1,186	1,441
Total intangible assets		**8,212**	**9,964**
Property, plant and equipment	G15		
Buildings and land		35,170	35,975
Locomotives and wagons		134,772	132,579
Mobile machinery		179,959	145,762
Vehicles		3,996	5,761
Equipment, tools, fixtures and fittings		5,445	6,092
Construction in progress		78,779	92,151
Total property, plant and equipment		**438,123**	**418,319**
Financial non-current assets			
Deferred tax assets	G24	681	725
Other non-current receivables	G16	3,954	3,954
Total financial non-current assets		**4,635**	**4,679**
Total non-current assets		**450,970**	**432,962**

Amounts in SEK 000	Note	31/12/2022	31/12/2021
Current assets			
Inventories	G18		
Raw materials and consumables		16,233	14,414
Work in progress		16,013	13,555
Total inventories		**32,245**	**27,968**
Current receivables			
Accounts receivable	G17	40,936	46,543
Current tax receivables		1	1,030
Other current receivables	G19	9,253	1,597
Prepaid expenses and accrued income	G20	27,492	9,306
Total current receivables		**77,682**	**58,475**
Cash and cash equivalents	G21	31,976	38,560
Total current assets		**141,903**	**125,003**
TOTAL ASSETS		**592,873**	**557,965**

The notes on pages 69-109 constitute an integrated part of these consolidated financial statements.

Consolidated Statement of Financial Position (cont.)

Amounts in SEK 000	Note	31/12/2022	31/12/2021
EQUITY	G22		
Share capital		9,891	9,891
Other capital provided		19,830	19,830
Translation reserve		2,167	1,530
Retained earnings (profit/loss for the year included)		212,207	189,899
Total equity attributable to Parent Company shareholders		**244,095**	**221,150**

Amounts in SEK 000	Note	31/12/2022	31/12/2021
LIABILITIES			
Non-current liabilities	G23		
Deferred tax liabilities	G24	54,657	48,158
Liabilities to credit institutions		100,833	97,041
Lease liability		42,646	48,062
Other provisions		99	-
Total non-current liabilities		**198,235**	**193,261**
Current liabilities	G23		
Lease liability		10,658	10,945
Liabilities to credit institutions		63,927	61,668
Accounts payable		34,359	26,057
Prepayments from customers		2,398	9,382
Current tax liabilities		933	356
Other liabilities	G25	5,011	7,046
Accrued expenses and deferred income	G26	33,257	28,101
Total current liabilities		**150,543**	**143,554**
TOTAL EQUITY AND LIABILITIES		**592,873**	**557,965**

The notes on pages 69-109 constitute an integrated part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

Amounts in SEK 000	Note	Share capital	Other capital provided	Translation reserve	Retained earnings (incl. profit/loss for the period)	Total equity
Opening balance						
as of 1 January 2021	**G22**	**9,891**	**36,565**	**1,280**	**147,126**	**194,862**
Transfer in equity due to dividend paid in previous years			-16,735		16,735	0
Profit/loss for the year					40,514	40,514
Other comprehensive income				250	-	250
Total comprehensive income				**250**	**40,514**	**40,764**
Transactions with shareholders						
Dividend					-14,475	-14,475
Closing balance						
as of 31 December 2021		**9,891**	**19,830**	**1,530**	**189,899**	**221,150**
Opening balance						
as of 1 January 2022	**G22**	**9,891**	**19,830**	**1,530**	**189,899**	**221,150**
Profit/loss for the year					36,783	36,783
Other comprehensive income				637	-	637
Total comprehensive income				**637**	**36,783**	**37,420**
Transactions with shareholders						
Dividend					-14,475	-14,475
Closing balance						
as of 31 December 2022		**9,891**	**19,830**	**2,167**	**212,207**	**244,095**

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

Amounts in SEK 000	Note	Jan-Dec 2022	Jan-Dec 2021
Cash flow from operating activities			
Operating profit		52,365	56,219
Adjustment for non-cash items	G29	42,894	49,371
Interest paid		-5,478	-4,427
Interest received		21	57
Income tax paid		-2,024	-1,782
Cash flow from operating activities before changes in working capital		**87,778**	**99,438**
Cash flow from changes in working capital			
Increase/decrease in inventories		-4,693	-8,597
Increase/decrease in operating receivables		-20,098	502
Increase/decrease in operating liabilities		4,410	8,894
Total changes in working capital		**-20,381**	**799**
Cash flow from operating activities		**67,397**	**100,237**
Cash flow from investing activities			
Investments in intangible assets	G14	-164	-957
Investments in property, plant and equipment	G15	-53,109	-42,220
Withdrawals from associated companies		-	200
Sales of associated companies		-	450
Divestment of property, plant and equipment		109	3,645
Cash flow from investing activities		**-53,164**	**-38,882**

Amounts in SEK 000	Note	Jan-Dec 2022	Jan-Dec 2021
Cash flow from financing activities	**G30**		
Loans raised		32,398	19,200
Amortisation of loans		-26,346	-27,645
Amortisation of lease liabilities		-12,790	-24,982
Dividend paid		-14,475	-14,475
Cash flow from financing activities		**-21,213**	**-47,902**
Cash flow for the period		**-6,980**	**13,453**
Cash and cash equivalents at the beginning of the period		38,559	24,785
Exchange rate difference in cash and cash equivalents		397	321
Cash and cash equivalents at the end of the period	G21	**31,976**	**38,559**

NOTE 1 GENERAL INFORMATION

Railcare Group AB (publ), ("Railcare"), Corp. ID no. 556730-7813 is a limited company registered in Sweden and domiciled in Skellefteå, with the address Näsuddsvägen 10, SE-932 32 Skelleftehamn, Sweden. Railcare Group AB is the Parent Company of the Group. Railcare's share is listed on Nasdaq Stockholm Small Cap under the ticker "RAIL". This Annual Report and the consolidated financial statements have been approved by the Board of Directors for publication on 31 March 2023 and will be submitted to the Annual General Meeting on 4 May 2023 for adoption.

Unless otherwise stated, all amounts are given in SEK 000. Disclosures in parentheses pertain to the comparison year.

NOTE G2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The most important accounting principles applied in preparing these consolidated financial statements are described below. These principles have been applied consistently to all the periods presented, unless otherwise stated.

Basis for preparation of statements

Railcare's consolidated financial statements have been prepared in accordance with the Annual Accounts Act, the Swedish
Financial Reporting Board's recommendation RFR 1 *Supplementary Accounting Rules for Groups*, International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU.

The consolidated financial statements have been prepared based on the going concern assumption. All assets and liabilities have been valued on the basis of their cost.

The preparation of financial statements in compliance with IFRS requires the use of a number of critical accounting estimates. It also requires Group Management to exercise its judgement in the process of applying the Group's accounting principles. The areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are indicated in Note G4.

New and amended standards applied by the Group

As of 1 January 2022, the Group applies several amendments to the standards.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
The amendments specify which costs for fulfilling a contract are to be considered when identifying and reporting an onerous contract. The costs for fulfilling a contract include costs directly related to the contract, which consist of additional costs for fulfilling the specific contract and a proportion of other costs directly related to fulfilling the contract.

Amendments to IAS 16 Property, Plant and Equipment
The amendments clarify that income earned before the property, plant and equipment is brought to the condition necessary for its intended use may not be deducted from the asset's cost, instead it shall be recognised in profit or loss.

The amendments to IAS 37 and IAS 16 that came into force during the year have not had a material impact on the consolidated financial statements.

New standards and interpretations not yet applied by the Group

A number of new and amended standards and interpretations have been published by IASB but have not yet come into force. None of the new or amended standards or interpretations have been applied in advance. A description of the new and amended standards that could affect the Group's or Parent Company's financial statements is provided below. Other new or amended standards or interpretations published by IASB are not expected to have an impact on the Group's or Parent Company's financial statements.

Amendments to IAS 1 Presentation of Financial Statements (classification of liabilities)

In January 2020, IASB published amendments to IAS 1 regarding the classification of liabilities as current or non-current. The amendments are expected to come into force on 1 January 2024.

The Group judges that the changes will not have a material effect on the Group's or Parent Company's financial statements. The Group will, however, continuously monitor and evaluate the changes in the event of signing new credit agreements.

Amendments to IAS 1 Presentation of Financial Statements (disclosure of accounting principles)

The amendments mean that the requirement in IAS 1 regarding disclosures of significant accounting principles is replaced with a requirement regarding material accounting principles. At the same time, IASB's Practice Statement 2 Making Materiality Judgements is being updated with guidance and examples intended to illustrate the application of the materiality criterion to disclosures of accounting principles. The aim of the amendments is to improve the effectiveness of communication in financial statements. Focusing on material accounting principles is expected to increase the usefulness of disclosures of accounting principles and decrease the amount of standardised information that is not useful for the users. The amendments shall be applied to the accounting years beginning on or after 1 January 2023.

The Group has started to map the amendments on the basis of the Group's conditions and current procedures for disclosing accounting principles in order to assess whether the amendments may have an effect on the accounting principles presented for the Group or Parent Company.

Amendments to IAS 12 Income Taxes

The amendments specify that the exemption whereby deferred tax is not recognised for temporary differences arising upon initial recognition of an asset or liability does not apply to transactions that simultaneously give rise to both an asset and a liability, such as right-of-use assets and lease liabilities. The amendments shall be applied retrospectively to the accounting years beginning on or after 1 January 2023.

The amendments cover the Group's reporting of right-of-use assets and lease liabilities.

Consolidated financial statements

Basic accounting principles

Subsidiaries

Subsidiaries are all companies over which the Group has a controlling influence. The Group controls a company when the Group is exposed to, or has rights to, variable returns from its holdings in the company and has the ability to affect those returns through its influence over the company. Subsidiaries are included in the consolidated financial statements from the date on which the controlling interest is transferred to the Group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases.

The acquisition method is used for reporting the Group's business combinations. The purchase consideration for the acquisition of a subsidiary is the fair value of the transferred assets, the liabilities assumed by the Group to the former owners of the acquired company and the shares issued by the Group. The consideration also includes the fair value of all liabilities that are a consequence of a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are initially valued at fair value at the acquisition date. The Group determines separately for each acquisition whether non-controlling interests in the acquired company are recognised at fair value or at the holdings' proportionate share of the carrying amount of the identifiable net assets of the acquired company.

Acquisition-related costs are expensed as they arise.

Goodwill is initially valued as the amount by which the total purchase price and any fair value of non-controlling interests at the date of acquisition exceeds the fair value of identifiable net assets acquired. If the purchase price is lower than the fair value of the acquired company's net assets, the difference is recognised directly in profit and loss.

Intra-Group transactions, balance sheet items, and income and expenses for intra-Group transactions are eliminated. Gains and losses resulting from intra-Group transactions and which are recognised as assets are also eliminated. Where applicable, the accounting principles of subsidiaries have been amended to guarantee a consistent application of the Group's principles.

Associated companies

Associated companies are all companies in which the Group has a significant, but not controlling influence, which generally applies to shareholdings of between 20 percent and 50 percent of the votes. Holdings in associated companies are reported according to the equity method. According to the equity method, holdings in associated companies are initially recognised in the consolidated balance sheet at cost. The carrying amount is thereafter increased or decreased to take into account the Group's share of the profit/loss from its associated companies after the acquisition date. The Group's share of profit/loss is included in the Group's profit/loss. Dividends from associated companies are recognised as a decrease in the investment's carrying amount.

When the Group's share of the losses in an associated company is equal to or greater than the holding in the associated company (including all non-current receivables that in reality constitute a part of the Group's net investments in the associated company), the Group recognises no further losses as long as the Group has not undertaken obligations or made payments on behalf of the associated company.

Unrealised gains on transactions between the Group and its associates are eliminated in proportion to the Group's holding in the associated company. Unrealised losses are also eliminated insofar as the transaction does not constitute an indication of impairment of the asset transferred. The accounting principles for associated companies have been adjusted if necessary to ensure agreement with the Group's accounting principles.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the highest executive decision-making body. Railcare's Group Management is the highest executive decision-making body in the Railcare Group and evaluates the Group's financial position and earnings and makes strategic decisions. The Company has determined the operating segments based on the data processed by Group Management and used as a basis for allocating resources and evaluating results of operations.

Group Management evaluates the operations based on the four operating segments: Contracting Sweden, Contracting Abroad, Transport Scandinavia, and Machines and Technology. Group Management primarily uses profit after financial items to assess consolidated earnings.

Foreign currency translation

Functional currency and presentation currency

The different units of the Group have the local currency as their functional currency, as the local currency has been defined as the currency used in the primary economic environment in which the unit mainly operates. Swedish kronor (SEK), the functional currency of the Parent Company and the presentation currency of the Group, is used in the consolidated financial statements.

Transactions and balance sheet items

Transactions in foreign currencies are translated into the functional currency at the exchange rates prevailing on the date of the transaction. Any gain or loss arising from the payment of such transactions and in the restatement of monetary assets and liabilities in foreign currencies at the rate on the record date is recognised in operating profit in the statement of comprehensive income.

Foreign exchange gains and losses relating to loans and cash and cash equivalents are recognised in the statement of comprehensive income as financial income or expenses. All other foreign exchange gains and losses are recognised in the item “Other operating expenses” and “Other operating income” in the statement of comprehensive income.

Translation of foreign Group companies

The financial position and performance of all Group companies with a functional currency different than the presentation currency are translated to the Group’s presentation currency. The assets and liabilities on each balance sheet are translated from the functional currency of the foreign operation to the Group’s presentation currency, Swedish kronor (SEK), at the exchange rate prevailing on the record date. The income and expenses in each income statement are translated to Swedish kronor at the average exchange rate for the period. Translation differences arising on the translation of foreign operations are recognised in other comprehensive income.

Revenue recognition

Revenue from contracts with customers

In order for the Group to be able to recognise income from contracts with customers, each customer contract is analysed in accordance with the five-step model set out below:

Step 1: Identify a contract between at least two parties where there is a right and an obliga tion.

Step 2: Identify the different obligations.

Step 3: Determine the transaction price, meaning the compensation amount that the Com pany is expected to receive in exchange for the promised goods or services. The transaction price shall be adjusted for variable components, such as any dis counts.

Step 4: Allocate the transaction price to the various performance obligations.

Step 5: Recognise income when the performance obligations are fulfilled, meaning control has transferred to the customer. This may be done at one point in time or over time if any of the criteria stated in the standard are met.

The Group’s income is comprised of sales of both goods and services. Sales of goods account for a small proportion of income and consist of sales of machinery produced in-house, spare parts for export and spare parts for locomotives and wagons via Railcare’s workshops. Every separate product in the order is considered to constitute a separate performance obligation. The sale is recognised as income at the time when control of the goods is transferred, which occurs when the customer has received the machinery, test driven and approved it.

The Group’s obligation to repair or replace defective machinery according to normal warranty rules is recognised as a provision in accordance with IAS 37 and is not viewed as a distinct service and is accordingly not a separate performance obligation.

The sale of services consists of contracting agreements involving machinery and personnel on railways within Sweden and abroad, culvert renovations, specialist transport and workshop services for repairs and upgrades of locomotives and wagons. Contracting agreements involving machinery and personnel on railways are deemed to consist of a performance obligation since the machinery is manned by Railcare’s personnel. If the agreements contain several performance obligations, the transaction price is allocated to each separate performance obligation based on their standalone selling prices.

For service assignments where the transaction price is comprised of a fixed amount, mainly snow clearing services, transport assignments and locomotive upgrades, the income is recognised over time based on the degree of completion. The degree of completion is determined based on the production method that is based on the value of work done in relation to what is to be done in total.

The Group’s income from most of the service assignments, such as service agreements and the hiring out of personnel, is earned on a cost-plus basis, based on the price per hour or shift. Railcare applies the practical exemption of recognising such income at the amount the Group is entitled to invoice, as this corresponds to the value to the customer of the Group’s performance that has been achieved by that date. Customers are invoiced monthly.

Hire income
The Group hires out personnel mainly in the form of locomotive drivers. The contracts are cost-plus contracts based on the price per hour or shift. The income is recognised to the extent that Railcare has a right to invoice.

Interest income
Interest income is recognised using the effective interest method.

Leasing

The Group is both a lessee (office premises, mobile machinery, locomotives and wagons and vehicles) and a lessor (locomotives and wagons).

Leasing income from operating leases where the Group is the lessor is recognised as income in the statement of comprehensive income on a straight-line basis over the term of the lease.

The Group's accounting principles as a lessee are presented below.

Railcare Group's leases predominantly involve locomotives, cars, machinery and premises. Leases are normally signed for fixed periods of one to eight years, although extension options are available, as described below. The terms are negotiated separately for each contract and include a large number of different contract terms.

From the date on which the leased assets are placed at the disposal of the Group, leases are reported as right-of-use assets with corresponding liabilities. Each lease payment is divided between an amortisation of the liability and a financial expense. The financial expenses are to be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed interest rate for the liability recognised for the period concerned. The right-of-use asset is depreciated on a straight-line basis across the useful life of the asset or the length of the lease, whichever is shorter.

The lease liabilities include the present value of the following lease payments:

- fixed fees
- variable lease fees, determined by an index or interest rate

Lease payments are discounted at the incremental borrowing rate.

Right-of-use assets are valued at cost and include the following:

- the initial valuation of the lease liability,
- payments made at or before the time at which the lease assets were made available to the lessee,

Leases of short maturity (less than 12 months) and leases where the underlying asset is low value are expensed on a straight-line basis in the income statement.

Options to extend or terminate agreements
Options to extend or terminate agreements are included in the asset and the liability where it is reasonably certain that they will be exercised. Extension options are taken into account based on a model for agreement extensions based on the probability that the agreement will be extended. Extension options are mainly included in agreements associated with premises.

Accounting in subsequent periods
The lease liability is revalued if there are changes to the lease agreement or if there are changes in cash flow based on the original terms of the contract. Changes in cash flow based on original contract terms occur when:

- the Group changes its initial assessment of whether options for extension and/or termination will be exercised,
- there are changes in previous assessments if a call option is to be exercised,
- lease fees change due to changes in indexes or interest rates.

A revaluation of the lease liability leads to a corresponding adjustment to the right-of-use asset. If the carrying amount of the right-of-use asset has already been reduced to zero, the remaining revaluation is reported in the income statement. The right-of-use asset is tested for impairment whenever events or changes in conditions indicate that the carrying amount of an asset cannot be recovered.

Employee benefits

Current benefits
Liabilities for salaries and benefits, including non-monetary benefits and paid leave, which are expected to be settled within 12 months of the end of the financial year, are recognised as current liabilities at the undiscounted amount expected to be paid when the liabilities are settled. The expense is recognised as the services are rendered by the employees. The liability is recognised as an obligation for employee benefits in the statement of financial position.

Post-employment benefits
The Group only has defined-contribution pension plans. A defined-contribution pension plan is a pension plan under which the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligations to pay additional contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service during the current or previous periods. The contributions are recognised as a cost in profit or loss for the period at the rate they are earned by employees providing services to the Company in the period.

Railcare has made a pension promise to two employees, and in connection with this it has taken out endowment insurance as security for these two employees' pensions. The pension promise means that the individuals will receive the entire value of the endowment insurance. As the levels of remuneration are not guaranteed, the Group's net obligation will be zero. These endowment insurance plans are viewed as plan assets and offset against the obligation.

Current and deferred income tax

Tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except when tax relates to items that are recognised in other comprehensive income or directly in equity. In such cases, tax is also recognised in other comprehensive income or equity.

Current tax is calculated on the period's taxable profit according to the applicable tax rate. The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted as of the record date in the countries where the Parent Company and its subsidiaries operate and generate taxable income. The Company regularly evaluates statements made in tax returns with respect to situations where applicable tax regulations are subject to interpretation. When deemed appropriate, it makes provisions for amounts expected to be paid to the tax authorities.

Deferred tax is recognised on all temporary differences arising between the tax value of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Nor is deferred tax recognised if it arises as a result of a transaction that constitutes the initial recognition of an asset or liability in a business combination that, at the time of the transaction, affects neither the recognised profit or loss nor the profit or loss for tax purposes. Deferred income tax is calculated using tax rates (and legislation) that have been enacted or announced by the record date and which are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future tax surpluses will be available, against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority and relate to either the same taxable entity or different taxable entities where there is an intention to settle balances by net payments.

Intangible assets

Goodwill

Goodwill arises in the acquisition of subsidiaries and pertains to the amount by which the purchase consideration, any non-controlling interests in the acquired company and the fair value on the acquisition date of an earlier share of equity in the acquired company exceed the fair value of identifiable acquired net assets. If the amount is less than the fair value of the acquired subsidiary's net assets, in the event of a bargain purchase, the difference is recognised directly in the statement of comprehensive income.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill has been allocated corresponds to the lowest level in the Group at which the goodwill in question is monitored for internal management. Goodwill is monitored at operating segment level.

Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate a possible decrease in value. The carrying amount of the cash-generating unit to which the goodwill has been attributed is compared with the recoverable amount, which is the higher of the value in use and fair value less selling expenses. Any impairment is recognised immediately as an expense and is not reversed.

Capitalised development costs

Costs for maintenance are expensed as they arise. Development expenses that are directly attributable to the development of stability tests in the relining operations and planning tools that are controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete them so they are available for use,
- the Company intends to complete them and to use or sell them,
- there are conditions to use or sell them,
- it can be demonstrated how they generate probable future economic benefits,
- adequate technical, financial and other resources to complete development and to use or sell them are available, and
- the expenses directly attributable to them during their development can be measured reliably.

Directly attributable expenses that are capitalised as part of the development work regarding stability tests in the relining operations and planning tools include costs for employees and external consultants.

Other development expenses that do not fulfil these criteria are expensed when they arise. Development expenses that were previously expensed are not reported as an asset in the ensuing period.

Capitalised development expenses are recognised as intangible assets and amortised from the time that the asset is ready to be used.

Patents
Patents acquired separately are recognised at cost. Patents have a finite useful life and are recognised at cost less accumulated amortisation and impairment.
Transportation licences
Transportation licences acquired separately are recognised at cost. Transportation licences have a finite useful life and are recognised at cost less accumulated amortisation and impairment.

Useful lives for the Group's intangible assets

Capitalised development costs	5 years
Patents	5 years
Transportation licences	10 years

Property, plant and equipment

Property, plant and equipment are recognised at cost less depreciation and any impairment. Cost includes expenses directly attributable to the acquisition of the asset and putting it into place and in a condition to be fit for use in accordance with the intention of the acquisition.

Subsequent expenses are added to the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the asset will flow to the Group and that the cost of the asset can be measured reliably. The carrying amount of a replaced part is removed from the statement of financial position. All other forms of repairs and maintenance are expensed in the statement of comprehensive income in the period in which they occur.

Depreciation is applied on a straight-line basis, less the estimated residual value, over the estimated useful life.

The useful lives are as follows:

Buildings and land:	
Land improvements	20 years
Mobile machinery:	
Chassis	20-40 years
Ploughs and cabs	30 years
Containers	16-30 years
Burners	25 years
Snow blowers	25 years
Propulsion systems	13-20 years
Power packs	20 years
Conveyor belts/hydraulics	20 years
Other components	5-16 years
Locomotives and wagons:	
Chassis	8-60 years
Diesel engines	8-50 year
Generators and turbo	4-50 years
Other components	4-10 years
Vehicles	6 years
Equipment, tools, fixtures and fittings	5-10 years

The assets' residual values and useful lives are reviewed annually and adjusted if necessary.

For right-of-use periods for assets recognised according to IFRS 16 Leases, refer to the note with the heading Leasing above.

If an asset's carrying amount exceeds its estimated recoverable amount, the carrying amount is immediately written down to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are determined by comparing the sale proceeds and the carrying amount, whereby the difference is recognised in Other operating income or Other operating expenses in the statement of comprehensive income.

Impairment of non-financial assets

Intangible assets that have an indefinite useful life (goodwill) or intangible assets that are not ready for use (capitalised development costs) are not amortised, but are tested annually for impairment. Assets that are depreciated or amortised are assessed for a reduction in value whenever events or changes in circumstances indicate that the carrying amount may no longer be recoverable. To ensure that there is no need for impairment, an impairment test is performed annually for each cash-generating unit. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling expenses and its value in use. When assessing impairment requirements, assets are grouped at the lowest level at which there are essentially independent cash flows (cash-generating units). Assets (other than goodwill) that have previously been impaired are tested on each record date for possible reversal.

Financial instruments

A financial instrument is any form of agreement that gives rise to a financial asset at one company and a financial liability or equity instrument at another company. Financial instruments are classified at initial recognition based in part on the purpose for which the instrument was acquired and managed. This classification determines the valuation of the instruments.
Recognition and derecognition

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognised in the balance sheet when an invoice has been sent and the Company's right to compensation is unconditional. Liabilities are recognised when the counterparty has performed its obligation and a contractual obligation to pay exists, even if an invoice has not yet been received. Accounts payable are recognised as invoices are received.

Financial assets and liabilities are offset and recognised as net amounts in the balance sheet only when there is a legally enforceable right to offset the amounts and there is an intention to settle the items as a net amount or to realise the asset and settle the liability simultaneously. A financial asset is derecognised from the balance sheet when the rights in the agreement are realised, expire or the Company loses control over them. A financial liability is derecognised from the balance sheet when the contractual obligation has been discharged or otherwise extinguished. The same applies to parts of financial assets and financial liabilities.

Gains and losses from derecognition from the balance sheet and modifications are recognised in profit or loss insofar as hedge accounting is not applied.

Classification and measurement of financial assets
Debt instruments: classification of financial assets as debt instruments is based on the Group's business model for management of the asset and the nature of the asset's contractual cash flows. The instruments are classified at:

- Amortised cost,
- Fair value through profit or loss, or
- Fair value through other comprehensive income

Financial assets classified at amortised cost are initially measured at fair value plus transaction expenses. After initial recognition, the assets are measured at amortised cost less a loss provision for expected credit losses. According to the business model, assets classified at amortised cost are held to collect contractual cash flows that are only payments of principal and interest on the outstanding principal.

The Group's financial assets are comprised of accounts receivable, cash and cash equivalents, other current receivables, other non-current receivables and deposits. All of them are classified at amortised cost. The Group does not apply hedge accounting.

Impairment of financial assets
The Group's impairment model is based on expected credit losses, and takes prospective information into account. A loss provision is made when there is exposure to credit risk, usually at initial recognition of an asset or receivable. A loss provision is recognised in the simplified model for the remaining maturity period of the receivable or asset. The simplified model is applied for accounts receivable and contract assets and based on historical customer bad debts combined with prospective factors.

For other items included in expected credit losses, an impairment model with three stages is applied. Initially, and on each record date, a loss provision is recognised for the next 12 months or for a shorter period depending on the remaining duration (stage 1). The Group's assets have been deemed to be in stage 1, meaning there has been no material increase in the credit risk.

Other receivables and assets are impaired based on the likelihood of insolvency. For the credit-impaired assets and receivables, an individual assessment is conducted where consideration is taken of historical, current and prospective information. The valuation of expected credit losses takes into account any collateral and other credit enhancement in the form of guarantees.

Classification and measurement of financial liabilities
The Group's financial liabilities are classified at amortised cost. Financial liabilities classified at amortised cost are initially measured at fair value including transaction expenses. After initial recognition, they are measured at amortised cost according to the effective interest method.

The Group's financial liabilities (liabilities to credit institutions, accounts payable, convertible loans and other current liabilities) are classified at amortised cost.

Inventories
Inventory is recognised, in accordance with the first-in/first-out principle, at the lower of cost and net realisable value. The net realisable value is the estimated selling price in the operating activities less applicable variable selling expenses. The cost of work in progress consists of materials, direct wages and other direct expenses. Borrowing costs are not included.

Accounts receivable
Accounts receivable are financial instruments that consist of amounts due from customers for goods and services sold in operating activities. If payment is expected within one year or less, they are classified as current assets. Otherwise, they are recognised as non-current assets.

Accounts receivable are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment, using the effective interest method.

Cash and cash equivalents
In both the statement of financial position and the cash flow statement, cash and cash equivalents include cash and bank balances.

Share capital
Ordinary shares are classified as equity. Transaction costs that can be directly attributed to the issue of new ordinary shares are recognised net after tax in equity as a deduction from the issue proceeds.

Borrowing
Borrowing is initially recognised at fair value, net of transaction expenses. Borrowing is subsequently recognised at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the borrowing period using the effective interest method.

The liability is classified as a current item in the statement of financial position if the Company does not have an unconditional right to postpone settlement of the liability for at least 12 months after the reporting period.

Borrowing is removed from the statement of financial position when the obligations have been settled, annulled or otherwise expired. The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss for the period.

The composite financial instruments that the Group issued comprise convertible debentures where the holder can demand that they be converted into shares and where the number of shares to be issued is not affected by changes in the shares' fair value.

The fair value of the liability component in a convertible debenture is calculated using a discount rate that is comprised of the market interest rate for a liability with the same terms, but without the right of conversion into shares. The amount is recognised as a liability at amortised cost until the liability is converted or expires. The conversion right is initially recognised as the difference between the fair value of the entire composite financial instrument and the liability component's fair value. This is recognised in equity net after tax. Directly attributable transaction expenses are allocated to the liability or equity component in proportion to their initial carrying amounts.

In 2020, all convertible debentures were converted into shares, see Note G24.

Borrowing costs
Borrowing costs are expensed in the period to which they refer. The Group does not have any qualifying assets for which borrowing costs shall be capitalised, i.e. assets that out of necessity take significant time to complete for the intended use or sale.

Accounts payable
Accounts payable are financial instruments and relate to obligations to pay for goods and services purchased from suppliers as part of operating activities. These liabilities are usually paid within 30 days. Accounts payable are classified as current liabilities if they fall due within one year. Otherwise, they are recognised as non-current liabilities.

Cash flow statement
The cash flow statement has been prepared using the indirect method. Recognised cash flow only includes transactions that involve payments in or out.

NOTE G3 FINANCIAL RISK MANAGEMENT

Financial risk factors

The Group's activities expose it to many different financial risks: market risk (currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of the financial markets and seeks to minimise potential adverse effects on the Group's financial results. The Group does not use derivative instruments to financially hedge certain risk exposures.

Risk management is handled by the finance department in accordance with policies approved by the Board. When necessary, the finance department identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board establishes written policies both for overall risk management and specific areas, such as currency risk, interest rate risk, credit risk, use of derivative instruments and non-derivative financial instruments, and investment of excess liquidity.

a. Market risk

i. Currency risk

The Group is active within Scandinavia and the UK, and is exposed to currency risks that arise from different currency exposures, such as the British pound (GBP) and Danish krona (DKK). Currency risk arises from future business transactions, recognised assets and liabilities and net investments in foreign operations.

Currency risk arises when future business transactions are denominated in a currency that is not the functional currency of the unit. The Group's sales take place to some extent in GBP and to a lesser extent in NOK, DKK and EUR. The Group has chosen to not hedge its currency risk in these transactions.

The Group has a number of holdings in foreign operations, the net assets of which are exposed to currency risks. Currency exposure that arises from net assets in the Group's operations abroad is not material, which is why the Group has chosen to not hedge this exposure.

The Group is mainly exposed to changes in the exchange rate for the GBP.

If the SEK had weakened/strengthened by 1 percent relative to the GBP with all other variables constant, there would be no material impact on the translated profit after tax for financial years 2022 and 2021.

ii. Interest rate risk

The Group's foremost interest rate risk arises from long-term borrowing at variable interest, which exposes the Group to interest rate risk for the cash flows. During the 2022 and 2021 financial years, the Group's borrowing was denominated in SEK at variable interest.

If interest rates on borrowing in SEK as of 31 December 2022 had been 50 basis points (0.5 percentage points) higher/lower, but all other variables had been constant, then profit after tax for the 2022 financial year would have been SEK 822 thousand (864) lower/higher, primarily as an effect of higher/lower interest expenses for borrowings with variable interest rates.

b. Credit risk

Credit risk is the risk that the counterparty in a transaction cannot fulfil its financial contractual obligations and that possible collateral does not cover the Company's receivable. The overwhelming majority of the credit risk for Railcare pertains to receivables from customers. The majority of Railcare's sales are to large customers with high credit ratings. The terms of payment for the Group's customers are generally 30 days. The Group has historically had very low bad debt losses. This limits the Group's credit risk. Credit risk also arises when the Company places surplus liquidity with banks. These placements only take place with selected counterparties with high credit ratings.

Credit risk is managed at Group level except for credit risk regarding outstanding accounts receivable. Each Group company is responsible for examining and analysing the credit risk of each new customer before the standard terms of payment and delivery are offered.

Railcare does not have any loss provision for financial assets as the Company does not expect any losses due to non-payment by the counterparties described above. This assumption is based on Company management's own assessments for the assumptions and selection of input data for calculating impairment requirements. These are based on history, known market conditions and prospective calculations at the end of each reporting period.

Railcare has a receivable from Rail Test Nordic (RTN) for preliminary study work to lay a train test track between Jörn and Arvidsjaur. The receivable amounts to SEK 4.0 million and by agreement shall be paid in connection with project start. Railcare considers the receivable to be secure, but a credit risk exists nonetheless until the project start has occurred and payment has been made.

c. Liquidity risk

Liquidity risk is defined as the risk of not being able to meet payment obligations on maturity without the cost for securing payment funds increasing significantly.

Group Management closely monitors rolling forecasts for the Group's liquidity reserve to ensure that the Group has adequate liquid funds to meet its operational requirements. At the same time, it maintains sufficient latitude in its unutilised contractual credit facilities to ensure that the Group does not breach borrowing limits or borrowing terms (where applicable) on any of the Group's loan facilities. Such forecasts take into account the Group's fulfilment of loan conditions and fulfilment of internal balance sheet-based earnings measures.

The table below provides an analysis of the Group's non-derivative financial liabilities, distributed by the contractual time to maturity on the record date. The amounts presented in the table are the contractual, undiscounted cash flows.

As of 31 December 2022	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	4,864	58,950	97,212	3,390	345
Lease liabilities	3,385	9,751	11,010	21,665	10,828
Accounts payable	34,359				
Other liabilities	5,011				
Total	**47,619**	**68,701**	**108,222**	**25,054**	**11,173**

As of 31 December 2021	Less than 3 months	Between 3 months and 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years
Liabilities to credit institutions	10,654	51,013	32,578	60,232	4,231
Lease liabilities	3,427	10,143	11,326	22,374	15,799
Accounts payable	26,057				
Other liabilities	7,046				
Total	**47,184**	**61,156**	**43,903**	**82,606**	**20,029**

Capital management

The Group's objective with regard to the capital structure is to safeguard the Group's ability to continue its operations so it can continue to generate a return for its shareholders and benefits for other stakeholders, and maintain an optimum capital structure in order to keep capital costs down.

In order to maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

In the same way as other companies in the industry, the Group assesses the capital on the basis of its equity/assets ratio. This key performance indicator is calculated as equity divided by total assets.

During the 2022 financial year, the Group's strategy, which was unchanged compared with the previous financial year, was to maintain an equity/assets ratio of at least 25 percent. The equity/assets ratio was 41.2 percent (39.6) at year-end 2022.

NOTE G4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS FOR ACCOUNTING PURPOSES

The preparation of financial statements in compliance with IFRS requires the use of certain key estimates for accounting purposes. The Company is also required to make certain judgements in applying the accounting principles. These estimates and judgements affect asset and liability items and income and expense items recognised in the statements as well as information provided otherwise.

Estimates and judgements are evaluated on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are considered reasonable under the current circumstances. Conclusions drawn form the basis for determining the carrying amounts of assets and liabilities in cases where they cannot be determined easily through information from other sources. Actual outcomes can differ from these judgements if other assumptions are made, or other circumstances exist. Estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are presented below.

Climate-related risks

Climate-related risks refer to the risks that climate change may entail for the Group's operations. The Group's assessment is that it is mainly transition risks that could have a significant impact on future operations, primarily through stricter requirements on reducing greenhouse gases. The Group's contracting and transport operations use diesel-powered machines to a large extent, which are the Company's largest source of fossil fuel emissions. .The Group is working on a long-term strategy to upgrade its fleet of machines and vehicles, and to develop fossil-free machines that also help the Group's customers in the transition. Climate-related risks are taken into account when assessing the useful life of assets and future investment needs, for example. This has not resulted in any adjustments in 2022.

Useful life

The useful life of the Group's non-current assets, mainly locomotives and wagons, is assessed based on the assets' assessed remaining useful lives. Supplementary investments have an assessed useful life based on the respective main unit's remaining assessed useful life.

Lease length

When the lease's length is determined, all available information is taken into account that provides a financial incentive to use an extension option, or to not use an option to terminate an agreement. Extension options are mainly included in agreements associated with premises and, in certain agreements regarding locomotives. The factors that are most material in determining the length of the lease are how important the asset is to the Group's ability to conducts its operations, and the expenses and operational disruptions that would be caused by replacing the leased asset.

Additional expenses

Expenditure on measures that likely entail a financial benefit in the future shall be capitalised if the asset's cost can be reliably calculated. Future financial benefit arises if a measure leads to the Group being able to obtain larger income or another benefit than would have been received if the measure had not been implemented.
Other expenses for maintenance are recognised as expenses in the income statement in the period in which they are incurred.

Goodwill

Goodwill has an indefinite useful life. This means that no annual amortisation is carried out; annual impairment testing is carried out instead. No impairment requirements were identified; also refer to Note G14.

NOTE G5 SEGMENT INFORMATION AND INCOME FROM CUSTOMER CONTRACTS

Description of segments and principal activities

Railcare's Group Management is the highest executive decision-making body in the Railcare Group and evaluates the Group's financial position and earnings and makes strategic decisions. The Company has determined the operating segments based on the data processed by Group Management and which is used as a basis for allocating resources and evaluating results of operations.

Group Management has identified four reportable segments in the Group's operations:
Contracting Sweden
Railway contracting work involving machinery and personnel, and renovation of fibre-glass-lined culverts beneath railways, roads and industrial areas in Sweden.

Contracting Abroad
Railway contracting work involving machinery and personnel in countries other than Sweden, currently predominantly in the UK.

Transport Scandinavia
Specialist transport involving locomotives, wagons and personnel, as well as repair and upgrading services for locomotives and wagons performed in workshops.

Machines and Technology
Technological development, construction and sales of new machines, and the further development and conversion of existing machines to a national and international market.

The "Group-wide" item is used for reconciliation purposes and includes Group Management and other Group-wide services. Group Management primarily uses profit after financial items to assess consolidated earnings.

Income

Sales between segments are conducted on market terms. Income from external customers reported to Group Management is valued in line with the consolidated statement of comprehensive income.

	Jan-Dec 2022			Jan-Dec 2021		
	Segment income	Sales between segments	Income from external customers	Segment income	Sales between segments	Income from external customers
Contracting Sweden	186,211	9,479	176,732	130,556	15,720	114,836
Contracting Abroad	35,870	2,748	33,123	47,954	5,657	42,296
Transport Scandinavia	279,294	16,256	263,038	273,888	14,280	259,608
Machines and Technology	88,120	65,216	22,904	37,197	17,790	19,407
Group-wide	36,745	35,507	1,238	35,447	33,648	1,798
Total	**626,241**	**129,206**	**497,035**	**525,041**	**87,096**	**437,946**

Profit/loss after financial items

	Jan-Dec 2022	Jan-Dec 2021
Contracting Sweden	21,306	7,575
Contracting Abroad	-9,080	3,797
Transport Scandinavia	28,051	39,472
Machines and Technology	7,570	763
Group-wide	-940	242
Total	**46,907**	**51,849**

Profit/loss after financial items for the Group's operating segments is reconciled with Group profit/loss before tax as follows:

Profit/loss after financial items	46,907	51,849
Share of profit after tax from associated companies reported according to the equity method	-	-182
Profit/loss before tax	**46,907**	**51,667**

Other profit/loss information

	Income from services		Sales of goods		Leasing		Total	
Segment	**Jan-Dec 2022**	**Jan-Dec 2021**	**Jan-Dec 2022**	**Jan-Dec 2021**	**Jan-Dec 2022**	**Jan-Dec 2021**	**Jan-Dec 2022**	**Jan-Dec 2021**
Contracting Sweden	176,732	114,836	-	-	-	-	176,732	114,836
Contracting Abroad	33,074	41,729	49	22	-	545	33,123	42,296
Transport Scandinavia	251,953	242,710	3,833	6,573	7,252	10,325	263,038	259,608
Machines and Technology	5,323	3,500	17,581	15,907	-	-	22,904	19,407
Group-wide	1,238	1,798	-	-	-	-	1,238	1,798
	468,320	**404,573**	**21,463**	**22,502**	**7,252**	**10,870**	**497,035**	**437,946**

	Depreciation/amortisation		Interest income		Interest expenses	
Segment	**Jan-Dec 2022**	**Jan-Dec 2021**	**Jan-Dec 2022**	**Jan-Dec 2021**	**Jan-Dec 2022**	**Jan-Dec 2021**
Contracting Sweden	-15,772	-15,324	1	2	-2,377	-1,919
Contracting Abroad	-432	-1,290	17	-	-45	-49
Transport Scandinavia	-17,901	-29,432	1	54	-2,149	-1,717
Machines and Technology	-4,158	-2,524	3	-	-619	-360
Group-wide	-3,502	-3,526	-	-	-289	-382
	-41,764	**-52,096**	**21**	**57**	**-5,479**	**-4,427**

Group-wide information

Income from external customers by country, based on customer location:

	Jan-Dec 2022	Jan-Dec 2021
Sweden	438,042	369,307
Denmark	19	1,249
Norway	10,564	11,188
UK	37,550	44,405
Other	10,860	11,797
Total	**497,035**	**437,946**

Non-current assets, other than financial instruments, are distributed by country as follows:

	Jan-Dec 2022	Jan-Dec 2021
Sweden	445,484	420,913
Denmark	0	6,176
UK	851	1,194
Total	**446,335**	**428,283**

The Group's customers are private and public sector operators in the railway industry and vary according to the area of operation. The Group's customers are largely repeat customers based on long-term relationships. The majority of the Group's income derives from the segments Contracting Sweden and Transport Scandinavia.

The five largest customers of the Group account for a large proportion of the Group's income, SEK 331,384,000 (293,862,000).

Outstanding non-current contracting agreements

The combined amount of the transaction price allocated to non-current contracting agreements that are unfulfilled or partially unfulfilled at 31 December 2022 is SEK 983,924,000 (939,331,000). The largest and longest of these agreements relates to Kaunis Iron AB, for the transport of iron ore concentrate, and stretches until 2031. The agreement includes the option for the customer to cancel the agreement with a notice period of three months, upon payment of a break fee. Railcare considers it unlikely that the agreement will be cancelled before the end of the term, and has assumed that the agreement is completed in the following table. The assumption is tested annually.

Expected income related to contracting agreements	2022	2023	2024	2025	2026-2031	Total
As of 31 December 2022		166,173	160,063	139,959	517,730	983,924
As of 31 December 2021	120,795	118,664	112,554	112,554	474,765	939,331

All other contracting agreements have an original expected maturity of no more than one year or are invoiced based on time spent. In accordance with the rules in IFRS 15, information has not been provided regarding the transaction price for these unfulfilled commitments. For further information on the Group's performance obligations, see the accounting principles in Note G2.

Assets and liabilities relating to contracts with customers

The Group recognises the following assets and liabilities relating to contracts with customers:

	31/12/2022	31/12/2021
Contract assets	15,391	-
Contract liabilities	-	-

Contract assets, i.e. Group income generated but not invoiced, mainly refers to major installations or upgrades of locomotives with set payment schedules. These assets are then reclassified as accounts receivable when the invoice is raised.

The contracts were signed in 2022, which is why there were no contract assets or liabilities in the 2021 financial year.

NOTE G6 OTHER OPERATING INCOME

	Jan-Dec 2022	Jan-Dec 2021
Profit from sales of machinery/equipment	77	2,780
Foreign exchange gains	1,526	1,562
Other income	1,501	2,017
Total	**3,104**	**6,359**

NOTE G7 OTHER OPERATING EXPENSES

	Jan-Dec 2022	Jan-Dec 2021
Loss from sales of machinery/equipment	-61	-74
Foreign exchange losses	-1,789	-1,462
Total	**-1,849**	**-1,536**

NOTE G8 REMUNERATION TO EMPLOYEES, ETC.

Salaries, other remuneration and social security expenses	Jan-Dec 2022	Jan-Dec 2021
Salaries and other remuneration	103,748	92,303
of which, CEO and other senior executives	8,817	9,595
Pension expenses – defined-contribution plans	10,960	10,942
of which, CEO and other senior executives	1,014	1,927
Other social security contributions	34,205	30,531
of which, CEO and other senior executives	1,487	2,663

Average number of employees with geographic distribution by country

	Jan-Dec 2022		Jan-Dec 2021	
	Average number of employees	of whom, men	Average number of employees	of whom, men
Sweden	139	123	135	120
UK	2	1	3	2
Denmark	-	-	-	-
Group total	**141**	**124**	**138**	**122**

Gender distribution in the Group for Board members and other senior executives

The Board of Directors of the Parent Company consists of six members, two of whom are women. Group Management consists of four people (four), one of whom is a woman (one). The subsidiaries' Boards consist of three to four people, none of whom are women.

Remuneration to senior executives

Senior executives refers to Group Management, which is described in more detail in the Corporate Governance Report on pages 50-62. Ulf Marklund is engaged on a consulting basis, as is Jonny Granlund as of 2022. More information about transactions with related parties can be found in Note G28.

Only fixed remuneration is provided to employed senior executives and the breakdown of this is presented below.

Compilation of remuneration and other benefits during 2022

	Fixed salary	Other benefits	Consulting fee	Total salaries and remuneration
President and CEO	1,785	102	-	1,887
Other senior executives (4)	1,673	63	4,594	6,330
Group total	**3,458**	**165**	**4,594**	**8,217**

Compilation of remuneration and other benefits during 2021

	Fixed salary	Other benefits	Consulting fee	Total salaries and remuneration
President and CEO	1,928	96	-	2,024
Other senior executives (4)	4,085	191	2,695	6,971
Group total	**6,013**	**287**	**2,695**	**8,995**

Other benefits refer to a company car.

Fees to Board members in the Parent Company

	Jan-Dec 2022			Jan-Dec 2021		
	Board fee	Consulting fee	Total	Board fee	Consulting fee	Total
Anders Westermark (Chairman 2022)	200		200	100		100
Catharina Elmsäter Svärd (Chairman 2021)	100		100	200		200
Anna Weiner Jiffer	100		100	100		100
Adam Ådin	100		100	100		100
Ulf Marklund (deputy CEO)	-	2,904	2,904	-	2,695	2,695
Björn Östlund	100		100	100		100
Total	**600**	**2,904**	**3,504**	**600**	**2,695**	**3,295**

Guidelines

Fees are payable to the Chairman of the Board and the Board members according to the General Meeting's resolution: SEK 200,000 to the Chairman of the Board and SEK 100,000 each to the other Board members. For Board members who receive salary in the form of employment in a Group company, no Board fees are paid.

The General Meeting decided on the guidelines regarding remuneration of management. The guidelines for remuneration and other terms of employment essentially entail that the Company shall offer its senior executives market-based remuneration, with the criteria accordingly being the responsibilities, role, skills and position of the senior executive. The guidelines also apply to Board members to the extent that they receive remuneration for services performed for the Group in addition to their board assignments.

Senior executives may be offered variable salary at any time. There shall be a cap on variable salary. To avoid unsound risk-taking, there shall be a fundamental balance between fixed and variable salary. The fixed salaries shall make up a sufficiently large portion of the senior executives' total remuneration to make it possible to reduce the variable portion to zero. The basic principle is that the variable salary component per year shall amount to a maximum of 20 percent of the fixed annual salary.

Senior executives are entitled to market-based pension solutions in relation to the situation in the country in which the senior executives permanently reside. All pension commitments shall be defined contribution. Variable salary shall, as a general rule, be pensionable salary.

Other benefits, such as a company car, extra healthcare insurance or occupational health services, shall be limited in value in relation to other remuneration and be able to be provided insofar as this is deemed to be market based for senior executives in equivalent positions in the current labour market.

The period of notice provided by the Company shall be a maximum of 12 months for the CEO and a maximum of six months for other senior executives. The period of notice provided by the CEO shall be a minimum of 12 months and for other senior executives a minimum of six months. In addition to the period of notice, severance pay may also be payable in an amount of no more than 12 months' salary and employment benefits for the CEO.

Defined-contribution pension

The Group only has defined-contribution pension plans. The pension expense refers to the cost affecting the profit for the year.

The pensionable age for the CEO is 65. The pension premium is to amount to 35 percent of the pensionable salary. Pensionable salary refers to the fixed monthly salary adjusted upwards by a factor of 12.2. For other senior executives, the pensionable age is 65 and the pension premium is determined from a premium ladder depending on age. For salaries up to 7.5 price base amounts (PBA), the pension premium shall amount to 5.5-6.5 percent of the pensionable salary, and for salaries between 7.5 and 30 PBA, the pension premium shall amount to 20-30 percent of the pensionable salary. Railcare has made a pension promise to the CEO and another senior executive, and in connection with this it has taken out two endowment insurance plans as security for their pensions. The pension promise means that the individuals will receive the entire value of the endowment insurance. As the levels of remuneration are not guaranteed, the Group's net obligation is zero. These endowment insurance plans are viewed as plan assets and offset against the obligation. The total liability linked to the endowment insurance taken out by the Group amounted to SEK 385,000 (0) on the record date.

Severance pay

A mutual notice period of 12 months applies between the Company and the CEO. On termination by the Company, severance pay is disbursed amounting to 12 months' salary. No deduction shall be made in the severance pay for other income. On the resignation of the CEO, no severance pay is disbursed.

A mutual notice period of six months applies between the Company and other senior executives.

NOTE G9 AUDITOR'S REMUNERATION

	Jan-Dec 2022	Jan-Dec 2021
Ernst & Young		
– Audit assignment	821	715
– Other services	39	23
Total	**860**	**739**
Kallerman Revision A/S		
– Audit assignment	56	60
– Other services	34	42
Total	**90**	**102**
Burrows Scarborough		
– Audit assignment	91	84
– Other services	8	8
Total	**99**	**92**
Total	**1,049**	**932**

NOTE G10 LEASES

Lessee

In the statement of financial position, the following amounts are presented relating to leases:

Right-of-use assets	Balance as of 31/12/2022	Of which right-of-use assets	Balance as of 31/12/2021	Of which right-of-use assets
Buildings and land	35,170	24,785	35,975	25,403
Locomotives and wagons	134,772	24,556	132,579	27,895
Mobile machinery	179,959	1,678	145,762	1,927
Vehicles	3,996	3,936	5,761	5,675
Equipment, tools, fixtures and fittings	5,445		6,092	-
Total	**359,343**	**54,954**	**326,168**	**60,900**

Lease liabilities	31/12/2022	31/12/2021
Non-current	42,646	48,062
Current	10,658	10,945
Total	**53,304**	**59,007**

Additional rights of use (ROUs) during 2022 totalled SEK 7,479,000 (26,800,000).

In the statement of comprehensive income, the following amounts are presented relating to leases:

	Jan-Dec 2022	Jan-Dec 2021
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
Depreciation of buildings and land	6,708	7,050
Depreciation of locomotives and wagons	3,339	16,612
Depreciation of mobile machinery	250	251
Depreciation of vehicles	2,737	2,859
Depreciation of equipment, tools, fixtures and fittings	-	5
Total	**13,034**	**26,778**
Other external costs		
Expenses attributable to short-term leases	43,986	30,876
Expenses attributable to leases for which the underlying asset is of low value, and which are not short-term leases	1,160	886
Expenses attributable to variable leasing payments that are not included in lease liabilities	-	2,377
Financial expenses		
Interest expenses	1,166	1,053

The total cash outflow for leases in 2022 amounted to SEK 59,170,000 (64,625,000). For information on the leasing terms, refer to the table in Note G3 c.

Lessor

The Group lets locomotives under interminable operating leases. The leasing term amounts to 3 to 5 years.

Future total minimum lease fees for interminable operating leases are as follows:

	31/12/2022	31/12/2021
Within 1 year	3,338	6,128
Between 1 and 5 years	-	18,385
More than 5 years	-	-
Total	**3,338**	**24,513**

Rental income during 2022 totalled SEK 5,801,000 (5,615,000). Combined variable fees recognised as income amount to SEK 0 (0).

The largest lease where the Group is the lessor pertains to two locomotives of model Vossloh Euro4000 T68. The agreement was renewed in 2021, and applies until 31 December 2025.

NOTE G11 FINANCIAL INCOME AND EXPENSES

	Jan-Dec 2022	Jan-Dec 2021
Interest income	16	57
Total financial income	**16**	**57**
Interest expenses on:		
- liabilities to credit institutions	-4,281	-3,337
- lease liabilities	-1,164	-1,053
Other financial expenses	-29	-37
Total financial expenses	**-5,474**	**-4,427**
Net financial income/expense	**-5,458**	**-4,370**

The above items pertain to assets and liabilities measured at amortised cost according to IFRS 9 except lease liabilities that are measured in accordance with IFRS 16.

NOTE G12 EXCHANGE RATE DIFFERENCES – NET

	Jan-Dec 2022	Jan-Dec 2021
Other operating income (Note G6)	1,526	1,562
Other operating expenses (Note G7)	-1,789	-1,462
Exchange rate differences – net	**-262**	**100**

The above items originate from financial instruments.

NOTE G13 INCOME TAX

	Jan-Dec 2022	Jan-Dec 2021
Current tax:		
Current tax on net profit/loss for the year	-3,588	-964
Total current tax	**-3,588**	**-964**
Deferred tax (Note G24)		
Occurrence and reversal of temporary differences	-6,537	-10,189
Total deferred tax	**-6,537**	**-10,189**
Total income tax	**-10,125**	**-11,152**

The income tax on pre-tax profit differs from the theoretical amount that would have been produced from applying the tax rate in Sweden to profit at the consolidated companies as described below:

	Jan-Dec 2022	Jan-Dec 2021
Profit/loss before tax	**46,907**	**51,667**
Income tax calculated in accordance with tax rate in Sweden, 20.6 percent (20.6)	-9,663	-10,643
Effect of foreign tax rates	-13	-192
Non-deductible expenses	-282	-279
Goodwill impairment	-215	-
Adjustment related to previous years	48	-
Profit share from associated companies	-	-38
Tax expense	**-10,125**	**-11,152**

The weighted average tax rate for the Group was 21.6 percent (21.6).

NOTE G14 INTANGIBLE ASSETS

Cost	Capitalised development costs	Patents	Goodwill	Transportation licences	Total
As of 1 January 2021					
Cost	4,314	1,040	9,626	1,643	16,623
Accumulated amortisation and impairment	-2,484	-741	-2,352	-957	-6,535
Carrying amount	**1,830**	**299**	**7,274**	**685**	**10,088**
Financial year 2021					
Opening carrying amount	1,830	299	7,274	685	10,088
Exchange rate differences	-	-	19	-	19
Purchases/capitalised expenses for the year	-	55	-	902	957
Disposals and scrappings	-	-	-	-	0
Amortisation	-863	-90	-	-147	-1,099
Closing carrying amount	**967**	**263**	**7,293**	**1,441**	**9,964**
As of 31 December 2021					
Cost	4,314	1,094	9,626	2,545	17,580
Accumulated amortisation and impairment	-3,347	-831	-2,334	-1,104	-7,615
Carrying amount	**967**	**263**	**7,293**	**1,441**	**9,964**
Financial year 2022					
Opening carrying amount	967	263	7,293	1,441	9,964
Exchange rate differences	-	-	54	-	54
Purchases/capitalised expenses for the year	164	-	-	-	164
Disposals and scrappings	-	-	-	-	0
Impairments	-	-	-1,046	-	-
Amortisation	-593	-76		-254	-924
Closing carrying amount	**538**	**188**	**6,300**	**1,186**	**8,212**
As of 31 December 2022					
Cost	4,478	1,094	9,626	2,545	17,743
Accumulated amortisation and impairment	-3,940	-907	-3,326	-1,358	-9,531
Carrying amount	**538**	**188**	**6,300**	**1,186**	**8,212**

Impairment testing of goodwill

Goodwill has an indefinite useful life. This means that no annual amortisation is carried out; annual impairment testing is carried out instead. The following is a compilation of goodwill broken down by cash-generating unit:

Goodwill	31/12/2022	31/12/2021
Railcare T AB, Transport Scandinavia segment	2,546	2,546
Railcare Danmark A/S, Contracting Abroad segment	0	992
Elpro i Skellefteå AB, Machines and Technology segment	3,754	3,754
Total	**6,300**	**7,293**

The recoverable amount for goodwill, which has an indefinite useful life, has been determined by calculating the value in use. These calculations are based on estimated future cash flows after tax based on financial budgets that cover a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated rate of growth as explained below. The growth rate does not exceed the long-term growth rate for the market where the Group operates. The foremost assumptions, besides those below, pertain to volume growth, margins and investment requirements. The calculation is based on management's experience.

Significant assumptions in the calculation: long-term growth rate 2 percent (2), discount rate 7 percent (7). In the calculation, the same assumptions were made for all of the cash-generating units.

Impairment testing of goodwill shows that no impairment need exists.

Sensitivity analyses of the calculation of the value in use in connection with the impairment assessment were carried out where the sales growth was reduced by 2 percentage points in the forecast period, the operating margin was reduced by 2 percentage points, the discount rate was raised by 2 percentage points and long-term growth was reduced by 2 percentage points.

The sensitivity analyses showed that none of the adjustments individually generate an impairment requirement for any of the cash-generating units.

NOTE G15 PROPERTY, PLANT AND EQUIPMENT

	Buildings and land	Locomotives and wagons	Mobile machinery	Vehicles	Equipment, tools, fixtures and fittings	Construction in progress and advances for property, plant and equipment	Total
As of 1 January 2021							
Cost	58,036	264,460	241,291	10,935	8,630	66,907	650,259
Accumulated depreciation	-24,779	-129,144	-85,729	-4,414	-2,732		-246,798
Carrying amount	**33,257**	**135,316**	**155,562**	**6,521**	**5,898**	**66,907**	**403,461**
Financial year 2021							
Opening carrying amount	33,257	135,316	155,562	6,521	5,898	66,907	403,461
Exchange rate differences	101	29	58	7	27	-	222
Purchases/capitalised expenses for the year	10,129	13,632	-	4,425	419	40,171	68,776
Reclassifications	-	10,661	3,362	-	1,058	-14,927	153
Disposals and scrappings	-51	-863	-	-2,317	-66	-	-3,297
Depreciation	-7,462	-26,195	-13,221	-2,875	-1,243	-	-50,996
Closing carrying amount	**35,975**	**132,579**	**145,762**	**5,761**	**6,092**	**92,151**	**418,319**

	Buildings and land	Locomotives and wagons	Mobile machinery	Vehicles	Equipment, tools, fixtures and fittings	Construction in progress and advances for property, plant and equipment	Total
As of 31 December 2021							
Cost	64,995	233,972	244,390	9,881	9,717	92,151	655,107
Accumulated depreciation	-29,021	-101,393	-98,629	-4,120	-3,625	-	-236,788
Carrying amount	**35,975**	**132,579**	**145,762**	**5,761**	**6,092**	**92,151**	**418,319**
Financial year 2022							
Opening carrying amount	35,975	132,579	145,762	5,761	6,092	92,151	418,319
Exchange rate differences	29	13	30	6	82		160
Purchases/capitalised expenses for the year	6,339	-	1,731	1,299	1,706	49,471	60,548
Reclassifications	-	16,395	48,000	-	-1,185	-62,843	366
Disposals and scrappings	-29	-61	-	-308	-32	-	-430
Depreciation	-7,143	-14,153	-15,564	-2,763	-1,218	-	-40,841
Closing carrying amount	**35,170**	**134,772**	**179,959**	**3,996**	**5,445**	**78,779**	**438,123**
As of 31 December 2022							
Cost	71,215	246,804	294,938	9,296	10,202	78,779	711,235
Accumulated depreciation	-36,045	-112,031	-114,978	-5,301	-4,757	-	-273,112
Carrying amount	**35,170**	**134,772**	**179,959**	**3,996**	**5,445**	**78,779**	**438,123**

Property, plant and equipment are recognised at cost less depreciation and any impairment. To ensure that there is no need for impairment, an impairment test is performed annually for each cash-generating unit. These calculations are based on estimated future cash flows after tax based on financial budgets that cover a three-year period. Cash flows beyond the three-year period are extrapolated using an estimated rate of growth as explained below. The growth rate does not exceed the long-term growth rate for the market where the Group operates. The foremost assumptions, besides those below, pertain to volume growth, margins and investment requirements. The calculation is based on management's experience and historical data.

Significant assumptions in the calculation: long-term growth rate 2 percent (2), discount rate 7 percent (7). In the calculation, the same assumptions were made for all of the cash-generating units and for both years. Impairment testing of property, plant and equipment shows that no impairment need exists.

For information on leases, see Note G10.

NOTE G16 FINANCIAL INSTRUMENTS BY CATEGORY

The table below presents the Group's financial assets and liabilities, taken up at the carrying amount or fair value, classified into the categories according to IFRS 9. For current and non-current receivables and liabilities, the carrying amount is considered to constitute a reasonable estimate of the fair value whereby these values agree in the table below. Information on fair value for financial lease liabilities is not provided in accordance with IFRS 7.

Measurement of financial assets and liabilities measured at amortised cost

Financial assets	**31/12/2022**	**31/12/2021**
Accounts receivable	40,936	46,543
Other current receivables	1,144	872
Other non-current receivables	3,954	3,954
Deposits	658	658
Cash and cash equivalents	31,976	38,560
Total	**78,668**	**90,586**

Financial liabilities	**31/12/2022**	**31/12/2021**
Liabilities to credit institutions	100,833	97,041
Current liabilities to credit institutions	63,927	61,668
Accounts payable	34,359	26,057
Other current liabilities	5,011	7,046
Total	**204,130**	**191,811**

In addition to the financial instruments stated in the tables above, the Group has financial liabilities in the form of lease liabilities, which are recognised and measured in accordance with IFRS 16.

NOTE G17 ACCOUNTS RECEIVABLE

	31/12/2022	**31/12/2021**
Accounts receivable	41,345	46,952
Less: provision for doubtful receivables	-409	-409
Accounts receivable – net	**40,936**	**46,543**

The fair value of accounts receivable corresponds to their carrying amounts since the discount effect is not material.
At 31 December 2022, satisfactory accounts receivable amounted to SEK 40,936,000 (46,543,000) for the Group.
At 31 December 2022, overdue accounts receivable amounted to SEK 7,307,000 (19,734,000). The Group is not assessed to have any impairment need. The overdue receivables relate to a number of customers that have previously not experienced payment difficulties. A majority of the overdue receivables fell due at year-end, and were paid at the beginning of the new year. The Group's accounting principles for impairment losses and calculations of the provision for doubtful receivables are described in Note G3 (b).
The age analysis of overdue accounts receivable is shown below:

	31/12/2022	**31/12/2021**
1-30 days	5,714	17,343
31-60	1	1,093
> 61 days	1,592	1,298
Total overdue accounts receivable	**7,307**	**19,734**

Expected credit losses, simplified method

Receivables mainly comprise accounts receivable for which the Group has chosen to apply the simplified method for recognition of expected credit losses. This means that provisions are made for expected credit losses for the remaining duration, which is expected to be less than one year for all receivables. The Group makes provisions for expected credit losses based on historical credit losses and prospective information. The majority of the Group's customers are a homogeneous group with similar risk profiles, which is why the credit risk is initially assessed collectively for all customers. Any large individual receivables are assessed per counterparty. The Group writes off a receivable when there is no longer an expectation of obtaining payment and when active measures for obtaining payment have been concluded.

Expected credit losses, general method

The financial assets covered by provisions for expected credit losses according to the general method are comprised of cash and cash equivalents. Railcare applies a rating-based method combined with other known information and prospective factors for the assessment of expected credit losses. The Group has defined default as when payment of the receivable is 90 days or more late, or if there are other factors that indicate suspension of payments. In cases where the amounts are not deemed to be immaterial, a provision for expected credit losses is also recognised for these financial instruments. At present, the Group has deemed that no credit losses exist for cash and cash equivalents.

Accounts receivable are classified in the simplified method in the category Without credit risk rating/accounts receivable, and cash and cash equivalents are classified in the general method as Stage 1 with credit risk rating A+.

Recognised amounts, per currency, for the Group's accounts receivable are as follows:

	31/12/2022	31/12/2021
SEK	37,872	43,658
GBP	2,012	2,859
USD	1,052	26
Total	**40,936**	**46,543**

NOTE G18 INVENTORIES

Product costs are included in the item Raw materials and consumables in the statement of comprehensive income and amount to SEK 71,214,000 (46,906,000).

NOTE G19 OTHER CURRENT RECEIVABLES

	31/12/2022	31/12/2021
VAT receivables	4,997	-
Deduction in taxes and social security contributions	2,438	67
Receivables from insurance companies	949	679
Deposits	658	658
Other receivables	211	193
Total	**9,253**	**1,597**

NOTE G20 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Contract assets	15,391	-
Accrued income	592	4,241
Prepaid lease payments	133	1,835
Prepaid rent for premises	2,147	342
Prepaid insurance policies	2,743	1,411
Other items	6,486	1,477
Total	**27,492**	**9,306**

NOTE G21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and cash flow statement consist exclusively of bank balances.

NOTE G22 EQUITY

Share capital

The shares entitle the holder to one vote per share. All shares issued by the Parent Company are fully paid. The quotient value per share was SEK 0.41.

Other capital provided

This item consists of premiums upon a new share issue and shareholders' contributions.

Reserves

This item consists of exchange rate differences in the translation of foreign subsidiaries.

Earnings per share

Profit for the year attributable to Parent Company shareholders has been used as the earnings measure when calculating earnings per share.

The number of shares has not changed during the period, which is why the weighted average number of shares is the same as the number of shares outstanding at the end of each period, see page 64.

There is no potential dilution effect, which is why earnings per share are the same before and after dilution.

NOTE G23 BORROWING

	31/12/2022	31/12/2021
Non-current		
Liabilities to credit institutions	100,833	97,041
Lease liabilities	42,646	48,062
Total non-current borrowing	**143,479**	**145,103**
Current		
Lease liabilities	10,658	10,945
Liabilities to credit institutions	63,927	61,668
Total current borrowing	**74,585**	**72,612**

Liabilities to credit institutions
Liabilities to credit institutions are subject to an average interest rate of 4.5 percent per year (1.9) with variable interest.

The Group must fulfil a covenant for the borrowing. The loan term that must be met is that the net debt/EBITDA ratio may not exceed 2.5 from 31 December 2021 and at any time thereafter. The Group fulfilled the loan term during the 2022 and 2021 financial years.

For liabilities to credit institutions, collateral has been provided in the form of chattel mortgages at a value of SEK 111,100,000 (111,100,000) and machinery at a book value of SEK 219,991,000 (229,425,000).

The fair value of short-term borrowing corresponds to its carrying amount since the discount effect is not material. The fair value of non-current liabilities to credit institutions and finance leases is based on discounted cash flows with an interest rate based on the loan interest rate of 2.0 percent (2.0) and is in level 2 in the fair value hierarchy. As all of the Company's borrowing is subject to variable interest, the carrying amount and fair value are essentially the same. All of the Group's borrowing is in SEK.
Bank overdraft facility
The Group has a granted bank overdraft facility in SEK of SEK 20,000,000 (20,000,000), which is renegotiated annually with an extension period of 12 months. Of the granted overdraft facilities, SEK 0 has been utilised as of 31 December 2022 (0). The bank overdraft facility is subject upon utilisation to an interest rate of 3.75 percent (1.25) as of 31 December 2022, which is paid quarterly.

NOTE G24 DEFERRED INCOME TAX

Deferred tax assets (net)

Carrying amounts pertain to temporary differences attributable to:

	31/12/2022	31/12/2021
Tax loss carry-forwards	752	1,061
Internal gains in non-current assets	104	39
Endowment insurance for future pensions	105	-
	960	**1,100**
Amounts offset against deferred tax liabilities according to the offset rules	-279	-376
Net deferred tax assets	**681**	**724**

Deferred tax liabilities (net)

Carrying amounts pertain to temporary differences attributable to:

	31/12/2022	31/12/2021
Leases	178	323
Untaxed reserves	54,672	47,153
Temporary differences in foreign subsidiaries	85	1,058
	54,935	**48,534**
Amounts offset against deferred tax assets according to the offset rules	-279	-376
Net deferred tax liabilities	**54,656**	**48,158**

The gross change regarding deferred taxes is as follows:

	Deferred tax assets			Deferred tax liabilities			
Deferred tax assets/liabilities	**Loss carry-forwards**	**Internal gains in non-current assets**	**Endowment insurance for pensions**	**Leases**	**Untaxed reserves**	**Temporary differences in foreign subsidiaries**	**Total**
As of 1 January 2021	**-963**	**-73**	**-**	**362**	**37,265**	**656**	**37,246**
Recognised in statement of comprehensive income	-80	35	-	-36	9,888	382	10,188
Exchange rate differences	-18	-1	-	-2	-	20	-1
As of 31 December 2021	**-1,061**	**-39**	**-**	**324**	**47,153**	**1,058**	**47,434**
Recognised in statement of comprehensive income	329	-63	-105	-146	7,519	-1,004	6,530
Exchange rate differences	-19	-1	-	-	-	31	12
As of 31 December 2022	**-751**	**-104**	**-105**	**179**	**54,672**	**85**	**53,975**

NOTE G25 OTHER CURRENT LIABILITIES

	31/12/2022	31/12/2021
Employee withholding taxes and social security contributions	2,275	2,081
VAT	1,928	4,018
Other current liabilities	809	946
Total	**5,011**	**7,046**

The fair value of other current liabilities corresponds to their carrying amounts, as they are, by definition, current.

NOTE G26 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Accrued salaries	6,693	4,964
Accrued social security contributions	9,600	8,726
Accrued holiday pay	11,100	10,563
Other items	5,865	3,848
Total	**33,257**	**28,101**

NOTE G27 PLEDGED ASSETS

	31/12/2022	31/12/2021
Liabilities to credit institutions		
Chattel mortgages	111,100	111,100
Machinery and equipment	219,991	229,425
Financial leases		
Locomotives and wagons	5,797	6,578
Mobile machinery	1,678	1,927
Vehicles	3,936	5,675
Total	**342,501**	**354,705**

The Group has provided collateral to creditors in the form of chattel mortgages as well as purchase agreements regarding certain locomotives, wagons and mobile machinery. As collateral for the lessor's financing, the Group has provided collateral in the form of ownership reservations in the leased objects.

NOTE G28 RELATED PARTIES

Related parties are all companies within the Group and senior executives in the Group, i.e. the Board and Group Management, and their family members. Transactions with related parties have been based on normal and generally accepted commercial terms. For more information on subsidiaries and the Group's organisational structure, see Note P17.

The Group has been provided with consulting services by Board members in the Parent Company and by members of the Group Management team, which are described below and also presented in Note G8.

Ulf Marklund, Board member of the Parent Company and all subsidiaries and Deputy CEO of the Parent Company, owns the company Matech Marin AB alongside close family members. Ulf Marklund is active on a consulting basis in the Group and Matech Marin AB charges a consulting fee per day for these services. In 2022, this remuneration amounted to SEK 2,904,000 (2,695,000), of which SEK 1,584,000 was debited to the Parent Company and SEK 1,320,000 to the subsidiary Railcare Machine AB where Ulf Marklund heads up operations. The agreement relating to these services was extended in 2022, on the same terms as previously. The agreement is subject to a six-month mutual period of notice and expires on 31 March 2023. In addition to this, Matech Marin AB performs workshop work, machine servicing and project management for Railcare Machine AB. This is charged per day and in 2022, this remuneration amounted to SEK 1,903,000 (1,536,000).

Jonny Granlund, a member of Group Management since 2021, owns the company JOTAG AB which carries out cleaning services etc. for Railcare AB. This is billed at a fixed monthly rate, and remuneration amounted to SEK 662,000 (662,000) in 2022. As of 1 January 2022, Jonny Granlund has been engaged on a consulting basis via JOTAG AB. A consulting fee has been charged per day for these services, and remuneration amounted to SEK 1,690,000 in 2022. The agreement covers the period up until 31 December 2023 and is automatically extended by 12 months if neither party terminates the agreement at least six months prior to the end of the term of the agreement.

There are no outstanding loans, guarantees or guarantor commitments from the Group for Board members or senior executives. Receivables and liabilities from and to related parties originate from sales and purchase transactions and mature within one month of the sales date. The Group has no provisions for doubtful receivables attributable to related parties. Nor does the Group have any expenses regarding doubtful receivables from related parties during the period. No collateral is pledged for the receivables.

NOTE G29 ADJUSTMENT FOR NON-CASH ITEMS

	31/12/2022	31/12/2021
Depreciation, amortisation and impairment	42,811	52,096
Profit/loss from sale of property, plant and equipment and intangible assets	-16	-2,724
Provision for future payroll tax	100	-
Total	**42,894**	**49,371**

NOTE G30 CHANGES IN LIABILITIES THAT COME UNDER FINANCING ACTIVITIES

Changes in liabilities that come under financing activities exclude non-cash items amounting to SEK 7,087,000 (24,290,000) that relate to lease liabilities.

NOTE G31 ALTERNATIVE PERFORMANCE MEASURES

The alternative performance measures that have not been calculated according to IFRS and are presented in this report do not constitute recognised valuation principles for financial position or liquidity according to IFRS, but rather they are used by Railcare to monitor the financial outcome of the Group's operations and the Group's financial position. The alternative performance measures presented in the report shall always be evaluated together with the information presented in the income statement, statement of financial position, cash flow statement and key performance indicators, which have been prepared in accordance with IFRS.

Railcare recognises these alternative performance measures since the Company considers them to be important supplementary measures of profitability and financial position, and these measurements are often used by external stakeholders to assess and compare companies' financial outcomes and position. When comparing the alternative performance measures presented here, note that other companies may have used different definitions in their calculations, which means that the outcomes are not directly comparable.

(Amounts in SEK 000)	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
(A) Operating profit/loss	52,365	56,219	60,385	31,977	1,543
(B) Net sales	497,035	437,946	401,301	370,610	270,147
(A/B) Operating margin, %	**10.54**	**12.84**	**15.05**	**8.63**	**0.57**

(Amounts in SEK 000)	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
(A) Equity	244,095	221,150	194,861	153,871	133,604
B) No. of shares, 000s	24,124	24,124	24,124	23,013	23,013
(A/B) Equity per share, SEK*	**10.12**	**9.17**	**8.08**	**6.69**	**5.81**

(Amounts in SEK 000)	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
(A) Equity	244,095	221,150	194,861	153,871	133,604
(B) Total assets	592,873	557,965	521,388	459,166	413,170
(A/B) Equity/assets ratio, %	**41.7**	**39.64**	**37.37**	**33.51**	**32.34**

(Amounts in SEK 000)	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
(A) Agreed total dividend	14,475	14,475	14,475	7,237	0
B) No. of shares, 000s	24,124	24,124	24,124	24,124	23,013
(A/B) Dividend per share, SEK	**0.60**	**0.60**	**0.60**	**0.30**	**0.00**

(Amounts in SEK 000)	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
(A) Net sales	497,035	437,946	401,301	370,610	270,147
(B) Comparative figure from previous period	437,946	401,301	370,610	270,147	292,579
((A-B)/B) Sales growth, %	**13.49**	**9.13**	**8.28**	**37.19**	**-7.67**

Extrapolation of the alternative performance measure Net margin is in the tables on pages 33-34. Definitions and purpose of the Company's alternative performance measures are on pages 118-119.

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Parent Company Income Statement

Amounts in SEK 000	Note	Jan-Dec 2022	Jan-Dec 2021
Net sales	P3	36,745	35,447
Other operating income	P4	19	240
Total operating income		**36,764**	**35,687**
Operating expenses			
Raw materials and consumables		-7,699	-3,939
Other external costs	P6, P7	-16,703	-12,871
Personnel costs	P8	-11,430	-17,733
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-409	-396
Other operating expenses	P5	-32	-28
Total operating expenses	P3	**-36,273**	**-34,967**
Profit from participations in associated companies and jointly controlled companies		-	446
Operating profit		**491**	**1,166**

Amounts in SEK 000	Note	Jan-Dec 2022	Jan-Dec 2021
Profit/loss from financial items			
Profit from participations in Group companies	P10	-4,334	23,404
Other interest income and similar profit/loss items	P9	41	-
Interest expenses and similar profit/loss items	P9	-96	-83
Total profit/loss from financial items		**-4,389**	**23,321**
Profit/loss after financial items		**-3,898**	**24,487**
Appropriations	P11	9,300	-1,200
Tax on profit/loss for the year	P12	-2,089	3
Profit/loss for the year		**3,312**	**23,291**

The Parent Company has no items recognised as other comprehensive income, which is why total comprehensive income is the same as profit/loss for the year.

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Parent Company Balance Sheet

Amounts in SEK 000	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Intangible assets			
Capitalised development expenses	P13	49	-
Patents	P14	188	263
Total intangible assets		**237**	**263**
Property, plant and equipment			
Buildings	P15	4,073	4,088
Equipment, tools, fixtures and fittings	P16	710	435
Total property, plant and equipment		**4,783**	**4,524**
Financial non-current assets			
Participations in Group companies	P17	33,887	38,336
Deferred tax assets	P21	52	3
Total financial non-current assets		**33,939**	**38,340**
Total non-current assets		**38,959**	**43,127**

Amounts in SEK 000	Note	31 Dec 2022	31 Dec 2021
Current assets			
Current receivables	P18		
Accounts receivable		39	13
Receivables from Group companies		94,161	67,649
Other receivables		155	1
Prepaid expenses and accrued income	P19	1,706	1,297
Total current receivables		**96,060**	**68,959**
Cash and cash equivalent	P20	**26,419**	**30,802**
Total current assets		**122,479**	**99,761**
TOTAL ASSETS		**161,438**	**142,888**

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Parent Company Balance Sheet (cont.)

Amounts in SEK 000	Note	31 Dec 2022	31 Dec 2021
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital		9,891	9,891
Total restricted equity		**9,891**	**9,891**
Non-restricted equity			
Share premium reserve		17,446	17,446
Retained earnings		8,816	-
Net profit/loss for the period		3,312	23,291
Total non-restricted equity		**29,575**	**40,737**
Total equity		**39,466**	**50,628**

Amounts in SEK 000	Note	31 Dec 2022	31 Dec 2021
Provisions			
Provision for payroll tax		49	-
Total provisions		**49**	-
Current liabilities	P18		
Accounts payable		1,614	1,960
Current tax liabilities		2,154	649
Liabilities to Group companies		115,831	86,264
Other liabilities	P22	371	720
Accrued expenses and deferred income	P23	1,953	2,668
Total current liabilities		**121,923**	**92,260**
TOTAL EQUITY AND LIABILITIES		**161,438**	**142,888**

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Parent Company Statement of Changes in Equity

		Restricted equity	Non-restricted equity		
Amounts in SEK 000	**Note**	**Share capital**	**Share premium reserve**	**Retained earnings including profit/loss for the year**	**Total equity**
Opening balance as of 1 January 2021		9,891	23,024	8,897	41,812
Profit/loss for the year				23,291	23,291
Total comprehensive income		-	-	23,291	23,291
Transactions with shareholders					
Dividend			-5,578	-8,897	-14,474
Closing balance as of 31 December 2021		**9,891**	**17,446**	**23,291**	**50,628**
Opening balance as of 1 January 2022		9,891	17,446	23,291	50,628
Profit/loss for the year				3,312	3,312
Total comprehensive income		-	-	3,312	3,312
Transactions with shareholders					
Dividend				-14,475	-14,475
Closing balance as of 31 December 2022		**9,891**	**17,446**	**12,129**	**39,466**

The notes on pages 69-109 constitute an integral part of these consolidated financial statements.

Parent Company Cash Flow Statement

Amounts in SEK 000	Note	Jan-Dec 2022	Jan-Dec 2021
Cash flow from operating activities			
Operating profit		491	1,166
Adjustment for non-cash items	P25	457	150
Interest received		157	-
Interest paid		-97	-83
Income tax paid		-634	151
Cash flow from operating activities before changes in working capital		**374**	**1,384**
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-5,100	-51,799
Increase/decrease in operating liabilities		16,658	70,214
Total changes in working capital		**11,558**	**18,415**
Cash flow from operating activities		**11,932**	**19,799**
Cash flow from investing activities			
Investments in intangible assets	P13, P14	-50	-54
Investments in property, plant and equipment	P15, P16	-591	-182
Dividend from Group companies received		-	23,404
Divestment of associated companies		-	450
Cash flow from investing activities		**-641**	**23,618**
Cash flow from financing activities			
Group contributions received		16,300	10,070
Group contributions paid		-17,500	-10,000
Dividend paid		-14,474	-14,474
Cash flow from financing activities		**-15,674**	**-14,404**
Cash flow for the period		**-4,383**	**29,013**
Cash and cash equivalents at the beginning of the period		30,802	1,789
Cash and cash equivalents at the end of the period	P20	**26,419**	**30,802**

NOTE P2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The Parent Company applies RFR 2 Accounting for Legal Entities and the Swedish Annual Accounts Act. The application of RFR 2 means that the Parent Company, in the Annual Report for the legal entity, applies all IFRS and statements adopted by the EU to the furthest extent possible within the framework of the Annual Accounts Act, the Pension Obligations Vesting Act and taking into account the relationship between accounting and taxation.

The Annual Report has been prepared using the cost method. For information about financial risks, refer to the consolidated financial statements, Note G3.

The preparation of financial statements in compliance with RFR 2 requires the use of a number of critical accounting estimates. The Company is also required to make certain judgements in applying the accounting principles. The areas that involve a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are indicated in Note G4.

The Parent Company applies different accounting principles to the Group in the cases stated below:

Presentation

The income statement and balance sheet are presented in accordance with the form of presentation prescribed in the Swedish Annual Accounts Act. Moreover, there is a difference in terms, compared with the consolidated financial statements, mainly with regard to financial income and expenses, and equity.

Financial instruments

Because of the connection between accounting and taxation, the rules for financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity, but rather the Parent Company applies the cost method in accordance with the Swedish Annual Accounts Act. In the Parent Company, financial non-current assets are thereby measured at cost and financial current assets according to the lower of cost or market principle, with the application of impairment for expected credit losses according to IFRS 9 for assets that are debt instruments. For other financial assets, impairment losses are based on the market value.

For a description of the method used to determine impairment losses for expected credit losses, see the Group's accounting principles. Expected credit losses for intra-Group receivables are estimated using the general model, whereby the Group companies' credit rating is estimated. Expected credit losses for intra-Group receivables and cash and cash equivalents have not been recognised because the amounts are deemed to be immaterial.

The Parent Company applies the exception to not value financial guarantee agreements on behalf of subsidiaries and associated companies and joint ventures in accordance with the rules in IFRS 9, but rather instead applies the principles for valuation according to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Leases

The Parent Company has chosen not to apply IFRS 16 Leases but applied the points stated in RFR 2 (IFRS 16 Leases, pp. 2-12).

Leasing income from operating leases where the Company is the lessor is recognised as income straight-line over the term of the lease.

Shares in subsidiaries

Participations in subsidiaries are recognised at cost less any impairment losses. Cost includes acquisition-related expenses and any additional considerations.

Where there is an indication that participations in Group companies have decreased in value, their recoverable amount is calculated. An impairment loss is recognised if the recoverable amount is less than the carrying amount. Impairment losses are recognised in the item "Profit/ loss from participations in Group companies".

Accounting for associated companies

In the Parent Company's annual accounts, participations in associated companies are recognised at cost less any impairment losses. Only dividends earned after the time of acquisition are recognised as income from associated companies.

Appropriations

Group contributions are recognised as appropriations.

NOTE P3 INCOME AND EXPENSES BETWEEN GROUP COMPANIES

The Parent Company's net sales include invoicing of Group companies in an amount of SEK 35,507,000 (33,648,000), which corresponds to 96.6 percent (94.9), and operating expenses include invoicing by Group companies in an amount of SEK 1,672,000 (1,358,000), which corresponds to 4.6 percent (3.9).

NOTE P4 OTHER OPERATING INCOME

	Jan-Dec 2022	Jan-Dec 2021
Foreign exchange gains	17	32
Government grants received	2	170
Other incidental revenue	-	38
Total	**19**	**240**

NOTE P5 OTHER OPERATING EXPENSES

	Jan-Dec 2022	Jan-Dec 2021
Foreign exchange losses	-32	-28
Total	**-32**	**-28**

NOTE P6 LEASES

The Company leases premises, vehicles and office equipment under interminable operating leases. The lease terms vary from 2 to 8 years. Most of the leases can be extended at the end of the term of the lease for a fee at the market rate.

Future total minimum lease fees for interminable operating leases are as follows:

	Jan-Dec 2022	Jan-Dec 2021
Within 1 year	1,772	1,757
Between 1 and 5 years	4,708	6,240
More than 5 years	-	1,479
Total	**6,480**	**9,476**

During the year, expensed lease fees totalled SEK 2,973,000 (2,919,000) and they are included in Other external costs in the statement of comprehensive income.

The largest agreement relates to Railcare's head office in Skelleftehamn, where the Company rents office and workshop premises. The agreement has a term of seven years and expires in 2027.

NOTE P7 AUDITOR'S REMUNERATION

	Jan-Dec 2022	Jan-Dec 2021
Ernst & Young		
– Audit assignment	472	410
– Other services	33	23
Total	**505**	**433**

NOTE P8 REMUNERATION TO EMPLOYEES, ETC.

Salaries, other remuneration and social security expenses	Jan-Dec 2022	Jan-Dec 2021
Salaries and other remuneration	6,734	10,609
of which, CEO and other senior executives	3,117	6,613
Pension expenses – defined-contribution plans	1,199	2,368
of which, CEO and other senior executives	736	1,927
Other social security contributions	2,720	4,211
of which, CEO and other senior executives	1,195	2,663

	Jan-Dec 2022	Jan-Dec 2021
Average number of employees		
Women	8	8
Men	2	5
Total	**10**	**13**

For more information about remuneration to senior executives and the Board, see Note G8 for the Group.

NOTE P9 FINANCIAL INCOME AND EXPENSES

The carrying amounts pertain to profit/loss from assets and liabilities measured at amortised cost as per IFRS 9.

NOTE P10 PROFIT FROM PARTICIPATIONS IN GROUP COMPANIES

Profit from participations in Group companies	Jan-Dec 2022	Jan-Dec 2021
Dividend from subsidiaries	116	23,404
Impairment of shares in subsidiaries	-4,449	
Total	**-4,334**	**23,404**

NOTE P11 APPROPRIATIONS

	Jan-Dec 2022	Jan-Dec 2021
Group contributions received	38,300	16,300
Group contributions paid	-29,000	-17,500
Total	**9,300**	**-1,200**

NOTE P12 INCOME TAX

	Jan-Dec 2022	Jan-Dec 2021
Current tax:		
Current tax on net profit/loss for the year	-2,138	0
Total current tax	**-2,138**	**0**
Deferred tax (Note P21)		
Occurrence and reversal of temporary differences	49	3
Total deferred tax	**49**	**3**
Total income tax	**-2,089**	**3**

	Jan-Dec 2022	Jan-Dec 2021
Profit/loss before tax	**5,402**	**23,287**
Income tax calculated in accordance with tax rate in Sweden, 20.6 percent (20.6)	-1,113	-4,797
Non-deductible expenses	-94	-113
Non-deductible impairment of participations in subsidiaries	-917	-
Non-taxable dividends from subsidiaries and associated companies	24	4,862
Non-taxable profit from sales of holding in associated companies	-	51
Adjustment related to previous years	10	-
Tax expense	**-2,089**	**3**

NOTE P13 CAPITALISED DEVELOPMENT EXPENSES

	31/12/2022	31/12/2021
Opening cost		
Purchases for the year	49	-
Closing accumulated cost	**49**	**0**
Opening amortisation	-	-
Amortisation for the year	-	-
Closing accumulated amortisation	**0**	**0**
Closing residual value according to plan	**49**	**0**

NOTE P14 PATENTS

	31/12/2022	31/12/2021
Opening cost	1,094	1,040
Purchases for the year	-	55
Closing accumulated cost	**1,094**	**1,094**
Opening amortisation	-831	-741
Amortisation for the year	-76	-90
Closing accumulated amortisation	**-907**	**-831**
Closing residual value according to plan	**188**	**263**

NOTE P15 BUILDINGS

	31/12/2022	31/12/2021
Opening cost	4,304	4,304
Purchases for the year	199	-
Closing accumulated cost	**4,503**	**4,304**
Opening depreciation	-215	-
Depreciation for the year	-215	-215
Closing accumulated depreciation	**-430**	**-215**
Closing residual value according to plan	**4,073**	**4,088**

NOTE P16 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	31/12/2022	31/12/2021
Opening cost	1,161	978
Purchases for the year	392	183
Closing accumulated cost	**1,553**	**1,161**
Opening depreciation	-725	-634
Depreciation for the year	-117	-91
Closing accumulated depreciation	**-843**	**-725**
Closing residual value according to plan	**710**	**435**

NOTE P17 PARTICIPATIONS IN GROUP COMPANIES

Name	Corp. ID no	Domicile	Primary operations
Railcare AB	556600-2514	Skellefteå, Sweden	Railway maintenance
Railcare Machine AB	556502-3925	Skellefteå, Sweden	Machine sales
Railcare T AB	556904-6674	Skellefteå, Sweden	Specialist transport, leasing of locomotives and wagons
Railcare Danmark A/S	30500849	Elsinore, Denmark	Railway maintenance
Railcare Lining AB	556873-4817	Skellefteå, Sweden	Railway maintenance
Railcare Sweden Ltd	8687106	Derby, UK	Railway maintenance
Railcare Production AB	556980-8586	Skellefteå, Sweden	Railway maintenance
Elpro i Skellefteå AB	556801-5274	Skellefteå, Sweden	Electrical installations

All subsidiaries are consolidated within the Group. The subsidiaries' share capital consists solely of ordinary shares, which are held directly by the Group, and the participating interest is the same as the share of votes.

Name	Participating interest 31/12/2022 (%)	Participating interest 31/12/2021 (%)	Book value 31/12/2022	Book value 31/12/2021
Railcare AB	100	100	10,505	10,505
Railcare Machine AB	100	100	1,971	1,971
Railcare T AB	100	100	12,100	12,100
Railcare Danmark A/S	100	100	5,000	9,449
Railcare Lining AB	100	100	100	100
Railcare Sweden Ltd	100	100	11	11
Railcare Production AB	100	100	100	100
Elpro i Skellefteå AB	100	-	4,100	4,100
			33,887	**38,336**

	31/12/2022	31/12/2021
Opening cost	38,336	38,336
Purchases for the year	0	0
Closing accumulated cost	**38,336**	**38,336**
Opening impairment	0	0
Impairment for the year	-4,449	0
Closing accumulated impairment	**-4,449**	**0**
Book value	**33,887**	**38,336**

The operation in Denmark has been discontinued, and liquidation of Railcare Danmark A/S commenced in January 2023. As a result of this, an impairment loss of SEK 4,449,000 was recognised during the financial year for participations in subsidiaries.

NOTE P18 FINANCIAL INSTRUMENTS

The table below presents the Parent Company's financial assets and liabilities classified based on the cost. For current and non-current receivables and liabilities, the carrying amount is considered to constitute a reasonable estimate of the fair value whereby these values agree in the table below.

Financial assets measured at cost	31/12/2022	31/12/2021
Accounts receivable	39	13
Receivables from Group companies	94,161	67,649
Cash and cash and cash equivalent	26,419	30,802
Total	**120,619**	**98,464**

Financial liabilities measured at cost	31/12/2022	31/12/2021
Accounts payable	1,614	1,960
Liabilities to Group companies	115,831	86,264
Other current liabilities	61	38
Total	**117,506**	**88,261**

NOTE P19 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2022	31/12/2021
Accrued income	-	240
Prepaid lease payments	12	12
Prepaid rent for premises	690	625
Prepaid insurance policies	57	40
Other items	946	380
Total	**1,706**	**1,297**

NOTE P20 CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet and cash flow statement consist exclusively of bank balances.

NOTE P21 DEFERRED TAX ASSETS (NET)

Carrying amounts pertain to temporary differences attributable to:

	31/12/2022	31/12/2021
Tax loss carry-forwards	-	3
Endowment insurance for pensions	52	-
Closing balance	**52**	**3**

The gross change in deferred taxes is recognised in its entirety in profit or loss.

NOTE P22 OTHER CURRENT LIABILITIES

	31/12/2022	31/12/2021
Employee withholding taxes	177	290
VAT	134	393
Other current liabilities	61	38
Total	**371**	**720**

The fair value of other current liabilities corresponds to their carrying amounts, as they are, by definition, current.

NOTE P23 ACCRUED EXPENSES AND DEFERRED INCOME

	31/12/2022	31/12/2021
Accrued holiday pay	907	1,429
Accrued social security contributions	446	695
Other items	599	544
Total	**1,953**	**2,668**

NOTE P24 CONTINGENT LIABILITIES AND PLEDGED ASSETS

	31/12/2022	31/12/2021
Guarantees for subsidiaries	170,566	165,478
Total	**170,566**	**165,478**

The Parent Company has provided a guarantee in relation to the Group's financing with credit institutions in the event that any of the companies are unable to fulfil their commitments. The guarantee commitment for the subsidiaries is unlimited in amount.

The Group must fulfil a covenant for the borrowing. The loan term that must be met is that the net debt/EBITDA ratio may not exceed 3.0 from 31 December 2021 and at any time thereafter. The Group fulfilled the loan term during the 2022 and 2021 financial years.

NOTE P25 ADJUSTMENT FOR NON-CASH ITEMS

	31/12/2022	31/12/2021
Depreciation	409	396
Provision for payroll tax	49	-
Gain from sales of associated companies	-	-246
Total	**458**	**150**

NOTE P26 RELATED PARTIES

Related parties are all subsidiaries and senior executives, i.e. the Board and Group Management, and their family members. Transactions with related parties have been based on normal and generally accepted commercial terms.

See Note P3 for information on purchases and sales between Group companies.

Transactions with related parties are described in the Group's Notes G8 and G28. Most of these transactions are carried out in the Parent Company. Where the transactions are carried out in a subsidiary, it is explicitly noted in text.

The receivables from and liabilities to Group companies that are in the Parent Company balance sheet are all current and not interest bearing.

NOTE P27 PROPOSED DISTRIBUTION OF PROFIT

The following profit is at the disposal of the Annual General Meeting:	
Share premium reserve	17,446,427
Retained earnings	8,816,172
Profit/loss for the year	3,312,460
Total	**29,575,060**

The Board of Directors and the CEO propose that the profit be appropriated as follows:	
A dividend of SEK 0.60 per share to be paid to shareholders, totalling	14,474,500
to be carried forward to a new account	15,100,559
Total	**29,575,060**

Board of Directors signatures

The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented to the Annual General Meeting on 4 May 2023.

The Board of Directors and the CEO hereby provide their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a true and fair view of the Group's position and earnings. The Parent Company's financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Parent Company's financial position and earnings. The administration report for the Group and the Parent Company provides a fair review of the development of the operations, financial position and earnings of the Group and the Parent Company, addressing significant risks and uncertainties affecting the Parent Company and the companies within the Group.

SKELLEFTEHAMN, MARCH 31 2023

Anders Westermark
Chairman of the Board

Ulf Marklund
Board member, Deputy CEO

Catharina Elmsäter-Svärd
Board member

Anna Weiner Jiffer
Board member

Björn Östlund
Board member

Adam Ådin
Board member

Mattias Remahl
CEO

Our auditor's report was submitted on 13 April 2023
Ernst & Young AB

Fredrik Lundgren
Authorised Public Accountant

Auditor's Report

To the general meeting of the shareholders of Railcare Group AB, corporate identity number 556730-7813.

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of Railcare Group AB (publ) except for the corporate governance statement on pages 50-62 and the statutory sustainability report on pages 38-48 for the year 2022. The annual accounts and consolidated accounts of the company are included on pages 32-110 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31st of December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31st of December 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 50-62 and the statutory sustainability report on pages 38-48. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.
We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Valuation of locomotives and wagons, work machines and ongoing new facilities

Description

The value of locomotives and wagons, work machines and ongoing new facilities amounts to KSEK 393,510 and constitutes approx. of 66% of the group's total assets. Accounting takes place at acquisition value with deductions for accumulated depreciation and any devaluations. Capitalization of additional expenses takes place for measures that are likely to bring financial benefit in the future. The value is reviewed annually. Accounting for tangible fixed assets is deemed to be a particularly important area as a result of incorrect assessments and assumptions in the following three areas can have a significant impact on the group's results and position:

- analysis of devaluation needs and associated assessments and assumptions such as estimated future cash flows, discount rate and growth

- assessments of period of use
- delineation of whether expenses for repair and maintenance must be capitalized or expensed.

For the group's impairment test see note G16 and for the group's important estimates and judgments see note G4.

How our audit addressed this key audit matter
Our audit included, but was not limited to:

- review of the process for accounting for tangible fixed assets
- assessment of the reasonableness of assumptions that have been used in the model for impairment testing such as return requirements and forecast assumptions and that the required note information has been provided
- review of the company's assessment of useful periods for a selection of assets
- review of a selection of activations and repair regarding maintenance costs

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-31, 49 and 117-122. The Board of Directors and the Managing Director are responsible for this other information.

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

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.
If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

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

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

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

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or related safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Railcare Group AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Railcare Group AB for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Railcare Group AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

<u>Responsibilities of the Board of Directors and the Managing Director</u>
The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

<u>Auditor’s responsibility</u>
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.
RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements. Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls.

The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director. The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report have been marked with iXBRL in accordance with what follows from the Esef regulation.

The auditor’s examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 50-62 has been prepared in accordance with the Annual Accounts Act.

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

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

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 38-48, and that it is prepared in accordance with the Annual Accounts Act.

My (Our) examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor´s opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Jakobsbergsgatan 24, 103 99 Stockholm, was appointed auditor of Railcare Group AB by the general meeting of the shareholders on the 4th of May 2022 and has been the company's auditor since the 19th of October 2009.

Skellefteå, 13 of April 2023
Ernst & Young AB

Fredrik Lundgren
Authorized Public Accountant

Multi-year summary

Amounts in SEK million	2022	2021	2020	2019	2018	2017	2016	2015
Net sales	497.0	437.9	401.3	370.6	270.1	292.6	353.1	290.2
Capitalised work on own account	12.1	8.3	16.2	7.5	5.5	2.2	1.3	1.0
Other operating income	3.1	6.4	3.6	1.8	1.2	1.8	2.0	3.0
Total operating income	**512.3**	**452.6**	**421.1**	**379.9**	**276.8**	**296.6**	**356.4**	**294.2**
Raw materials and consumables	-193.1	-141.0	-121.7	-129.6	-70.5	-99.3	-130.6	-109.1
Other external costs	-75.8	-62.9	-58.9	-47.1	-71.3	-61.5	-58.7	-54.3
Personnel costs	-146.3	-139.0	-124.6	-120.4	-108.4	-92.9	-92.2	-78.7
Depreciation and impairment of property, plant and equipment	-42.8	-52.1	-53.3	-49.7	-24.1	-23.2	-21.5	-20.2
Other operating expenses	-1.8	-1.5	-2.3	-1.2	-0.9	-3.1	-3.5	-0.7
Total operating expenses	**-459.9**	**-396.4**	**-360.7**	**-348.0**	**-275.3**	**-280.0**	**-306.4**	**-263.0**
Operating profit/loss (EBIT)	**52.4**	**56.2**	**60.4**	**32.0**	**1.5**	**16.7**	**50.0**	**31.2**
Financial income	0.0	0.1	0.0	0.0	0.0	0.0	0.6	2.0
Financial expenses	-5.5	-4.4	-4.8	-5.8	-5.4	-5.0	-5.8	-7.2
Net financial income/expense	**-5.5**	**-4.4**	**-4.8**	**-5.8**	**-5.3**	**-4.9**	**-5.2**	**-5.2**
Share of profit after tax from associated companies reported according to the equity method	0.0	-0.2	0.3	0.3	0.2	0.2	0.0	-0.1
Profit/loss before tax	**46.9**	**51.7**	**55.9**	**26.5**	**-3.6**	**12.0**	**44.9**	**25.9**
Tax	-10.1	-11.2	-12.1	-5.7	2.2	-3.0	-10.2	-5.5
Net profit/loss for the period	**36.8**	**40.5**	**43.8**	**20.8**	**-1.4**	**9.0**	**34.7**	**20.4**
Equity/assets ratio, %	41.2	39.6	37.4	33.5	32.3	31.7	33.7	29.1

Definitions

GENERAL

All amounts in the tables are in SEK 000 unless otherwise stated. All values in brackets are comparative figures for the corresponding period in the preceding year unless otherwise stated. Amounts in tables and other summaries have been rounded individually. Accordingly, minor rounding differences can be found in totals.

ALTERNATIVE PERFORMANCE MEASURES

This Annual Report refers to a number of financial measures not defined in accordance with IFRS, known as alternative performance measures. Railcare uses these performance measures to monitor and analyse the financial outcome of the Group's operations and its financial position. These alternative performance measures are intended to supplement, not replace, the financial measures presented in accordance with IFRS. See definitions and further information below.

FINANCIAL PERFORMANCE MEASURES	DEFINITION/CALCULATION	PURPOSE
Operating profit/loss (EBIT)	Calculated as net profit/loss for the period before tax, profit from holdings in associated companies and financial items.	This performance measure illustrates the Company's profit/loss generated by operating activities.
Net financial income/expense	Net financial items are calculated as financial income less financial expenses.	This performance measure illustrates the net amount from the Company's financial activities.
Net margin	The net margin is calculated as income after financial items divided by net sales.	This performance measure illustrates how much of the Company's earnings remain after all expenses, excluding corporation tax, have been deducted.
Total assets	Calculated as the total of the Company's assets at the end of the period.	
Equity per share, SEK	Calculated as equity divided by the number of shares outstanding at the end of the period.	This performance measure illustrates the Company's net worth per share.

Definitions

FINANCIAL PERFORMANCE MEASURES	DEFINITION/CALCULATION	PURPOSE
Sales growth, %	Calculated as the difference between net sales for the period and net sales for the preceding period, divided by net sales for the preceding period.	This performance measure illustrates the Company's growth and historical performance, contributing to an understanding of the Company's development.
Operating margin, %	Calculated as operating income divided by net sales.	This performance measure illustrates how much of the Company's profit/loss is generated by its operating activities.
Equity/assets ratio, %	Calculated as equity divided by total assets.	This performance measure illustrates the Company's financial position and long-term solvency.
Dividend per share, SEK	Dividend per share approved by a General Meeting at which the Annual Report for the specified financial year is adopted.	

FINANCIAL PERFORMANCE MEASURES	DEFINITION/CALCULATION	PURPOSE
Earnings per share before dilution, SEK	Calculated as profit/loss attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding in the period.	This performance measure illustrates the Company's earnings per share, excluding any dilution effect from outstanding convertibles.
Earnings per share after dilution, SEK	When calculating earnings per share after dilution, the weighted average number of shares outstanding is adjusted for the dilution effect of all potential shares. The Parent Company has a category of potential common shares with a dilution effect: convertible debentures. The convertible debentures are assumed to have been converted into shares and net profit is adjusted to eliminate interest expenses less the tax effect. Convertible debentures do not give rise to a dilution effect when the interest per share that may be received upon conversion exceeds earnings per share before dilution.	This performance measure illustrates the Company's earnings per share, excluding any dilution effect from outstanding convertibles.

Glossary

CULVERT INSPECTIONS Assessment and documentation of the condition and potential maintenance need for culverts, mainly under railways and roads.

ECM The unit responsible for maintenance for freight wagons and locomotives.

ERTMS A new signalling system for Sweden's entire rail network. It is replacing an old system, simplifies traffic management and maintenance, and in the long term it will facilitate traffic between different countries.

ETCS The on-board system locomotives will need to have installed when the new ERTMS signalling system is implemented on Sweden's railways.

EXTENDING THE SERVICE LIFE Worn-out locomotives are upgraded with better engines, new signalling systems and a modernised working environment with the aim of better meeting future environmental requirements and technical standards.

INFRASTRUCTURE MANAGER The organisation or company responsible for constructing, managing and maintaining railway infrastructure, including traffic management, traffic control and signalling. The largest infrastructure manager in Sweden is the Swedish Transport Administration.

MPV Railcare's newest maintenance machine, Multi Purpose Vehicle, which is battery powered. The machine is equipped with its own power source, vacuum pumps, hydraulics and operator cabs, which allows it to be used as a complement to Railcare's railway vacuum cleaner and snowmelter, and to function as a towing vehicle for macadam wagons, for example, during track work.

NATIONAL PLAN On 31 May 2018, the Swedish government adopted a national plan for the transport system for the period 2018-2029. The plan includes measures and is an important step towards a modern and sustainable transport system.

NORDIC ADAPTATION A number of modifications carried out on locomotives so that they can operate in Sweden. Examples include fitting snow ploughs and installing on-board systems.

PANTOGRAPH The trailing contact that transfers power from the overhead lines above the railway track to the electric vehicles and machines operating on the railways.

POWER PACK The power supply system in a Railvac, comprising a motor, vacuum pump and hydraulics.

RAILVAC Maintenance contracts with Railvac-machines that are able to perform various types of track maintenance on the railways using vacuum technology.

REBALLASTING Replacement of the top layer of the rail embankment in which the sleepers are set.

SLEEPER REPLACEMENT Replacement of the sleepers distributing the track load across the rail embankment.

STAGE V ENGINES Engines that meet the standard for emissions class stage V. Classification for industrial vehicles that regulates permitted emissions.

STANDBY LOCOMOTIVES A clearance locomotive with personnel that is available around the clock 365 days of the year to urgently clear or remove vehicles involved in incidents or breakdowns on the railway. The aim is to quickly get the track open for traffic again.

Shareholder information

ANNUAL GENERAL MEETING 2023

Railcare's Annual General Meeting will take place on Thursday 4 May 2023 at 11:00 a.m. CEST at the Company's premises at Näsuddsvägen 10, SE-932 32 Skelleftehamn, Sweden.

Notification of participation

Shareholders wishing to participate in the Annual General Meeting must be included in the share register maintained by Euroclear Sweden AB by Tuesday 25 April 2023 and should notify the Company in writing of their participation by Thursday 27 April 2023, addressing this notification to:
Railcare Group AB
Att: Annual General Meeting
Box 34
SE-932 21 Skelleftehamn, Sweden.

Notification may also be provided by calling +46 (0)70-250 76 66 or by email to: ir@railcare.se.

The notification must state the shareholder's full name, personal ID number or corporate ID number, number of shares held, address, daytime telephone number and, where applicable, details of any deputies or assistants (maximum two). Where applicable, the notification should be accompanied by any power of attorney, registration certificates and other authorisation documents.

FINANCIAL CALENDAR

- The Interim Report for January–March 2023 will be published on 3 May 2023.
- The Annual General Meeting will take place on 4 May 2023 at Railcare's head office in Skelleftehamn, Sweden.
- The Interim Report for January–June 2023 will be published on 17 August 2023.
- The Interim Report for January–September 2023 will be published on 9 November 2023.
- The Year-end Report for 2023 will be published on 15 February 2024.

For further information, see www.railcare.se or www.railcare.se/en/

RAILCARE

The railway specialist Railcare offers innovative products and services for the railway; for example, railway maintenance with self-developed machines, a locomotive workshop, project and specialist transport, and machine sales. Our market is mainly in Scandinavia and the United Kingdom.

The railway industry is undergoing positive development with increasing traffic volumes, extensive investment programmes, the development of cost-effective freight and passenger transport, and rising environmental awareness. Railcare delivers both sustainable and efficient solutions that contribute to the railway, so it can be used for the maximum number of years to come.

The shares of Railcare Group AB (publ) are listed on the Small Cap list of the Nasdaq Stockholm exchange. The Group has approximately 160 employees and annual sales of approximately SEK 500 million. The Company's registered office is located in Skellefteå, Sweden.

Offices & Addresses

HEAD OFFICE

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