



railcare

ANNUAL REPORT 2023

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Financial calendar 2024

MAY 07
Interim Report January-March 2024

08 MAY
Annual General Meeting 2024

15 AUG
Interim Report January-June 2024

07 NOV
Interim Report January-September 2024

20 FEB
Year-end report 2024

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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/en/. The printed version of the Annual Report is distributed only to shareholders who have ordered printed copies. The 2023 Annual Report was published in April 2024. 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 33-111.

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

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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 and technology 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 our employees show – and are expected to show – a high degree of personal responsibility for everything from customer deliveries to embodying our values.

The year in brief



AUSRAIL [Q4]

In November, Railcare participated in the AusRail trade fair in Sydney, Australia.

“Australia is a promising market with extensive need for railway infrastructure maintenance. Moreover, the railway is increasingly owned by individual companies that are also responsible for all maintenance of their own railways.”

Jonny Granlund,
Business Area Manager

Five-year contract worth SEK 403 million [Q4]

Railcare has won another five-year contract with the Swedish Transport Administration relating to clearance locomotives, worth a total of SEK 403 million, which corresponds to just over SEK 80 million annually.

“This is the second largest contract in Railcare’s history, and of key significance to the profitability and long-term success of the Company’s transport operations. Alongside existing contracts, we are now contracted to provide a total of ten clearance locomotives.” Mattias Remahl, CEO Railcare Group AB.

LKAB Malmtrafik extends contract [Q3]

LKAB Malmtrafik exercised its option to extend the iron ore transport contract with Railcare until 31 December 2024. The contract is worth approximately SEK 70 million in 2024.

“LKAB is one of our key customers, and it is very pleasing that they have exercised the option to extend the contract throughout 2024. The early announcement that the contract will be extended will allow us to plan resources well in advance and ensure uninterrupted transport. Under the new contract, we will also equip all locomotives with central coupling, which gives us the opportunity to haul heavier loads.” Mattias Remahl, CEO Railcare Group AB.

The iron ore transports will run between Svappavaara-Kiruna and Svappavaara-Gällivare.



Changes to Group Management [Q2]

As a result of a growing organisation and confidence in the future, Railcare has made changes to its Group Management. The new Group Management comprises Mattias Remahl, CEO; Lisa Borgs, the new CFO; Johan Hansén, head of transport operations and Jonny Granlund, head of contracting operations and Machines and Technology.



Lisa Borgs, CFO

Railcare makes organisational changes in its contracting operations [Q1]

The Railcare Group has taken steps to optimise personnel resources in its contracting operations by organising all the machine operators under the same company, Railcare Resources AB, where a new operations manager has been recruited, and through partial restructuring of the UK operations.

“Our primary aim is to build an even stronger team of machine operators,” says Mattias Remahl, CEO of Railcare Group AB.

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KEY PERFORMANCE INDICATORS RAILCARE GROUP IN SUMMARY 2023

Net sales

564 SEK million

Sales growth

13.5 %

Operating profit/loss (EBIT)

68 SEK million

Operating margin

12 %

Profit/loss for the year

44 SEK million

Dividend per share

0.70 SEK

Number of employees

173



Ulf Edlund, locomotive driver

Best year ever for Railcare

The past year was the best ever for the Railcare Group, with continued strong growth and high margins. The strong performance of our operations is impressive considering it occurred in a period marked by continued turbulence in the surrounding world, as well as major industry challenges posed by the introduction of the Swedish Transport Administration's MPK planning system. Our agile and responsible corporate culture was crucial to this strong performance, creating excellent opportunities for future success.

What is the situation for Swedish railways?

Railways have long been under focus, but the discussion took on a new dimension in 2023. In June last year, along with other contractors, rail companies and Swedish heavy industry, I was privileged to participate in a discussion with Infrastructure Minister Andreas Carlsson on how Swedish railways can be improved. Similar meetings have been held with infrastructure ministers previously, but at this meeting it was clear that major Swedish industrial groups such as LKAB, SSAB, Volvo, Stora Enso and Holmen are deeply concerned about the condition of the railway system and the long-term consequences for Swedish companies.

The maintenance deficit has accumulated over decades and will take a long time to resolve. The challenge is to increase maintenance at the same time as rail traffic is expected to rise substantially. This will require maintenance akin to "Formula 1 pit stops", as I expressed it during the meeting with the Infrastructure Minister. Careful planning and resource coordination will be needed to make the work as fast and efficient as possible, in order to minimise on-track maintenance time and maximise the time available for rail traffic. In addition, maintenance must be carried out with a long-term approach from a socioeconomic perspective. The



The challenge is to increase maintenance at the same time as rail traffic is expected to rise substantially. This will require maintenance akin to "Formula 1 pit stops".

option that is cheapest in the short term is often not the best option in the long term. I feel that most stakeholders are in agreement, but the most important thing is to see results in practice.

Railcare offers part of the solution

Railcare's corporate culture is characterised by seeing solutions rather than problems, taking strong responsibility and having an ability to be agile and flexible. These characteristics are necessary to develop smart solutions that make maintenance even more efficient. This has been second nature to us ever since the Group was founded over 30 years ago. We do not perform maintenance in all areas, but we are at the forefront of development in the areas where we specialise.

We are also driving progress towards sustainable railways from a climate perspective. Whereas the majority of railway transport has been electrified, most of the maintenance machinery used is diesel-powered. When our battery-powered MPV maintenance machine went into operation in 2021, we were first in the world to use a battery-powered maintenance machine of that size. We are now building two enhanced machines, the MPV2 and MPV3, which will be equipped with pantographs to allow the machines to operate, and the battery

“Our transport operations continue to enjoy strong growth, and have more than doubled in the past four years.

Responsibility, flexibility and an efficient organisation contribute to making us an industry leader in delivery reliability.”

to be charged, with electricity from the overhead lines. This sends an important message to industry stakeholders, both domestically and internationally, and is a key step towards meeting the Swedish Transport Administration's target of zero railway emissions by 2040.

Continued growth in transport operations

Our transport operations continue to enjoy strong growth, and have more than doubled in the past four years. Responsibility, flexibility and an efficient organisation contribute to making us an industry leader in delivery reliability. This is particularly important for our customers in the mining industry, LKAB and Kaunis Iron, where the value of transport assignments is very high and the logistics chain plays a crucial role in these companies' capital tied up. The fact that we have established ourselves as a strong operator in northern Sweden opens up future opportunities for growth. It is in our home market in northern Sweden that a large part of the green industry will be established in the coming years.

The new contract for six clearance locomotives signed in October last year is the Railcare Group's second largest ever. These assignments, which will start to be rolled out on 1 January 2025, will contribute to growth and a

long-term perspective in our transport operations. The locomotive workshop in Långsele has enjoyed strong growth in recent years and established itself as an attractive supplier with efficient, customised solutions. A major transition is under way in the railway industry with stricter environmental requirements and a new signalling system. With the locomotive workshop's customised solutions and skilled personnel, the operations are well positioned for the future.

New, updated targets – raising the bar

The financial targets adopted by Railcare's Board of Directors in February 2023 were only valid for one year. In February 2024, with our best year ever behind us, a new major contract for clearance locomotives and strong belief in the future, Railcare's Board of Directors decided to raise the bar by setting new, higher targets. Like the previous targets, our new targets are to be achieved by 2027. The sales target was raised from SEK 800 million to SEK 1,000 million, while the operating margin target was raised from 10% to 13%. This means a profit growth of just over 60% if the targets are met. Our positive view of the future is justified by our ability to continue our growth journey despite the challenges in the external environment over the past three years.

Market outlook 2024

Discussions regarding the need for railway maintenance are more intense than they have been for a long time. Heavy industry, that is so important to Swedish business, lends extra weight to these discussions, and it is easy to appreciate how important a well-functioning infrastructure is for industry. The vulnerability of Malmbanan clearly highlighted the severe financial consequences a derailment can have when it occurs on Sweden's most important freight railway route. Regardless of the reason for the major derailment in December, it demonstrates the need for a reliable and robust railway. The Malmbanan derailment has led to increased pressure for railway maintenance to be carried out, and it remains to be seen how decision-makers and authorities will respond.

The outlook in transport operations is rosy, although it will be a few years before the major green industry projects start up. We note that our reputation for high delivery reliability is growing in the industry, opening up strong opportunities for new assignments. The locomotive workshop offers services that are in step with the transition in the railway industry. The strong growth in recent years gives us reason to consider an expansion with more purpose-built premises and equipment.

“Railcare is stronger than ever, and this gives us new opportunities to develop our operations for a long time to come.”

The experience we have accumulated up in our machine operations, where vacuum technology is combined with electric and battery operation, is generating increasing interest among international operators. There is a huge need internationally for maintenance of ageing railways. Our technology is especially useful in urban environments and places that are difficult to access, such as tunnels and bridges. We will place greater focus on, and be more proactive in, the sales and marketing of our technology. We hope to see results of this in the coming years.

It is now three years since I joined the Railcare family. It has been a wonderful time, during which we have tackled external challenges together and continued our growth journey. Railcare is stronger than ever, and this gives us new opportunities to develop our operations for a long time to come. Competence is defined as the ability and will to perform a task by applying knowledge, skills and experience. At Railcare, we have both the will and the ability to put our best foot forward. This is the foundation of our continued success.

Mattias Remahl

CEO Railcare Group AB

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The Swedish railway in numbers

Source: Swedish Transport Administration (2022)

15,600
km of railway track

500
stations

530
freight trains a day

78 %
of the railway network is electrified

165
tunnels

3,200
passenger trains a day

10,600
switches

4,550
railway bridges



External environment and market trends

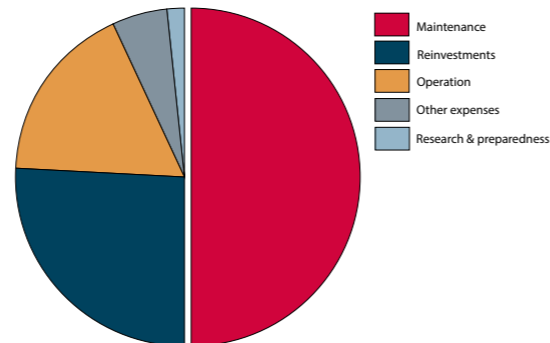
Effective railways are the foundation for sustainable transport in our society. Railways, with their long life span and low emissions, are an important element of future infrastructure.

Railcare works to keep railways running smoothly by performing niche track maintenance with the help of vacuum technology in our **contracting operations**. The Company has been designing, developing and building proprietary machines in the **Machines and Technology** segment since the early 1990s. Railcare also offers freight, contracting and specialist transport and provides clearance locomotives as part of its **transport operations**. In this segment, the Company also has locomotive workshops both for in-house use and external customers.

Railcare primarily operates in Sweden, where the Company performs contracting as well as transport assignments. Some contracting assignments are also performed in the UK. In our Machine and Technology operations, we develop machines both for in-house use and for sale in an international market. Railcare's operations are impacted to varying degrees by a number of external factors, which are described on the following pages.

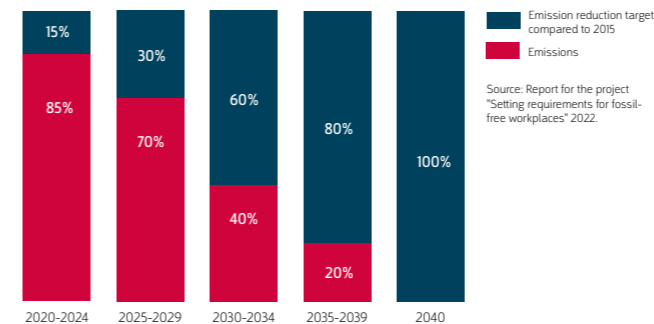
Major investments are being carried out to improve the railways. In the Swedish Transport Administration's national plan for transport infrastructure 2022-2033, SEK 165 billion will be allocated for railway maintenance, distributed

as shown below. The Swedish Transport Administration has also been instructed to present measures aimed at strengthening the performance of railway maintenance and the robustness, reliability and punctuality of rail traffic.



The EU climate package Fit for 55, with measures in the areas of climate, energy and transport, aims to reduce EU countries' greenhouse gas emissions by at least 55 percent by 2030 and make Europe climate-neutral by 2050.

The Swedish Transport Administration has announced that all work with and on railways must be completely climate-neutral by 2040.



Surging demand for transport. The rise in passenger kilometres and tonne kilometres in the world is expected to reach 200% by 2050 (ITF/OECD).

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.



External factors

EXTERNAL FACTOR	IMPACT ON EXTERNAL ENVIRONMENT	IMPACT ON RAILCARE
<p>Railways are once again in focus as a sustainable infrastructure, which strengthens industry competitiveness and ties people closer together.</p>	<p>The railway infrastructure, both nationally and internationally, is subjected to heavy stress by increasing volumes of goods and passengers. An increase that shows no signs of abating. This places growing demands on railways, which already have a severe maintenance deficit, not least in Sweden.</p> <p>According to the Järnvägslyftet report, traffic on Swedish railways has increased by 65 percent since 1990 while track capacity has remained largely unchanged. Several reports indicate the growing maintenance deficit, which risks impacting Sweden's competitiveness due to a worn and heavily strained railway system that is extremely sensitive to disruption.</p> <p>In the autumn of 2023, the Swedish government instructed the Swedish Transport Administration to present measures aimed at strengthening the performance of railway maintenance and the robustness, reliability and punctuality of rail traffic. As a NATO member, it is also of high priority for Sweden to have an adequate transport infrastructure that meets the needs for total defence and military mobility.</p>	<p>Much of the railway maintenance work that is currently performed manually or by excavators can be replaced with the gentle, efficient vacuum technology offered by Railcare. This regards both contracting machines and snow clearance machines. Railcare is a niche provider of preparatory railway maintenance services such as cable laying, drainage or reballasting, which are often performed prior to track replacement or major track renovations. In winter, this technology is used for clearing snow from important railway sections and routes.</p> <p>Thanks to the vacuum technology and Railcare's unique niche, mean that the Company works on a contract basis for infrastructure administrators, and as a subcontractor for major maintenance providers in Sweden and the UK. Exports of Railcare's products and services are an important complement to our core operations. The international maintenance deficit, in combination with the sustainable transition, creates strong opportunities for Railcare's proprietary battery-powered machine to reach the market.</p> <p>In summary, due to investments in strengthening railway maintenance, there are excellent opportunities for Railcare to carry out more assignments, both in contracting operations and the Machine and Technology segment.</p>

EXTERNAL FACTOR	IMPACT ON EXTERNAL ENVIRONMENT	IMPACT ON RAILCARE
<p>Reduction of climate impact by lowering CO2 emissions in the contracting and transport sectors, with the aim of becoming fossil-free.</p>	<p>The EU climate package Fit for 55, with measures in the areas of climate, energy and transport, aims to reduce EU countries' greenhouse gas emissions by at least 55 percent by 2030 and make Europe climate-neutral by 2050. At the same time, the Swedish Transport Administration has announced that Swedish railways must be fossil-free by 2030 and completely emission-free by 2040.</p> <p>Railways are, intrinsically, a more environmentally friendly option for transporting large volumes of goods and people than, for example, trucks. However, many routes are not electrified, and alternatives are needed during contracting works when overhead lines are de-energised. Reducing emissions through improved engines, alternative fuels or battery power is becoming an important area.</p> <p>Needless to say, this places high requirements on everyone who works with and on railways, especially in an industry with high levels of investment in machinery and vehicles.</p>	<p>The recently developed battery-powered MPV (Multi Purpose Vehicle) is currently used in Railcare's contracting operations, and the second-generation MPV is now being built. It is equipped with a pantograph, which enables batteries to charge directly from overhead lines. This machine is the world's first and largest 100% battery-powered railway maintenance machine, and provides important proof to the whole industry that large railway maintenance machines can be run sustainably.</p> <p>Electric locomotives are currently used in Railcare's transport operations to transport ore for Kaunis Iron and LKAB. Railcare uses proprietary and leased diesel locomotives for contracting, specialist and contingency transport. The most recent locomotive, the Effishunter, has more environmentally friendly engines. Railcare has led the way in introducing it in Sweden, thus setting a new environmental performance standard in the market. Railcare's locomotive workshop will play an important role in this area, both now and in the future. The locomotive workshop can extend the service life of locomotives, both for in-house operations and for external customers. This means that locomotives can gain a new lease of life and be used for even longer, e.g. through engine replacement, exterior and interior refurbishment and installation of new digital onboard systems, something that generally reduces climate impact.</p>

External factors

EXTERNAL FACTOR	IMPACT ON EXTERNAL ENVIRONMENT	IMPACT ON RAILCARE
<p>Railway transport expected to increase significantly due to growing volumes of goods and passengers.</p>	<p>The Swedish Transport Administration's analysis indicates that both passenger transport and freight transport will increase by approximately 50 percent by 2040.</p> <p>In northern Sweden, for example, extensive industrial development is currently taking place as new green industries in fossil-free steel, battery manufacture, renewable energy, etc. are established. The market is the driving factor here, with customers demanding sustainable transport as a key part of their value chain. The multi-billion SEK initiatives also entail societal transformation with increased transport needs, both for businesses and inhabitants.</p> <p>The increase in rail transport will happen at a time when there are already many congested sections, which makes it difficult to gain track time and access. Moreover, there is a large maintenance deficit in the infrastructure while works need to be performed in parallel with increased traffic volumes, and extreme weather is a further impacting factor. Supply of locomotives and drivers is also a challenge for many operators.</p>	<p>The market's shift from road to rail transport, and the increased demand for freight transport, will create opportunities for Railcare in its transport operations as a flexible and reliable supplier of freight, contracting and specialist transport. The Company has good relationships with business partners, ensuring a supply of locomotives, as well as a strong employer brand that enables us to retain and recruit drivers.</p> <p>Our transport operations also perform work under a contingency clearing contract with the Swedish Transport Administration. This means that a number of locomotives are stationed around Sweden, ready to quickly move traffic that has stopped on the track for some reason. This work is crucial for keeping railways accessible and free from congestion.</p> <p>The increase in transport also holds potential for Railcare's contracting operations. With track time in scarce supply while railways need more maintenance than ever, the Company's efficient and gentle machines will be able to perform crucial operations akin to Formula 1 pit stops. These operations also reduce the risk of stoppages occurring in connection with subsequent major track replacement, thus minimizing the duration of traffic disruption. This is the type of resource efficiency that the Swedish government is currently demanding.</p>

EXTERNAL FACTOR	IMPACT ON EXTERNAL ENVIRONMENT	IMPACT ON RAILCARE
<p>A standardised European rail traffic management system.</p>	<p>Work has been under way for several years to build a uniform rail network in the EU. The aim is to increase railway efficiency and competitiveness compared to other modes of transport.</p> <p>This has resulted in major investments throughout Europe, including the ERTMS (European Rail Traffic Management System) digital signalling system. When the new ERTMS signalling system is introduced on Swedish railways, locomotives will also need to be upgraded with the new on-board system ETCS (European Train Control System).</p>	<p>Railcare will need to upgrade its own locomotives, but is well prepared for this as our locomotive workshop has the necessary knowledge and experience to install the ETCS on-board system.</p> <p>Installation of the on-board system is offered to, and already widely used by, both domestic and international customers, and demand is high.</p>

Customers and competitors

Railcare's market comprises various areas of the railway industry. During 2023, at Group level, private sector customers accounted for approximately 62 percent of consolidated net sales. Public sector customers represented approximately 38 percent.

CONTRACTING OPERATIONS IN SWEDEN AND ABROAD

We perform contracting operations in areas where our vacuum and battery-powered machines are needed. Our public sector customers are public infrastructure administrators and railway operators in Scandinavia and the UK. Railcare has a framework agreement with the Swedish Transport Administration for track maintenance, and is also a supplier to Network Rail in the UK.

Our private customers are primarily contractors who manage basic maintenance for the Swedish Transport Administration, such as Infranord and NRC Group. However, they may also include other companies that own their railway infrastructure and therefore need reliable infrastructure, such as mining companies that manage certain routes adjacent to facilities.

Railcare's main competitors in contracting operations are other railway contractors with excavators, since there is nothing comparable to vacuum technology and its capacity. To some extent, major maintenance contractors, who may be our customers, such as Infranord, NRC Group and Infrakraft, may also be our competitors if instead of Railcare's vacuum technology, they use excavation techniques provided by other operators.



TRANSPORT OPERATIONS

Private customers in our transport operations include mining companies and other companies with a need for reliable transport of heavy and valuable freight, such as Kaunis Iron and LKAB, for which Railcare is an important part of the logistics chain. Railcare also carries out contracting transport, e.g. of railway sleepers and macadam for major track replacements, for customers such as NRC Group and Infrakraft. Our locomotive workshop's largest customers are railway operators such as Infranord, Nordic Re-Finance and Beacon Rail.

Another customer in Railcare's transport operations is the Swedish Transport Administration, for whom Railcare provides contingency clearing locomotives in selected locations in Sweden to enable the removal of any stationary traffic on the railway. Competitors in the area of transport include Green Cargo, Hector Rail and ProTrain.

MACHINES AND TECHNOLOGY

Railcare primarily sells its machines in markets where the Company does not perform contracting assignments. Private customers here include those that own and manage railway infrastructures outside Sweden and the UK. The mining company LKAB and the



American railway company Loram are two examples. The Swedish Transport Administration has been a key partner to us over the years in the development of snow melters and flexible snow ploughs, and will continue to be an important customer in this area in the future.

Our machine and technology operations in recent years have largely been dedicated to the development and testing of new battery-powered machines. Battery technology combined with powerful vacuum technology has a potential market worldwide, but its characteristics make it particularly attractive for operators who manage many stretches of railway that are difficult to access, such as tunnels and bridges.

The experience that Railcare has amassed over the years with regard to battery and vacuum technology is unique. There are companies that use simple vacuum technology based on a fan concept, but their capacity is significantly lower than the method developed by Railcare. For this reason, no comparable competitors really exist in this area.



Jörgen Dahlqvist,
machine operator

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VISION

Railcare shall develop with satisfied customers and positive profitability, thereby increasing 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.

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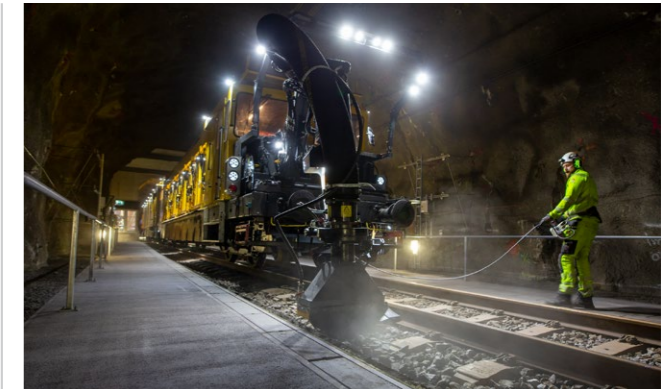
Strategy

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



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

Railcare aims to 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 characterises 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 building a strong team spirit and by showing respect for everyone.



Efficient contracting assignments that contribute to more sustainable railways

An increased focus on efficient railway maintenance means that Railcare's machines, niche vacuum technology and working methods will be in demand from customers. 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.

Strategy



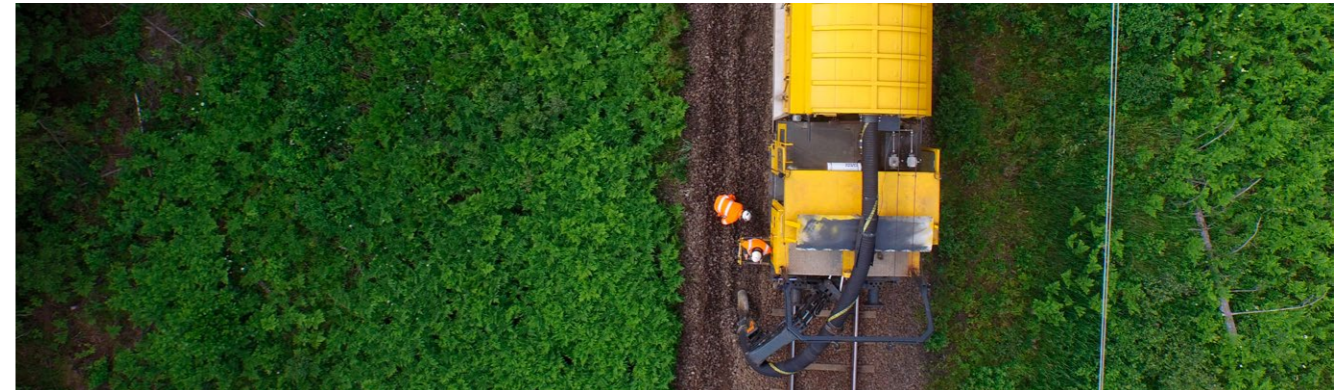
Provide reliable, sustainable transport

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 fleet of locomotives. It enables us to renovate and upgrade worn-out locomotives with new, lower emission engines and future technologies. As regards Railcare's own locomotive fleet, future requirements regarding fossil fuel emissions and ETCS equipment will require a transition to secure future business opportunities.



Embodying the entrepreneurial spirit

Railcare's success is rooted in its origins as an entrepreneurial company. The strength of an agile, high-energy and solutions-oriented organisation is something we value and aim to continue nurturing. 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 requires us to create new methods, innovations and working methods in parallel with building machines and the organisation. Doing things differently will continue to be a success factor in the future.



Driving progress towards more sustainable railways

Increasingly strict requirements will be imposed for climate-neutral transport and contractors. In this transition, Railcare is committed to being a role model and realising its visions. We do this both by developing new fossil-free machines and by updating our own fleet of machinery and vehicles with fossil-free alternatives.

From a long-term perspective, Railcare is also actively working 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 marks a valuable first step for our business, the environment and the industry in general. This innovation also opens up the possibility of developing the battery bank to operate other diesel-powered railway machines.

Business model

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



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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

1,000 SEK million

EBIT

13 %

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.



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Our operations

Our operations are carried out in the following segments:

CONTRACTING SWEDEN

Proportion of sales 34 %

CONTRACTING ABROAD

Proportion of sales 6 %

TRANSPORT SCANDINAVIA

Proportion of sales 57 %

MACHINES AND TECHNOLOGY

Proportion of sales 3 %

Kurt Boström,
installation engineer

● Contracting Sweden ● Contracting Abroad ● Transport Scandinavia ● Machines and Technology

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NARVIK

UK

ÖVRIGA VÄRLDEN

Freight transport
Transporting ore for Kaunis Iron and LKAB

Locomotive workshop in Pitkäjärvi
Repairs and maintenance

Contracting including vacuum technology in Scandinavia
Proprietary machine that is 100% battery-powered

Locomotive workshop in Långsele
Maintenance, extension of service life, installation of train protection systems

Clearing locomotives and specialist transport

Contracting-related transport
Transport of machinery, sleepers and macadam

Relining
Culvert renovations with fibreglass and UV technology

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.

Contracting including vacuum technology in the UK
Proprietary Railvac and Ballast Feeder

Machine sales
Export of machinery to countries where Railcare does not carry out its own contracting work

CONTRACTING SWEDEN

Our contracting operations in Sweden carry out maintenance contracts on the railways using our own personnel and our own machinery. With the help of vacuum technology in our Railvac and Ballast Feeder machines, 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
194 SEK million	17 SEK million	9 %

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
32 SEK million	-3 SEK million	-8 %

TRANSPORT SCANDINAVIA

In the transport business, we offer railway transport with our own locomotives, wagons and personnel. 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 has been certified as a unit responsible for maintenance (ECM) for railway vehicles.

Net sales	Profit/loss after financial items	Net margin
322 SEK million	46 SEK million	14 %

MACHINES AND 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
16 SEK million	1 SEK million	4 %

CASE

Contracting Sweden

HVO100 tested for snow machines

During the winter of 2023, Railcare and the Swedish Transport Administration tested HVO100 fuel on the SR700 snow clearing machine located in Stockholm.

“We want to be part of the transition to more sustainable railways, and it feels important that we are now testing fossil-free fuels,” says Jonny Granlund, Business Area Manager Contracting Sweden.



Railcare developed the snow machine, which removes snow from railway tracks using a snow blower. The snow then melts, and the resulting water is stored in the machine’s large tank. In this way, the snow is removed from the track without the need to move it to a different location in the track area.

“The challenge isn’t about whether the HVO 100 works in the machines, since we already know it does. What we and the Swedish Transport Administration area are primarily concerned with solving is the fuel management logistics, both for storage and purchase,” explains Jonny. He concludes:

“This largest machine, the SR700, is mainly used in railway yards in central areas. So fossil-free fuel benefits us, the environment and local residents.”

Värnamo railway yard is upgraded

Railcare has exposed a cable in preparation for a major redevelopment of Värnamo railway yard, which is due for completion in autumn 2024. Railcare interviewed Site Manager Samuel Ljunggren at Sandahls Entreprenad, Railcare’s client.

What is Sandahls’ task in this project?

“Strukton Rail is the main contractor at Värnamo railway yard, on behalf of the Swedish Transport Administration. Sandahls Entreprenad has been subcontracted by Strukton Rail to perform the technical construction works, including ducting.

Why is the preparatory work so important before connecting new railway infrastructure?

“We place great emphasis on preparatory work, as it is very important to get a clear picture of what the ground looks like, which in our case includes the area beneath the tracks.”

What are the advantages of vacuum technology in this project?

“Since we are rebuilding an old railway yard, there are a lot of unknown cables underground. The advantage of

vacuum technology is that we can minimise damage to operational cables and streamline excavation work in a time-pressed environment.”

What are Railcare’s greatest strengths?

“We have had very good dialogue from the start. We have been able to jointly plan our activities to arrive at the best possible solution, as we have many services running at the same time in a limited work area. Railcare’s expertise and desire to solve our challenges in the track environment are attributes that benefit our production.



CASE

Contracting Abroad

White's Crossing, a critical piece of infrastructure, was reballasted

Work involving both the Railvac and the Ballast Feeder System continued in the UK throughout 2023, despite the impact of Covid-19 on the railway industry.

In August, the Wales and Western Integrated Infrastructure Team (Swindon) contacted Railcare to visit a site known locally as White's Crossing. This site is located on an important and busy route servicing the Torr Works Aggregate Quarry, one of the UK's largest quarries, which currently supplies materials for the new, prestigious high-speed railway in the HS2 Project.

Railcare advised the delivery team on how to carry out excavation and reballasting on this specific crossover, which is a critical piece of infrastructure allowing access to the quarry. A temporary speed restriction imposed there was affecting performance outputs.

Railcare provided the delivery team with engineering assistance and a train plan/methodology for the project. The Railvac works were planned to be undertaken in four back-to-back 12-hour shifts during two weekend

blockades. The works were, as always, completed safely, without incident and on schedule, with the Railvac operating for approximately 27 hrs over the two weekends.

This was the first time Ian Van Niekerk, Works Delivery Supervisor at Network Rail, had seen a Railvac in action. He commented:

“The Railvac did some work for us at the site, and I was extremely pleased with how it and the crew handled a very challenging site with wet-bed conditions.”

Railcare look forward to a continued collaboration in the future.



CASE

Transport Scandinavia

Transport central to the mining industry

The rising demand for metals and minerals is resulting in higher requirements for sustainable mining production, where heavy transport is a central part of the logistics chain for two of Railcare's key customers.

In September 2023, LKAB announced the extension of its contract with Railcare throughout 2024 for rail transport of LKAB's pellets on the Svappavaara-Kiruna and Svappavaara-Malmberget routes. Magnus Karlsson, division manager for scheduled transport at LKAB Malmtrafik, comments:

“With today's production, we're financing the carbon-free mines of the future. LKAB Malmtrafik's mission is to transport LKAB's products with the minimum possible climate impact.

Railcare has previously signed a ten-year contract with Kaunis Iron, whose aim is to produce the world's most sustainable iron ore. Part of the solution for achieving this aim is to transport heavy goods on railways. Railcare transports the iron ore concentrate twice a day along Malmbanan, from the terminal in Pitkäjärvi to the port in Narvik.

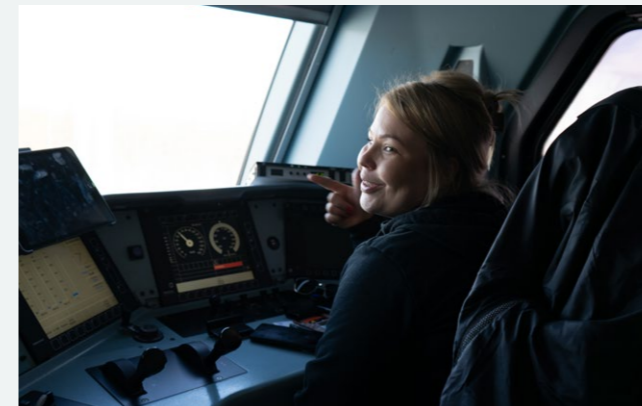
“Cooperation is the absolute most important thing for this logistics chain to work. Both Railcare and Kaunis Iron have flat, flexible organisations. This enables us to solve any challenges that arise directly on-site, without long decision chains,” says Johan Lindmark, Site Manager at Kaunis Iron in Pitkäjärvi.

And Railcare is well equipped to meet the increased demand for transport services.

“One of our greatest strengths is that we think a little differently than many of the larger companies. As a small, entrepreneurial company, we're able to make quick decisions to solve any problems,” concludes Mattias Remahl.

“Railcare is a reliable supplier of transport services, and quickly finds solutions that suit LKAB as a customer. We are very satisfied with our collaboration.”

**Magnus Karlsson,
LKAB Malmtrafik**



Complete solution for Beacon Rail

In 2023, Railcare's locomotive workshop was commissioned by the leasing company Beacon Rail to adapt five Traxx locomotives for the Nordic market. Beacon Rail provides rail leasing services to passenger and freight train operators, and has operations in a total of 17 countries.

The project involved a complete solution where Railcare installed the ATC2 safety system, modified the locomotives for the Nordic climate, and managed the approval process with the European Union Agency for Railways (ERA). The project was worth approximately SEK 12 million.



CASE

Machines and Technology

Development of MPV with pantograph

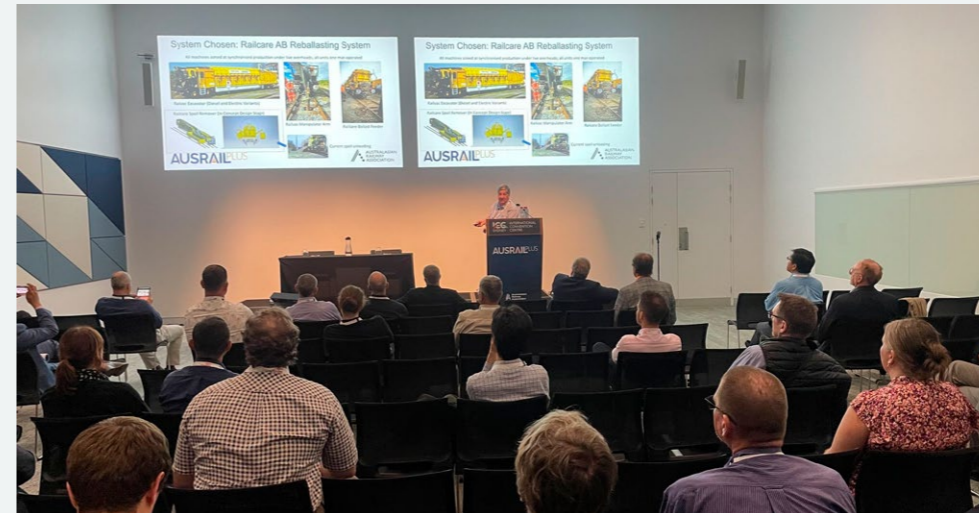
The second-generation MPV (Multi Purpose Vehicle) was built at Railcare’s workshop in Skelleftehamn in 2023.

The new battery-powered maintenance machine is equipped with a pantograph, which enables charging to take place directly from the railway’s overhead lines, instead of only via dedicated charging points. This allows the machine to operate for longer shifts, and makes it less reliant on specific sites that are equipped with charging infrastructure.

“When we started developing the MPV, our hope was that the railway charging infrastructure would be expanded, which hasn’t happened,” says Jonny Granlund, acting Business Area Manager.

“This solution is unique in the industry when it comes to contracting machinery, most of which is diesel-powered today. It shows how we can contribute to improving both efficiency and accessibility on railways.”

The new MPV will be tested in operations during the spring.



Focus on vacuum technology in Sydney

Railcare took part in the railway exhibition AusRail in Sydney in 2023, to monitor the market, build networks and exchange experiences with exhibitors and visitors

Besides a large number of exhibitors, AusRail has a strong focus on conferences, workshops and knowledge exchange. During the exhibition, a technical report was presented by Dave Ratledge, Senior Consultant at the Permanent Way Institution. The report, entitled “Evaluating in-Situ Reballasting Techniques in the UK 2002–present”, described Railcare’s vacuum technology methods as a success factor.

Railcare has been an innovator in the railway industry since 1992.

We 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 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 Railcare intends to continue to maintain the railways we serve, to maximise use for many years to come.

The Company seeks 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 should 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.

In 2023, Railcare embarked on a new approach to sustainability management, as the Company will be covered by the EU's new CSRD directive as of the financial year 2025. Railcare sees the new requirements as an opportunity to more clearly structure the sustainability efforts, make reporting even more transparent, and ultimately improve the Company's contribution to more sustainable railways.

Read more about our sustainability efforts, goals and follow-up work in our Sustainability Report.

SUSTAINABILITY FOCUS

Target: Reduce fossil fuel emissions from our own machinery and locomotives by 40% by 2025.

40 %

Target: Innovation and development minimum 3 percent of sales on average in most recent three-year period.

3 %

Target: Vision zero approach to railway accidents according to the Swedish Transport Agency's definition.

0 cases



Our corporate culture is our greatest delivery asset

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, our proud motto is “we work safely – or not at all”. This applies to everything from following the railway industry’s strict safety procedures to educating ourselves on how increased awareness, communication and leadership can help build a strong safety culture.

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.



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

“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 freedom to structure our work in the way we think best, together with colleagues, customers and collaboration partners.”

Jonny Marklund, project manager

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 2023, 173 people were employed by Railcare, of whom 14 percent were women and 86 percent men.

Personnel turnover for the year was 10 percent.

In 2023, the tax expense amounted to SEK 8.1 million.

Social security expenses totalled SEK 50.4 million.

Employee comments



Rasmus Näsström
 Installation engineer, Railcare Relining

“Relining is a varied job. No two work periods are the same, with new challenges at new locations throughout Sweden. We work according to the principle of ‘freedom with responsibility’, something I’ve felt was missing at other workplaces. I also appreciate the open communication between employees out in the field and the management, something I feel makes Railcare a unique employer.”



Hayley Massey
 Business Support, Railcare UK

“I’ve worked at Railcare for nine years and enjoy the Swedish culture and work environment, which offers flexibility as well as growth opportunities. I have responsibility in my role and feel supported by my colleagues. There’s a family feel throughout the company, and everyone works towards the same common goals. It feels great to be part of the team and Railcare’s continued success.”



Johannes Viklund
 Designer, Railcare Machines and Technology

“As a designer, I am part of the process from designing the machines to building them in our workshop. My job is varied and solution-oriented. It’s inspiring to be involved in the design and construction process from start to finish. Railcare has a flat organisation with agile decision-making. We have a great sense of community!”



Amanda Sjöström
 Warehouse Manager, Railcare Locomotive workshop

“The best thing about my job as warehouse manager is that the duties vary from day to day. At the locomotive workshop, we have a high level of personal responsibility and fun colleagues. I feel that Railcare generally enables its employees to develop in a variety of areas. Another characteristic of the company is the strong sense of teamwork between employees.”

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.

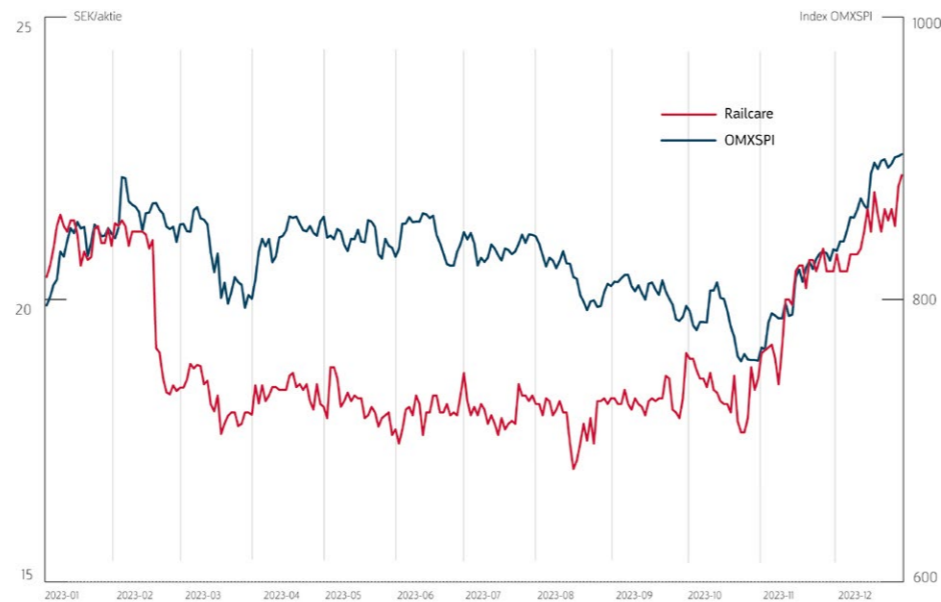
Between 1 January and 31 December 2023, approximately 2.5 million Railcare shares were traded on Nasdaq Stockholm with a total value of approximately SEK 47 million.

Over the year, the share price fluctuated between a low of SEK 17.00 on 15 August and a high of SEK 22.20 on 29 December. The closing price on the last day of trading in December 2023 was SEK 22.20.

SHAREHOLDERS

As of 31 December 2023, Railcare Group AB had 4,348 shareholders. The ten largest shareholders represented 55.4 percent of the total shareholding. The largest shareholder was Nornan Invest i Skellefteå AB (formerly Norra Västerbotten Fastighets AB), with a holding representing 29.5 percent of the Company's share capital.

Share price performance 1 January - 31 December 2023



Share price performance 2019-2023



Shareholder structure

Ten largest shareholders 31 December 2023	No. of shares	Proportion of share capital and votes (%)
Nornan Invest i Skellefteå AB	7,121,395	29.5
TREAC AB	2,390,000	9.9
Avanza Pension	866,244	3.6
Bernt Larsson	750,987	3.1
Canaccord Genuity Wealth Management	599,906	2.5
Mikael Gunnarsson	489,000	2.0
Nordnet Pensionsförsäkring AB	379,554	1.6
Torsten Germund Dahlquist	279,309	1.2
Harry Markku Sjöblom	265,000	1.1
Martin Gorne	233,500	1.0
Ten largest shareholders	13,374,895	55.4
Other shareholders	10,749,272	44.6
Total	24,124,167	100.0

Distribution by size category

Holding	Number of shareholders	No. of shares	% of votes and capital
1-500	2,762	396,043	1.64
501-1,000	605	489,183	2.03
1,001-5,000	731	1,671,884	6.93
5,001-10,000	113	853,052	3.54
10,001-15,000	27	340,598	1.41
15,001-20,000	21	380,348	1.58
20,001-	89	19,993,059	82.88
Total	4,348	24,124,167	100.0

4,348

**Number of shareholders
in Railcare Group AB
as of 31 December 2023.
Source: Euroclear**

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 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 2023. 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.

More information about the development of share capital can be found at www.railcare.se.

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 2024 Annual General Meeting approve a dividend of SEK 0.70 (0.60) per share, totalling SEK 16,886,917 (14,474,500), for the 2023 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.

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 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.



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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 2023.

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FINANCIAL SUMMARY – RAILCARE GROUP

SEK 000	2023	2022	2021	2020	2019
Net sales	564,220	497,035	437,946	401,301	370,610
Operating profit/loss (EBIT)	67,934	52,365	56,219	60,386	31,977
Net financial income/expense	-10,667	-5,457	-4,370	-4,818	-5,757
Profit/loss for the year	43,624	36,783	40,514	43,776	20,760
Total assets	643,022	592,873	557,965	521,388	459,166
Earnings per share before and after dilution, SEK	1.81	1.52	1.68	1.82	0.87
Equity per share, SEK	11.36	10.12	9.17	8.08	6.69
Operating margin, %	12.04	10.54	12.84	15.05	8.63
Equity/assets ratio, %	42.63	41.17	39.64	37.37	33.51
Dividend, SEK per share	0.70*	0.60	0.60	0.60	0.30

* Board of Directors' proposal to the 2024 Annual General Meeting

NET SALES AND PROFIT

In 2023, Net sales increased by 13.5 percent to SEK 564.2 million compared to SEK 497.0 million in 2022. Net sales mainly increased in Transport Scandinavia and Contracting Sweden, due to higher volumes.

Operating profit (EBIT) for 2023 increased to SEK 67.9 million, compared to SEK 52.4 million the previous year, and operating margin rose to 12.0 percent (10.5). The improved operating margin is primarily attributable to higher volumes and increased capacity utilisation of the machine park, but also to indexation of long-term agreements where the rapid rise in inflation had a negative impact in the previous year.

The number of employees increased by 16, mainly locomotive drivers but also some machine operators to meet the growing demand in contracting operations.

Profit for the year increased to SEK 43.6 million (36.8). Profit for the year was impacted by a SEK 4.7 million year-on-year increase in interest expenses. The cost increase was due to interest rate changes in the wider market.

Contracting Sweden

Consolidated net sales increased by 16.6 percent to SEK 217.1 million (186.2). Profit after financial items decreased to SEK 17.2 million (21.3). This segment experienced high capacity utilisation for much of the year, although cold temperatures in early spring and late autumn resulted in a shorter season for contracting operations. Relining operations continued to perform strongly, albeit with slightly lower volumes and margins compared to the record year 2022.

Since 1 January 2023, all machine operators have been organised under a single company, Contracting Sweden. The hiring out of personnel to Contracting Abroad increased sales in Contracting Sweden, but negatively impacted the segment's net margin.

Key performance indicators – Contracting Sweden

Amounts in SEK 000, unless otherwise stated	2023	2022	Change, %
(A) Net sales	217,076	186,211	16.6
(B) Profit/loss after financial items	17,150	21,306	-19.5
(B/A) Net margin, %	7.9	11.4	-3.5

Contracting Abroad

The subsidiary and operations in Denmark have been discontinued, which means that the segment's only permanent operations are now carried out in the UK.

Net sales decreased by 9.5 percent in 2023 compared to the previous year, and amounted to SEK 32.4 million (35.9). Our largest customer in the UK, Network Rail, is at the end of its control period (CP6). Historically, this has resulted in fewer planned assignments as allocated funds are utilised. The new control period (CP7) starts in April 2024.

The segment reported a loss this year again, although profit after financial items improved year-on-year, to SEK -2.6 million (-9.1). The reduced loss was due to cost savings, including more efficient utilisation of machine operators, who have been organised in a single company under the Contracting Sweden segment since the beginning of the year. This enables the personnel to be utilised more extensively for contracting operations in Sweden, which reduces cost pressure on Contracting Abroad.

Key performance indicators – Contracting Abroad

Amounts in SEK 000, unless otherwise stated	2023	2022	Change, %
(A) Net sales	32,449	35,870	-9.5
(B) Profit/loss after financial items	-2,557	-9,080	71.8
(B/A) Net margin, %	-7.9	-25.3	17.4

Transport Scandinavia

The segment continues to perform very strongly. Net sales increased by 21.8 percent in 2023 compared to the previous year, and amounted to SEK 340.1 million (279.3). Profit after financial items increased to SEK 46.4 million (28.1). The rapid rise in inflation had a short-term negative impact on profit in 2022 as cost increases took place on an ongoing basis while the income under long-term contracts is adjusted once a year. The same negative effect was not seen in 2023.

The increase in sales is primarily attributable to new contracts for standby locomotives, which commenced in three new locations on 1 January 2023. The locomotive workshop in Långsele continued to see high capacity utilisation and the order intake was strong

throughout the year, which also contributed to a higher volume than in the previous year.

The transport contract for LKAB was renewed at the start of the year, and commenced in March. The number of rounds of transport under the contract gradually increased up to the start of the third quarter. In 2024, the contract will commence on 1 January.

Key performance indicators – Transport Scandinavia

Amounts in SEK 000, unless otherwise stated	2023	2022	Change, %
(A) Net sales	340,062	279,294	21.8
(B) Profit/loss after financial items	46,432	28,051	65.5
(B/A) Net margin, %	13.7	10.0	3.6

Machines and Technology

Net sales in the Machines and Technology segment decreased slightly compared to the preceding year and amounted to SEK 81.1 million (88.1). There were no major external machine sales or deliveries of spare parts during the year, and the majority of the segment's sales relate to intra-Group rentals of mobile machinery

and locomotives. Profit after financial items decreased to SEK 0.6 million (7.6).

The construction of a new, enhanced MPV with a pantograph is still ongoing. The plan is to test run the machine and start production in 2024.

In addition, the segment is in the process of marketing the Group's well-established vacuum technology, and there is also strong market interest in the new battery technology.

Key performance indicators – Machines and Technology

Amounts in SEK 000, unless otherwise stated	2023	2022	Change, %
(A) Net sales	81,124	88,120	-7.9
(B) Profit/loss after financial items	577	7,570	-92.4
(B/A) Net margin, %	0.7	8.6	-7.9

Significant events in 2023

Railcare delivers a complete solution for Beacon Rail

[9 March]

Railcare's locomotive workshop was contracted by the leasing company Beacon Rail to adapt five Traxx locomotives for the Nordic market. The contract, worth approximately SEK 12 million, was completed in the first two quarters of 2023. The project involved a complete solution where Railcare installed the ATC2 safety system, modified the locomotives for the Nordic climate, and managed the approval process with the European Union Agency for Railways (ERA). Beacon Rail will then lease the approved locomotives to Railcare's transport operations.

"We performed some assignments for Beacon Rail in 2022 and have built up a good relationship with them. Gratifyingly, this has resulted in repeat assignments," says Patrik Söderholm, operations manager at Railcare Lokverkstad. He elaborates:

"Thanks to these earlier projects, Beacon Rail has now asked us to supply a complete solution, which will also be important for our transport operations."

LKAB Malmtrafik extends its agreement with Railcare for iron ore transport

[29 September]

LKAB Malmtrafik exercised its option to extend the iron ore transport contract with Railcare until 31 December 2024. The agreement is worth approximately SEK 70 million in 2024.

"LKAB is one of our key customers, and it is very pleasing that they have exercised the option to extend the contract throughout 2024. The early announcement that the contract will be extended will allow us to plan resources well in advance and ensure uninterrupted transport. Under the new contract, we will also equip all locomotives with central coupling, which gives us the opportunity to haul heavier loads," says Mattias Remahl, President and CEO Railcare Group AB.

The iron ore transports will run between Svappavaara-Kiruna and Svappavaara-Gällivare.

Railcare awarded five-year contract for standby locomotives

[25 October]

Railcare has been awarded a five-year contract by the Swedish Transport Administration for standby clearing locomotives. The contract is worth a total of SEK 403 million, corresponding to just over SEK 80 million annually. The contract covers six locations, with the first assignment starting on 1 January 2025 and the final assignment starting on 1 January 2026. The contract also includes an option for a further 1+1 years, corresponding to a value of SEK 161 million.

"This is the second largest contract in Railcare's history, and of key significance to the profitability and long-term success of the Company's transport operations. Alongside existing contracts, we are now contracted to provide a total of ten clearance locomotives, commented Mattias Remahl, President and CEO of Railcare Group AB.

The assignment in Borlänge represents an extension of an existing assignment, although the other five locations (Gävle, Hallsberg, Ånge, Nässjö and Älmhult) are new. Railcare supplies clearance locomotives including personnel for each location, which will be available for call-off around the clock, 365 days a year.

LIQUIDITY, CASH FLOW AND FINANCIAL POSITION

Cash flow for the year resulted in an inflow of SEK 7.3 million (-7.0). The main improvement was in cash flow from operating activities, which was SEK102.3 million (67.4).

Cash flow from investing activities amounted to SEK -60.7 million (-53.2) and primarily relates to the further development of the battery-powered MPV. Investments in the year were primarily equity financed, and total borrowing for the year was SEK 20.5 million (32.4). Cash flow from financing activities amounted to SEK -34.3 million (-21.2). Over the year, SEK 14.5 million (14.5) was paid in dividends to shareholders. At year end, the equity/assets ratio was 42.6 percent, compared to 41.2 percent at the end of the previous year.

INVESTMENTS

Consolidated investments for the full year were divided between SEK 3.0 million (0.2) in intangible assets and SEK 57.4 million (53.1) in property, plant and equipment. The investments mainly relate to machinery for Railcare's own operations, where the further development of the MPV with a pantograph 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 year amounted to SEK 45.3 million (36.7), and profit after financial items was SEK -2.9 million (-3.9). Profit in the Parent Company was adversely impacted last year by an impairment of the shares in the Danish subsidiary Railcare Danmark A/S totalling SEK 4.4 million. Some restructuring took place during the year, with Group functions being moved to the Parent Company. As a result, the Parent Company's personnel costs increased from SEK 36.3 million to SEK 48.8 million.

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](#). 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, operating in different countries, operating in different parts of the industry, monitoring political discussions and decisions, and participating in industry 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 the customers 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. Because the customers are large organisations and frequently government institutions, the Group's credit risk is limited.

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.

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 for a sensitivity analysis, see Note K3.

OUTLOOK

Railcare assesses that the market outlook is favourable, based on the Group's positive relations with significant key customers and on the expected rise in demand for transport in connection with the green transition. 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 for several years to come. Railcare's innovative technology development and working methods are expected to remain a strong competitive advantage that provides the Company with considerable opportunities for expansion, with new vehicles and working methods being developed that result in more efficient utilisation and strengthen railways' position in 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 2024.

PROPOSED DISTRIBUTION OF PROFIT

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

Share premium reserve	15,100,560
Profit/loss for the year	18,470,528
Total	33,571,087

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

A dividend of SEK 0.70 per share to be paid to shareholders, totalling	16,886,917
To be carried forward to a new account	16,684,170
Total	33,571,087

Sustainability Report

In 2023, Railcare embarked on a new approach to sustainability management. The aim is, in part, to meet the EU's new CSRD directive as of the financial year 2025, but Railcare also sees great opportunities in improving the structure of, and increasing the transparency of information about, our sustainability efforts.

Sustainability is an aspect that is integrated into Railcare's operations, offering and deliveries. Environmental, social and financial sustainability are fundamental areas for ensuring that we remain relevant to customers, employees, investors and other stakeholders in the future, to achieve long-term stability and profitability and future-proof our business.

Railcare can contribute to solutions to several of today's societal challenges. In our operations, we contribute to sustainable railways, e.g. through maintenance of railway infrastructure, by developing new technologies such as battery-powered maintenance machines, and by providing heavy goods transport on railways.

We want to drive the transition in our industry. Through our operations, we have already shown good examples of how sustainable railways can be achieved.

The Group aims to 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.

Railcare regards the UN's Sustainable Development Goals through Agenda 2030 as a guide for the future. Our priority areas primarily contribute to four of the UN's Sustainable Development Goals (SDGs) for 2030:



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.

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. Our Code of Conduct applies to employees, customers and suppliers, and can be found on our website.

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 impor-

tant 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.

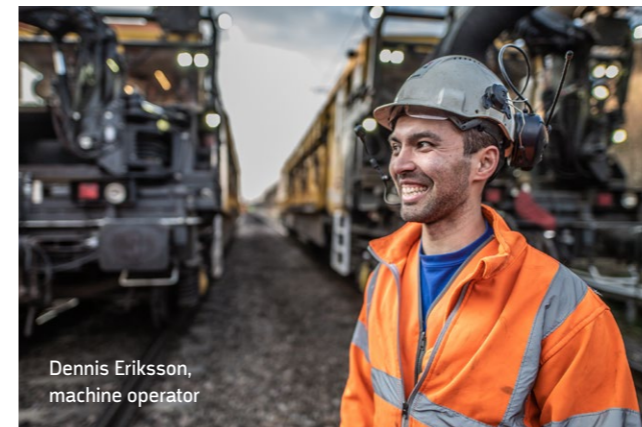
Quality Policy

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.

Our guidelines are evaluated and established by the Board of Directors annually, and are deemed to meet current governance needs.



Dennis Eriksson,
machine operator

Materiality analysis

Railcare's material issues have been identified through a double materiality analysis that was completed in the spring of 2024. These issues represent the areas where Railcare has a material sustainability impact on its surroundings, and the sustainability-related risks and opportunities associated with the Company's operations.

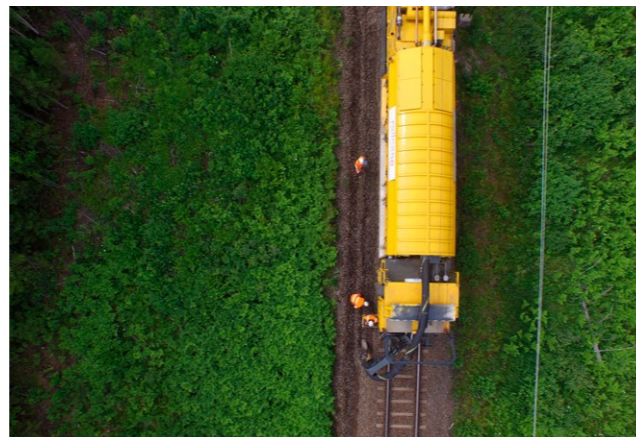
A CHANGING EXTERNAL ENVIRONMENT

There are a number of external factors that are central to Railcare's sustainability efforts, and it is crucial to address these factors, either directly or indirectly through stakeholders in our value chain. The more overarching changes are increased regulation in the area of sustainability and how a company's sustainability performance affects trust in the company, which in turn has impacts in a range of areas from customer retention to financing and capital costs.

Globally, there is increased focus on human rights. Focus on climate change also continues from two perspectives: avoiding or minimising climate change as well as managing its negative effects.

From a more industry-specific perspective, accessible and reliable infrastructure is in high demand. At the same time, transport system functionality is exposed to increasing risks and threats, e.g. in the form of geopolitical tensions, extreme weather and war.

In both the EU and Sweden, rail transport is expected to increase significantly while emissions need to be cut. Strong focus continues to be placed on safety.



STAKEHOLDERS

A stakeholder analysis with both qualitative and quantitative input has identified sustainability issues that are particularly material to our shareholders and investors, employees, customers, suppliers and society at large.

EMPLOYEES

- High safety focus
- Corporate culture
- Climate issues
- Openness and communication
- Gender equality, inclusion and non-discrimination

CUSTOMERS

- Climate issues
- Land and water
- Safety and working conditions, prioritisation of gender equality and equal opportunities
- Social conditions
- Business ethics and human rights

SUPPLIERS

- Strong climate focus
- Climate issues

- Knowledge and skills
- Transparency

SHAREHOLDERS AND INVESTORS

- Business ethics and responsible enterprise
- Transition incl. supply chain
- Innovations
- Transparency
- Climate issues
- Safety, working environment and working conditions

SOCIETY

- Active in climate issues
- Safe, secure working environment
- Gender equality and non-discrimination

DECISION MAKERS

- Accessibility and robustness
- Innovations
- Climate issues

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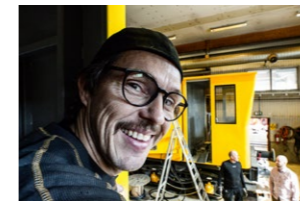
BUSINESS MODEL

Our business model describes how we conduct our business and what we focus on to create sustainable value for Railcare and our stakeholders. Our corporate culture plays a key role and is an important success factor.



Sustainable resources

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.



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VALUE CHAIN

A review of Railcare’s value chain shows which areas of sustainability each phase relates to, and where we can maximise our positive impact and minimise our negative impact.

	[UPSTREAM]	[UPSTREAM]	[OWN OPERATIONS]	[DOWNSTREAM]	[DOWNSTREAM]
	EXTRACTION AND TRANSPORT OF RAW MATERIALS	PRODUCTION AND PROCUREMENT	OFFERING	DELIVERY	USE
SUSTAINABILITY AREAS AFFECTED	Indirect impact on human rights, conflict minerals, working environment and working conditions.	Direct impact on safety, indirect impact of CO2 emissions, working environment and working conditions.	Direct impact on innovation, working environment and working conditions and training. Also direct impact on CO2 emissions, safety, waste and chemicals.	Direct impact on societal benefit, delivery reliability and quality, sustainable transport and external relationships. Indirect impact on enabling sustainable contracting assignments, and innovation and development in the industry.	Direct and indirect impact on achievement of accessible and effective railways. Indirect impact on air pollution and noise.
HOW RAILCARE GENERATES IMPACT	Railcare uses raw materials in the form of iron and steel for its own machinery production, and in the original production of the locomotives purchased and/or rented for its operations. The machines also contain battery packs rented via technology suppliers. Due to the relatively low volume of machines manufactured, and the fact that the machines and locomotives have a long life span, the total impact is comparatively small. Railcare has chosen to collaborate with suppliers in Europe where the risk is lower.	Railcare works with several subcontractors in its contracting operations, where safety is critical in joint projects but working environment and working conditions are also important. CO2 emissions are generated via subcontractors' machines, locomotives and other services. The Group also purchases many flights and rents company cars for its operations, which affects our emissions. We are addressing these issues in order to reduce our impact as far as possible.	Railcare currently has direct impact in the form of CO2 emissions from diesel-powered machines and locomotives. At the same time, our offering contributes to positive impact through innovative machines that increase accessibility on railways, battery-powered machines that reduce CO2 emissions in our contracting operations, and the heavy goods transport with low energy consumption that we carry out on railways. Moreover, our workshops are leaders in terms of upgrading and extending locomotives' life span. The Company has a direct impact on safety since railways are a dangerous environment to work in. For this reason, we have high requirements, procedures and training in the area of safety. A strong corporate culture is central to our offering and has a positive impact, which is created by responsible, solution-oriented employees.	Railcare’s deliveries contribute to customer benefit and societal benefit. Our battery-powered machines reduce fossil emissions in contracting assignments. In turn, the efficient method used in the contracting assignments reduces the amount of time spent on track work and makes the infrastructure accessible to more users. The energy-efficient transport that we carry out enables sustainable production in customers' value chain, and our workshops upgrade and extend the service life of locomotives, which drives customers and the industry as a whole to develop more sustainable solutions.	Use of the diesel-powered machines offered by Railcare generates negative impact in the form of air pollution and noise. On the other hand, the battery-powered machines have a positive impact through reduced air pollution and less noise. In general, Railcare’s products and services contribute to accessible, effective railways, resulting in increased mobility and accessibility.

Material sustainability issues

Based on our materiality analysis and its external environment and stakeholder analyses, as well as our business model and value chain, Railcare has identified a number of priority sustainability issues for the Company to address more actively.

Safety, working environment and working conditions

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. Our most important sustainability area.

Delivery reliability and quality

Through its delivery reliability and quality, Railcare can contribute to the accessibility and robustness of railways. This creates significant societal benefit.

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.

Technology and innovation

Continuing to develop new fossil-free machines, alongside effective work procedures and railway maintenance methods, generates business opportunities for us and for our customers.

Climate impact

We aim to reduce our climate impact by upgrading our fleet of machines and vehicles in the long term and developing fossil-free machines.

Financial strength

The Company's financial strength is a prerequisite for being able to carry out the transition in a responsible and sustainable way.

Business ethics and anti-corruption

Railcare does not tolerate crime in the form of irregularities, bribery and corruption.

Safety, working environment and working conditions

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

Safety and working environment on 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.

Railcare carries out systematic health and safety management. 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.

Working on railways entails travel, unsocial working hours and spending time away from home. With this in mind, Railcare actively strives to create a strong family feel at work. Good benefits and employment terms, such as health insurance and employee wellness allowance, also contribute to better conditions for employees.

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 abusive discrimination on the grounds of 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.

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

“We work safely – or not at all!”



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.

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.

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.
- Railcare strives to increase commitment to, and understanding of, the importance of following the Code of Conduct.
- Our equality committee works continuously to improve our work relating to equal opportunities, gender equality and diversity.

TARGET

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

OUTCOME 2023

Vision zero achieved in 2023.

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 6 hours

Delivery reliability and quality

Railcare’s ability to deliver transport and contracting assignments with a high degree of quality and safety creates significant societal benefit, in the form of reliable, energy-efficient transport and by contributing to a robust railway infrastructure.

For many of our customers, access to rail transport is a central part of the logistics chain. Rail transport has low environmental impact and, above all, allows large volumes of very heavy goods to be handled. These customers depend on reliable rail services to keep their logistics chains running smoothly. This is why Railcare’s priority is to be solution-oriented and make quick decisions.

Delivery reliability is extremely important for our clearance locomotives, as these assignments involve quickly and efficiently removing any vehicles and trains that have stopped on the railway.

For our contracting operations, delivery reliability and quality mean ensuring efficient railway maintenance that contributes to sustainable railways for many years to come.

Our priorities

- Maintaining a responsible and flexible organisation that provides transport from A to B and quickly finds solutions to customers’ needs.
- Developing our working methods in close collaboration with customers to make railway maintenance even more efficient.

TARGET

New area for 2024. Targets and KPIs are under preparation.

OUTCOME 2024

New area for 2024. No data available yet.

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.
- 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.

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 2023

Employee survey 2023:
 Average score on a scale of 1-5

“I enjoy going to work” (2021: 4.1)

4.2

“My colleagues treat me with respect” (2021: 4.5)

4.6

Technology and innovation

By using smart technology and innovative methods and work processes, 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 2023, we continued developing the next-generation battery-powered MPV, which is equipped with a pantograph to enable charging from overhead lines. Our operating system follows up the number of hours allocated to innovation and development projects on an annual basis.

Our working method is also included in this area. Our working method is used to perform efficient contracting operations in a track environment, akin to Formula 1 pit stops. By reducing the time spent on track work, we increase access to the railway infrastructure.

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.
- Continuous development of our work procedures and methods.

TARGET

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

3%

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

OUTCOME 2023

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

6%

The MPV1 has been in operation throughout 2022 and 2023.

The MPV2 is expected to go into operation in 2024.

Work started on the MPV3 in 2023.

Climate impact

This area regards whether Railcare can avoid or minimise the environmental impact we contribute to, and how we can manage the effects of climate change.

Climate change has no effects that pose major risks for Railcare. On the contrary, extreme weather conditions such as rain or snow increase the need both for our contingency services and our contracting services.

Fossil fuel emissions from machines and vehicles

Our stakeholders are imposing increasingly stringent requirements regarding sustainability and, above all, to climate impact. The Swedish Transport Administration has announced that transport infrastructure must be climate-neutral by 2040, and some of our private customers are setting aggressive targets to be the most sustainable in the world in their sectors. Railcare's main environmental impact comes from the machines used for railway maintenance and the diesel locomotives

used, primarily, for switching, contracting and contingency transport. The Company is actively transitioning its operations to machines and locomotives that cause less climate impact. We do this both by developing our battery-powered machines and by upgrading our locomotive fleet to vehicles with better engines and improved environmental performance. We offer the latter as a service to the industry.

Other environmental and climate impact

In connection with contracting assignments, we are also 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. We have clear procedures for how to act in the event of potential environmental incidents. To harness the opportunities and manage the risks that increased climate requirements pose for our operations, we decided in 2020 to reduce fossil fuel emissions from our machines and vehicles by 40 percent by 2025.

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.

TARGET

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

40%

Tonnes CO_{2e} from machines and locomotives in 2020, per million SEK of sales

6.1

OUTCOME 2023

Reduction in tonnes CO_{2e} per million SEK of sales.

31%

Tonnes CO_{2e} from machines and locomotives in 2023, per million SEK of sales

4.2

Follow-up of the target to reduce Railcare's fossil emissions by 40% is presented relative to the Company's increased sales. However, as our sustainability work develops, we see a need to review this target. Absolute figures are more relevant today than when the target was adopted. (In absolute figures the change is a 3% reduction in CO_{2e}, from 2,500 tonnes to 2,400 tonnes, between 2020 and 2023.)

Financial strength

Railcare's financial strength is a prerequisite for being able to carry out the sustainable transition in a responsible way and with a long-term approach.

Financial strength is seen as a prerequisite for our sustainability work because it enables Railcare to manage risk, build strong relations, make long-term investments and drive change towards a more sustainable future.

It creates, for example, opportunities to invest in technology, products, processes and human resources, and to manage risks by providing the necessary reserves and strategies. Financial strength also enables us to remain a market leader, build customer relationships and build trust in the Company.

Last but not least, sustainability management entails long-term investments and measures to improve the environment, society and the economy over time. Being a financially strong company enables Railcare to pursue a long-term plan for sustainability while having the flexibility to adapt to changes and new challenges.

Our priorities

- A responsible, long-term approach.

TARGET

New area for 2024. Targets and KPIs are under preparation.

OUTCOME 2024

New area for 2024.
No data available yet.

Business ethics and anti-corruption

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.

Business ethics and anti-corruption

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.

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. 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.

Human rights

Our operations must be conducted under conditions that are compatible with the fundamental rights of all employees in the supply chain. The risks are relatively small in Railcare's own operations as the Company

mainly has activities in Sweden. There may be certain risks associated with production downstream in the value chain. In this regard, Railcare has chosen to work primarily with European suppliers where the risk is considered relatively low. There are also risks associated with conflict minerals in batteries. Railcare reduces this risk by working with large companies and performing strong due diligence.

Whistleblower channel

Railcare's whistleblower channel is a secure channel for reporting suspected irregularities that could seriously harm the business or our employees. Both the report and the subsequent dialogue are protected and anonymous for those who so choose. Cases reported may involve information on crimes, irregularities and breaches or other acts that violate EU or national law in a work-related context, such as corruption and financial irregularities, environmental crimes or health and safety crimes.

Our priorities:

- In 2023, we introduced a whistleblower system for reporting any irregularities, bribes or corruption.

TARGET

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

OUTCOME 2023

Reported cases and/or ongoing inquiries.

0 cases

A word from the Chairman of the Board

We all need a good, reliable infrastructure that does not cause obstruction in our private and professional lives. This requires long-term investments rather than short-term measures.

According to Monica Lिंगegård, CEO of the train operator SJ, this has been the worst winter for passengers in over ten years. Not to mention the situation for the mining companies LKAB and Kaunis Iron, who suffered serious disruptions on the single-track Malmbanan between Narvik and Luleå. Although Malmbanan is currently running, there is significant risk of new interruptions. Moreover, its passenger services are likely to remain suspended for a long time to come.

In addition, Sweden's accession to NATO places entirely new requirements on the transport infrastructure

in northern Sweden. Moreover, the establishment of green industries in the region will generate new needs. This relates to new investments in double tracks and maintenance, particularly on the Inland Line, which is of increasing strategic importance from a defence standpoint. It is almost incomprehensible that the North Bothnia Line up to Haparanda has not previously been prioritised and still lacks sufficient funding.

This is the context in which Railcare operates. Our business concept is clear, and is summarised perfectly in our name - rail care. We want to safeguard and develop rail traffic in a sustainable way by offering efficient maintenance operations with the help of vacuum technology, technical innovations and energy-efficient rail transport.

At the start of 2024, we raised our targets and ambition. Our new sales target is SEK 1 billion by 2027 with positive profitability. We also aim to increase the sustainability of our operations by working more actively in a number of areas. In addition to addressing our existing focus areas such as health and safety, corporate culture and reduction of climate impact, we will work on strengthening delivery reliability and developing

technical innovations. This will contribute to customer benefit and societal benefit.

Back in 2020, we set a target to reduce our relative carbon footprint by 40% by 2025. In concrete terms, this means putting our proprietary and all-electric maintenance machines into operation and replacing old locomotives with the highest environmental class (Stage 5), with an aim to use biodiesel.

Our environmental goals have required heavy investment in recent years. However, we are well-equipped for the challenge, even though it may sometimes feel almost insurmountable. We are committed to generating long-term, sustainable business value in collaboration with our customers.

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.

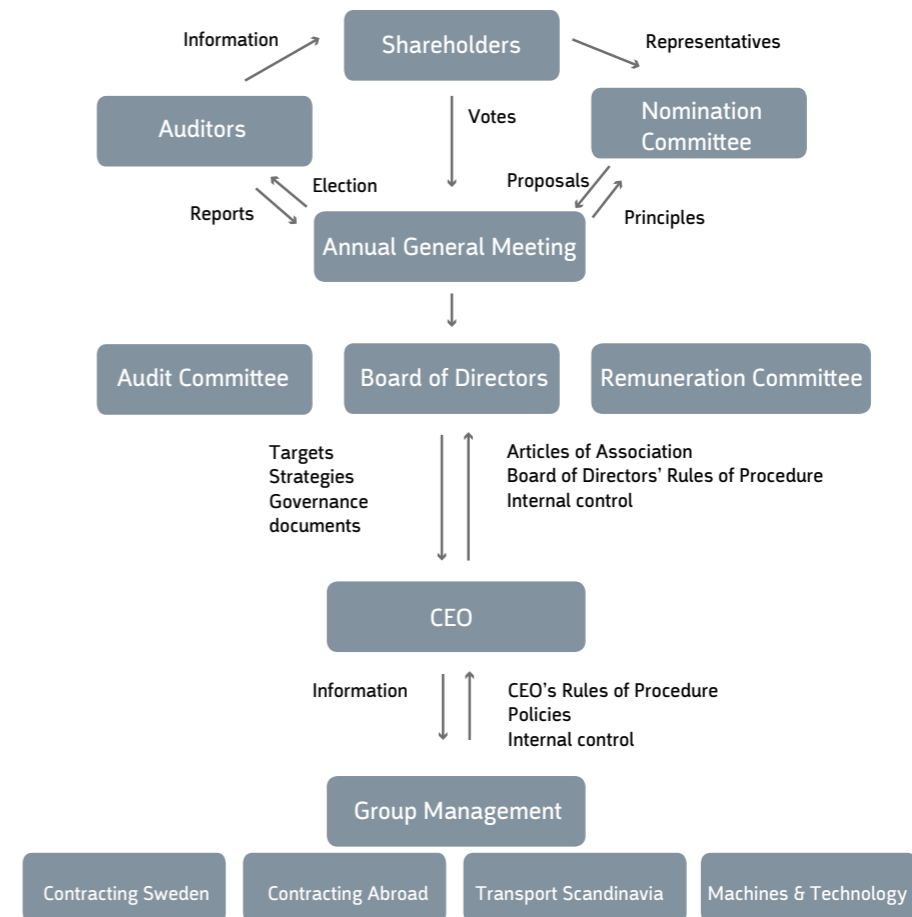
ARTICLES OF ASSOCIATION

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 2023, Railcare has deviated on one point, as described 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 2023. 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 2023 was Nornan Invest 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 [Shares](#).

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 2023

Railcare's Annual General Meeting in 2023 took place on 4 May 2023, at 11 a.m. CEST at the Company's premises at Näsuddsvägen 10, in Skelleftehamn, Sweden. The AGM was attended by a majority of the Board members and Group Management and by the Chairman of the

Nomination Committee. At the Annual General Meeting, 43.1 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 Anders Westermark, Björn Östlund, Catharina Elmsäter-Svärd and Ulf Marklund
- to elect Andreas Lantto and Linn Andersson as Board members
- to re-elect the audit firm Ernst & Young Aktiebolag

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

Annual General Meeting 2024

Railcare's Annual General Meeting in 2024 will take place on 8 May 2024 at 11:00 a.m. CEST 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 04 May 2022. The adopted guidelines apply until further notice.

The Nomination Committee held two minuted meetings ahead of the 2024 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 2024

The Nomination Committee was set up in accordance with the guidelines and comprises Anders Westermarck (Chairman of the Board), Lina Ådin (appointed by Treac AB), and Jonas Holmqvist (appointed by Nornan Invest AB). The Nomination Committee appointed Jonas Holmqvist as Chairman. Combined, the members of the Nomination Committee represent 39.4 percent of the total number of shares and votes in the Company (as of 30 September 2023).

All the members of the Nomination Committee are independent with regard to the Company and management. None of the members of the Nomination Com-

mittee 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 the section on [the Board's independence, attendance and remuneration](#) and the section on [the Board](#).

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.

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.

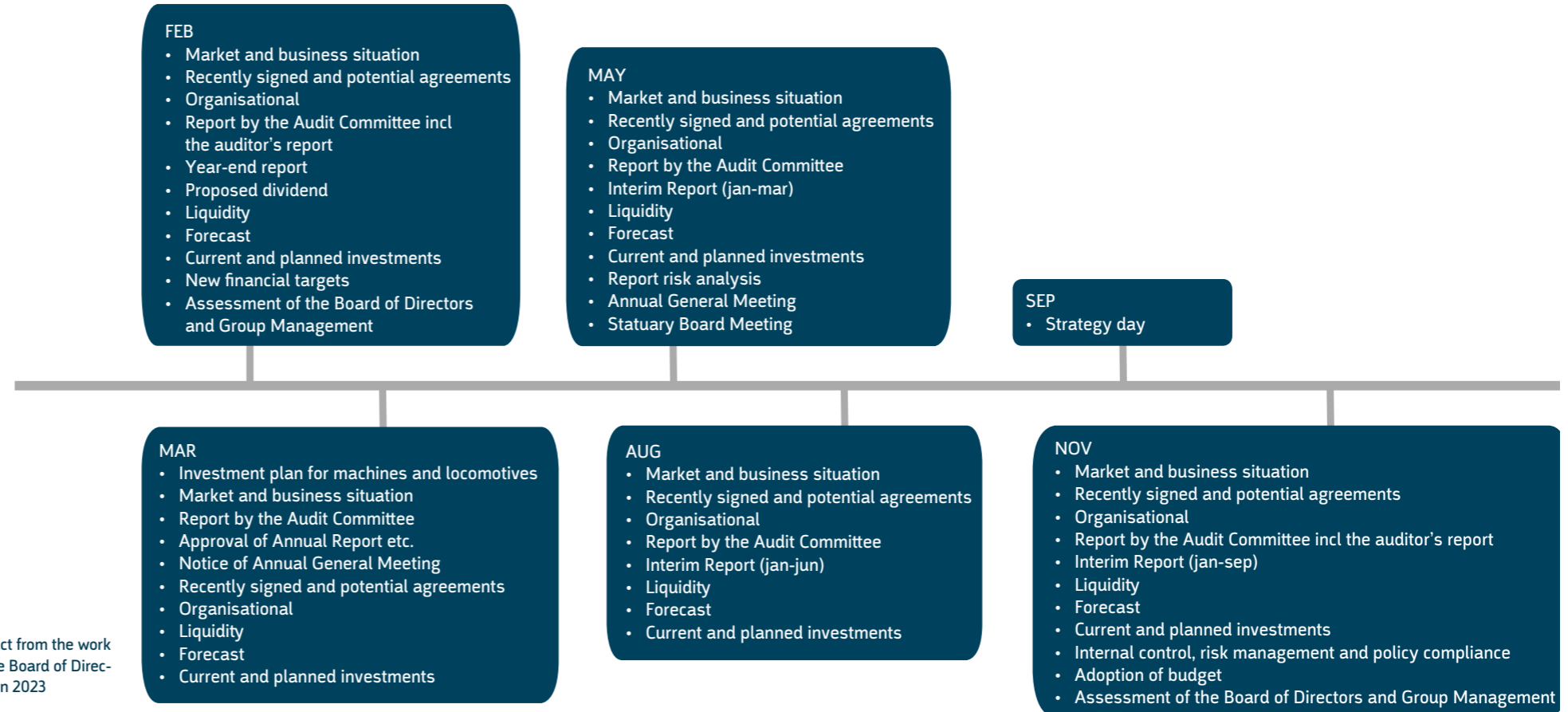
Independence of the Board of Directors

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. Four 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 2023, the Board of Directors of Railcare comprised Anders Westermark (Chairman), Andreas Lantto, Björn

Extract from the work of the Board of Directors in 2023



Östlund, Catharina Elmsäter-Svärd, Linn Andersson and Ulf Marklund.

The Board held eight minuted Board meetings during the year. The CEO and CFO participate in each Board meeting and report 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 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 to the right and the section on [the Board](#).

Audit Committee

In 2023, the Audit Committee, a committee of the Board of Directors, comprised Björn Östlund (Chairman), Anders Westermark and Linn Andersson¹. 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 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 2023
Anders Westermark	Yes	No	8 (8)	Yes	5 (5)	1 (1)	200,000
Catharina Elmsäter-Svärd	Yes	Yes	7 (8)	No	-	1 (1)	100,000
Björn Östlund	Yes	Yes	8 (8)	Yes	5 (5)	1 (1)	100,000
Ulf Marklund	No	Yes	8 (8)	Yes	-	-	-
Linn Andersson ^{1,2}	Yes	Yes	3 (8)	Yes	2 (5)	0 (1)	100,000
Andreas Lantto ^{1,2}	No	Yes	4 (8)	No	-	0 (1)	100,000

¹Elected to the Board at the Annual General Meeting on 4 May 2023

²Elected to the Remuneration Committee at the statutory Board meeting on 4 May 2023

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 2023, the Audit Committee held five meetings, four of which were held in connection with the quarterly financial statements.

Discussions primarily concerned the Company's profit and financial position, internal control, risk management, quarterly reports, etc.

Remuneration Committee

In 2023, the Remuneration Committee comprised Anders Westermark (Chairman), Andreas Lantto, Björn Östlund, Catharina Elmsäter-Svärd and Linn Andersson.

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.

The Remuneration Committee is convened as necessary and held one meeting where minutes were kept in 2023.

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 2023, 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 Direc-

tors. The results of the assessment were then submitted to the Nomination Committee at a minuted meeting.

CEO AND GROUP MANAGEMENT

In April 2023, changes were made to Group Management. Since April, the Group Management has comprised Mattias Remahl, CEO, Lisa Borgs, CFO and IR Manager, Jonny Granlund, head of contracting operations and Machines and Technology, and Johan Hansén, head of transport operations.

Ulf Marklund, formerly Deputy CEO and head of Machines and Technology, participated in the work of the Group Management until April. Jonny Granlund and Ulf Marklund 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 pages [Group Management](#).

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 regularly with a focus on corporate governance of the operations, strategic matters and follow-up of the budget. Each legal entity in the Group has an operations manager who is responsible for current operations alongside the responsible member of Group Management.

The operations managers from all the Group's units meet with Group Management once a month to report and follow up on the operations.

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 Nornan Invest AB and Chairman of the Board of Stiftelsen Skelleftepress, Grit Media AB and Nordvestor Fastigheter AB. 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 Nornan Invest 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 Luftfartsverket 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.



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, Expin Group 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.



Linn Andersson
 Board member, elected 2023

Born: 1978

Position: Board Member and member of the Audit Committee and the Remuneration Committee.

Other ongoing significant assignments: Linn is General Manager at Boliden Rönnskär and Board Member of Shorelink AB and Science City Skellefteå AB.

Other experience: Linn has for the past 15 years held high-level positions in the mining and power industry, with particular expertise in project and change management and in sustainability. These include Skellefteå Kraft AB where Linn held the role of Business Area Manager Power Systems, and Boliden Mineral where Linn has held several managerial positions including Production Manager, Research Manager and Environmental Manager.

Education: Master of Science in Chemistry from Umeå University and an MBA from Edinburgh Business School.

Holding in Railcare Group AB (incl. closely related parties): Linn holds 0 shares in Railcare Group AB.



Andreas Lantto
 Board member, elected 2023

Born: 1983

Position: Board member and member of the Remuneration Committee.

Other ongoing significant assignments: Andreas is an active partner and Board Member of Nordkonsult i Luleå AB and its affiliated companies. In an ongoing consulting assignment, Andreas is the main project manager for the development of the new Port of Luleå.

Other experience: Andreas has previous experience from leading positions in logistics, planning and construction in the mining and automotive industry in northern Sweden. He has been logistics manager at Kaunis Iron AB and Northland Resources.

Education: Graduate engineer in mechanical engineering at Luleå University of Technology.

Holding in Railcare Group AB (incl. closely related parties): Andreas holds 0 shares in Railcare Group AB.



Ulf Marklund
 Board member, elected 2007

Born: 1954

Position: Board member 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

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



Lisa Borgs

Born: 1978

Position: CFO and IR 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



Johan Hansén

Born: 1979

Position: Business Area Manager

Other ongoing significant assignments: Johan has no other ongoing assignments as a member of any administrative, management or control body.

Other experience: Johan has previously worked at Trafikverket and has experience from leading positions at Hector Rail. He has more than 20 years of experience working within the railway industry.

Education: High school and further education in the railway sector.

Holding in Railcare Group AB (incl. closely related parties): Johan holds 0 shares in Railcare Group AB.

Employed: 2014

In Group Management since: 2023

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 2023 Annual General Meeting. Micael Engström, Authorised Public Accountant and member of FAR (industry organisation for accounting consultants, auditors and advisers in Sweden), was elected as Auditor in Charge at the Annual General Meeting on 04 May 2023 for the period until the 2024 Annual General Meeting.

Each year, the Company's auditors report their observations from the audit to the 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 2023, the Company's auditors participated in two meetings with the Audit Committee, primarily addressing the audit of the annual accounts for 2022, as well as the review of the Interim Report for January-September 2023. 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

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 2023, the Remuneration Committee had one meeting where minutes were kept and the Committee reviewed and discussed the applicable remuneration based on the set guidelines. The Company complied with the applicable remuneration guidelines in the financial year 2023. The Committee delegated the task of making a final decision on the CEO's salary review to the Chairman.

Jonny Granlund, a member of Group Management, is currently remunerated through a consulting fee. The consulting fee paid corresponded to a market-based fixed cash salary, adjusted upwards for other non-salary costs such as social security contributions and pension. The exceptional decision to pay a consulting fee instead of salary according to the remuneration model specified in the Company's guidelines comes under the Board's option to deviate from the guidelines in the Company's long-term interests, and is justified by the Company's need to be able to offer a market-based and competitive total remuneration.

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 that no changes are needed and that the current guidelines should 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 frame-

works 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 a Board portal, 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, quarterly matching of the asset registers and annual impairment testing.

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.

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 regularly 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 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 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.

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Financial statements and notes

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Net sales	G5	564,220	497,035
Other operating income	G6, G12	4,022	3,104
Capitalised work on own account		14,247	12,130
Raw materials and consumables		-211,783	-193,141
Other external costs	G9, G10	-85,600	-75,762
Personnel costs	G8	-170,134	-146,341
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	G10	-44,099	-42,811
Other operating expenses	G7, G12	-2,938	-1,849
Operating profit/loss (EBIT)		67,934	52,365
Financial income		-586	21
Financial expenses	G10	-10,081	-5,478
Net financial income/expense	G11	-10,667	-5,457
Profit/loss before tax		57,266	46,907
Income tax	G13	-13,642	-10,125
Profit for the period		43,624	36,783

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Other comprehensive income:			
Items that may be reclassified to profit/loss for the period			
Exchange rate differences from the translation of foreign operations		873	637
Other comprehensive income for the period, net of tax		873	637
Total comprehensive income for the period		44,497	37,420

Amounts in SEK		Jan-Dec 2023	Jan-Dec 2022
Earnings per share before and after dilution	G22	1.81	1.52
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 72-110 constitute an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

Amounts in SEK 000	Note	31/12/2023	31/12/2022
ASSETS			
Non-current assets			
Intangible assets			
	G14		
Capitalised development costs		1,974	538
Patents		124	188
Goodwill		6,300	6,300
Transportation licences		1,800	1,186
Total intangible assets		10,198	8,212
Property, plant and equipment			
	G15		
Buildings and land		33,990	35,170
Locomotives and wagons		128,394	134,772
Mobile machinery		202,741	179,959
Vehicles		5,329	3,996
Equipment, tools, fixtures and fittings		5,147	5,445
Construction in progress		84,555	78,779
Total property, plant and equipment		460,157	438,123
Financial assets			
Other non-current receivables	G16	4,465	3,954
Total financial non-current assets		4,465	3,954
Deferred tax assets	G24	10	681
Total non-current assets		474,830	450,970

Amounts in SEK 000	Note	31/12/2023	31/12/2022
Current assets			
Inventories			
	G18		
Raw materials and consumables		21,300	16,233
Work in progress		14,984	16,013
Total inventories		36,284	32,245
Current receivables			
Accounts receivable	G17	56,518	40,936
Contract assets	G5	16,038	15,391
Current tax receivables		1	1
Other current receivables	G19	2,119	9,253
Prepaid expenses and accrued income	G20	17,800	12,101
Total current receivables		92,476	77,682
Cash and cash equivalents	G21	39,432	31,976
Total current assets		168,192	141,903
TOTAL ASSETS		643,022	592,873

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position (cont.)

Amounts in SEK 000	Note	31/12/2023	31/12/2022
EQUITY	G22		
Share capital		9,891	9,891
Other capital provided		17,485	19,830
Translation reserve		3,040	2,167
Retained earnings (profit/loss for the year included)		243,702	212,207
Total equity attributable to Parent Company shareholders		274,118	244,095

Amounts in SEK 000	Note	31/12/2023	31/12/2022
LIABILITIES			
Non-current liabilities	G23		
Deferred tax liabilities	G24	59,488	54,657
Liabilities to credit institutions		74,346	100,833
Lease liability		37,128	42,646
Other provisions		151	99
Total non-current liabilities		171,113	198,235
Current liabilities	G23		
Lease liability		11,899	10,658
Liabilities to credit institutions		84,698	63,927
Accounts payable		47,693	34,359
Prepayments from customers		2,344	2,398
Current tax liabilities		8,669	933
Other liabilities	G25	5,583	5,011
Accrued expenses and deferred income	G26	36,906	33,257
Total current liabilities		197,791	150,543
TOTAL EQUITY AND LIABILITIES		643,022	592,873

The notes on pages 72-110 constitute an integral 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 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
Opening balance						
as of 1 January 2023	G22	9,891	19,830	2,167	212,207	244,095
Profit/loss for the year					43,624	43,624
Other comprehensive income				873	-	873
Total comprehensive income				873	43,624	44,497
Transactions with shareholders						
Dividend			-2,345		-12,130	-14,475
Closing balance						
as of 31 December 2023		9,891	17,485	3,040	243,702	274,118

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Cash flow from operating activities			
Operating profit		67,934	52,365
Adjustment for non-cash items	G29	46,017	42,894
Interest paid		-9,546	-5,478
Interest received		150	21
Income tax paid		-381	-2,024
Cash flow from operating activities before changes in working capital		104,174	87,778
Cash flow from changes in working capital			
Increase/decrease in inventories		-4,647	-4,693
Increase/decrease in operating receivables		-14,470	-20,098
Increase/decrease in operating liabilities		17,223	4,410
Total changes in working capital		-1,894	-20,381
Cash flow from operating activities		102,280	67,397
Cash flow from investing activities			
Investments in intangible assets	G14	-3,007	-164
Investments in property, plant and equipment	G15	-57,364	-53,109
Investments in other financial non-current assets		-1,557	-
Divestment of property, plant and equipment		1,210	109
Cash flow from investing activities		-60,718	-53,164

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Cash flow from financing activities	G30		
Loans raised		20,525	32,398
Amortization of loans		-26,776	-26,346
Amortisation of lease liabilities		-13,538	-12,790
Dividend paid		-14,475	-14,475
Cash flow from financing activities		-34,264	-21,213
Cash flow for the period		7,298	-6,980
Opening cash and cash equivalents		31,976	38,560
Exchange rate difference in cash and cash equivalents		158	397
Closing cash and cash equivalents	G21	39,432	31,976

NOTE G1 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 Consolidated Financial Statements have been approved by the Board of Directors for publication on 11 April 2024 and will be submitted to the Annual General Meeting on 8 May 2024 for adoption.

Unless otherwise stated, all amounts are given in SEK 000. Disclosures in parentheses pertain to the comparison year. Due to rounding, in certain cases figures presented in the financial reports may not add up exactly to the total, and percentages may not be exact.

NOTE G2 MATERIAL DISCLOSURES OF 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

New or revised IFRS and interpretation statements that came into effect on 1 January 2023 did not have a material impact on the consolidated financial statements. The revised IAS 1-standard was applied, and an assessment was made to determine the materiality of the reported principles.

New standards and interpretations not yet applied by the Group

A number of new and amended standards and interpretations have been published by the IASB but have not yet come into force. None of the new or amended standards or interpretations have been applied in advance. The Group intends to adhere to these new, changed standards when they come into effect.

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

In January 2020 and October 2022, the IASB published amendments to IAS 1 regarding the classification of liabilities as current or non-current, especially where covenants occurred.

The Group has financial covenants in credit facility agreements and actively monitors its ability to meet these covenants. The Group is currently able to meet the covenants. The change is therefore deemed to have no impact on the Group's financial reporting in the period when it was applied for the first time. The Group will, however, continuously monitor and evaluate the changes in the event of signing new credit agreements.

Consolidated Financial Statements

Subsidiaries

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.

Acquisition

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. Identifiable assets acquired and liabilities assumed in a business combination are initially valued at fair value at the acquisition date. 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.

Intercompany profit eliminations

All intra-Group transactions and balance sheet items are eliminated on consolidation, including unrealised gains and losses on transactions between the Group companies.

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/loss after financial items to assess the segments' results.

Foreign currency translation

Functional currency and presentation currency

Swedish kronor (SEK), the functional currency of the Parent Company and the presentation currency of the Group, is used in the Consolidated Financial Statements. The different units of the Group have the local currency as their functional currency, as it is the currency used in the primary economic environment in which each unit mainly operates.

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 each month in the reporting period. Translation differences arising on the translation of foreign operations are recognised in other comprehensive income.

Revenue recognition

Revenue from contracts with customers

The Group's revenue is mainly comprised of sales of services, sales of machines and spare parts (goods), and leasing income.

Railcare applies IFRS 15, Revenue from contracts with customers, except for revenue generated from leasing of locomotives and wagons, where IFRS 16, Leases, is applied instead. The accounting standard is designed according to a control-based five-step model, which requires that revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for promised goods or services to customers. The standard regulates commercial agreements (contracts) with customers in which delivery of goods and services is divided into separately identifiable performance obligations that are recognised independently. The standard establishes rules for calculating the transaction price for delivery of goods and services and the manner in which this can be allocated between the various performance obligations.

Revenue is recognised when control has passed to the customer by the customer being able to use or benefit from the good or service, at which point it is deemed to have been transferred. Control over goods is also usually defined as material risks and benefits having been transferred, which usually occurs according to terms of delivery. Control may be transferred at a given point in time, which is usually the case for the sale of goods. In other cases, a performance obligation may be satisfied over time, which is common on the sale of services. 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.

Sale of services

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 perfor-

mance 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, transport assignments and locomotive upgrades, the income is recognised over time based on the degree of completion.

The Group's income from most of the service assignments, such as contracting assignments involving machines and 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.

Sales of machines and spare parts

Sales of machines and spare parts comprise 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.

In connection with the sale of machines and spare parts, there is a right to payment for the performance completed to date. The sale is recognised as income over time. Payment is generally received 30-60 days after control of the goods has been transferred. In some contracts, there are short-term advances before the goods are delivered.

Hire income

The Group hires out personnel to a certain extent, 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.

The Group also leases out locomotives and wagons, for which income is recognised according to IFRS 16, Leases. The accounting principles for these revenues are described under Leasing below.

Leasing

The Group is both a lessee (office premises, locomotives and wagons, mobile machinery, 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 premises, locomotives and wagons. 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, and the financial expense is distributed over the lease period at a fixed rate of interest 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, less any benefits
- variable lease fees determined by an index, interest rate or price and amounts expected to be paid by the lessee according to residual value guarantees

Variable lease fees that are not determined by a price or interest rate are expensed.

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.

Low value

Contracts with a value below SEK 75,000 have been excluded in accordance with the standard. A decision in principle has been made that contracts concerning, for example, coffee machines, printers/copiers, etc. are to be excluded as these contracts are generally for low individual amounts and would not together add any material value.

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. Agreements are divided into categories based on how business-critical the agreement is, and are evaluated at different threshold amounts in relation to the residual term of the agreement. 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.

The right-of-use asset is valued at cost after the commencement date after deduction of accumulated depreciation and any accumulated impairment, taking into account adjustments for any revaluation of the lease liability. Depreciation on right-of-use assets takes place during the asset's useful life if it is reasonably certain that a call option will be exercised, or when events or changes in conditions indicate that the carrying amount of an asset cannot be recovered. If this is not the case, the lessee shall depreciate the right of use asset from the commencement date up until the earlier of the end of the asset's useful life and the end of the lease period.

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.

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.

Deferred tax is recognised in accordance with the balance sheet method 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. Deferred tax assets and deferred tax liabilities are valued in the balance sheet at nominal amounts and are calculated by applying tax rates (and laws) that have been enacted or announced by the record date.

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.

This is assessed based on the Group's forecast of future operating profit, adjusted for significant non-taxable income and expenses as well as specific restrictions on the utilisation of unused tax losses or tax credits.

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 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 exceeds the fair value of identifiable acquired net assets. 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. There are four cash-generating units which are equal to the operating segments. 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

Development expenses are recognised as intangible assets when certain given criteria are met, e.g. that it is technically possible, and the Company's intention, to complete them so that they can be used or sold, and it can be demonstrated how they generate probable future economic benefits.

Directly attributable expenses that are capitalised as part of development work include costs for employees and external consultants.

Other development expenses that do not fulfil the given criteria are expensed when they arise. Capitalised development expenses are recognised as intangible assets and amortised from the time that the asset is ready to be used.

Useful lives for the Group's intangible assets

All of the Group's intangible assets are deemed to have determinable useful lives, and are depreciated on a straight-line basis over their respective expected useful lives, which are between 5 and 8 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.

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.

Subsequent expenses are added to the asset's cost or recognised as a separate component (component of an asset), as appropriate, 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. 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.

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. Useful lives are calculated based on the assets' or individual components' assessed remaining useful lives.

Useful lives of material assets and components are as follows:

Land improvements	20 years
Mobile machinery:	
Chassis	20-40 years
Containers	16-30 years
Driving	13-20 years
Power packs	20 years
Locomotives and wagons	
Chassis	8-60 years
Diesel engines	8-50 year
Generators and turbo	4-50 years
Vehicles	6 years
Equipment, tools, fixtures and fittings	5-10 years

It is assessed on each record date whether a need is indicated for impairment of property, plant and equipment.

Impairment of non-financial assets

To ensure that there is no need for impairment, an impairment test is performed on the record date and as indicated 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 that have previously been impaired are tested on each record date for possible reversal.

Financial instruments

A financial asset or financial liability is recognised in the balance sheet when the company becomes party to the instrument's contractual terms. Financial instruments are initially recognised at fair value including transaction expenses that are directly attributable to the acquisition or issue of a financial liability or financial asset. Transactions concerning financial instruments are recognised on the transaction date. Accounts receivable, loan receivables and other financial liabilities are recognised after the date of acquisition at amortised cost using the effective interest method.

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.

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.

Classification

The Group classifies its financial assets and liabilities in the category at amortised cost, and financial liabilities are measured at fair value via the income statement. The classification is based on the purpose for which the financial asset or liability was acquired and managed.

The Group's financial instruments are classified as follows:

- Financial assets measured at amortised cost

Assets that are held for the purpose of collecting contractual cash flows, where these cash flows only constitute principal and interest, are measured at amortised cost. Adjustments for any expected credit losses that are recognised are made for the recognised value of these assets. The interest income from these is recognised using the effective interest method and is included in financial income. The Group's financial assets measured at amortised cost are comprised of accounts receivable, cash and cash equivalents, other current receivables, other non-current receivables and deposits.

- Financial liabilities measured at amortised cost

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

Offsetting and derecognition

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. The same applies to parts of financial assets and financial liabilities. A financial liability is derecognised from the balance sheet when the contractual obligation has been discharged or otherwise extinguished.

Impairment of financial assets

The Group's impairment model is based on expected credit losses, and takes prospective in-

formation 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.

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.

Accounts receivable

Accounts receivable are 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.

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. Obsolescence in inventory is calculated on an ongoing basis during the year.

An attributable share of the inventory value consists of indirect expenses. The cost of work in progress consists of materials, direct wages and other direct expenses. Borrowing costs are not included.

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. In addition to cash and bank flows, cash and cash equivalents include short-term investments which can be converted into bank funds in an amount that is mainly known in advance. Short-term investments with a shorter maturity than three months are considered cash and cash equivalents. Short-term investments with a shorter maturity than three months are considered cash and cash equivalents.

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). 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 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 2023 and 2022.

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 2023 and 2022

financial years, the Group's borrowing was denominated in SEK at variable interest.

If interest rates on borrowing in SEK as of 31 December 2023 had been 50 basis points (0.5 percentage points) higher/lower, but all other variables had been constant, then equity before tax and profit after tax for the 2023 financial year would have been SEK 845 thousand (822) 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 3.0 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 2023	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	16,083	68,614	37,587	20,909	15,850
Lease liabilities	3,755	10,889	11,879	18,009	6,247
Accounts payable	47,693	-	-	-	-
Other liabilities	5,583	-	-	-	-
Total	73,113	79,503	49,466	38,918	22,096

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

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.

Actual outcomes may differ from these estimates. Estimates and judgements are based on experience and on reasonable assumptions about future market development, as well as on prevailing circumstances such as political decisions.

Judgements

In applying the Group's accounting principles, the Company has made the following judgements, which have a significant impact on the amounts recognised in the consolidated financial statements:

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.

Judgements are made regarding which additional expenses are capitalised or expensed. In case of additional expenses, it is evaluated whether the expense regards a new component or replacement of a previous component. When a previous component is replaced, the previous component is scrapped and a new component is recognised as an asset.

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 2023.

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.

Estimates and assumptions

Below is a description of the most important assumptions concerning the future and other key sources of uncertainty in estimates that have a significant risk of resulting in a material adjustment of the recognised values of assets and liabilities in the next financial year. The estimates and assumptions are reviewed regularly. Changes to estimates are recognised in the period in which the estimates are changed if the changes affect that period alone, or in the period in which the change occurs and future periods, if the change affects both.

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 conduct its operations, and the expenses and operational disruptions that would be caused by replacing the leased asset.

Goodwill

Goodwill has an indefinite useful life. This means that no annual amortisation is carried out; annual impairment testing is carried out instead.

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.

The foremost assumptions, besides future cash flows, pertain to volume growth, margins and investment requirements. The calculation is based on management's experience.

For further information, please see Note G14. No impairment requirements were identified.

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 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 a locomotive workshop with internal and external repair and upgrading services for locomotives and wagons

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 2023			Jan-Dec 2022		
	Segment income	Sales between segments	Income from external customers	Segment income	Sales between segments	Income from external customers
Contracting Sweden	217,076	23,393	193,683	186,211	9,479	176,732
Contracting Abroad	32,449	160	32,289	35,870	2,748	33,123
Transport Scandinavia	340,062	17,865	322,197	279,294	16,256	263,038
Machines and Technology	81,124	65,515	15,609	88,120	65,216	22,904
Group-wide	45,292	44,850	442	36,745	35,507	1,238
Total	716,003	151,784	564,220	626,241	129,206	497,035

Profit/loss after financial items

	Jan-Dec 2023	Jan-Dec 2022
Contracting Sweden	17,150	21,306
Contracting Abroad	-2,557	-9,080
Transport Scandinavia	46,432	28,051
Machines and Technology	577	7,570
Group-wide	-4,336	-940
Total	57,266	46,907

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

Breakdown of income

Sales comprise Income from services, Sales of goods and Leasing. A breakdown of income is provided below.

Segment	Income from services		Sales of goods		Leasing		Total	
	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Contracting Sweden	193,655	176,732	28	-	-	-	193,683	176,732
Contracting Abroad	32,289	33,074	-	49	-	-	32,289	33,123
Transport Scandinavia	302,119	251,953	6,118	3,833	13,959	7,252	322,197	263,038
Machines and Technology	5,192	5,323	10,417	17,581	-	-	15,609	22,904
Group-wide	442	1,238	-	-	-	-	442	1,238
	533,697	468,320	16,564	21,463	13,959	7,252	564,220	497,035

Other profit/loss information

Segment	Depreciation/amortisation		Interest income		Interest expenses	
	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2023	Jan-Dec 2022
Contracting Sweden	-16,046	-15,772	38	1	-5,549	-2,377
Contracting Abroad	-381	-432	79	17	-20	-45
Transport Scandinavia	-18,535	-17,901	15	1	-2,995	-2,149
Machines and Technology	-5,437	-4,158	29	3	-1,172	-619
Group-wide	-3,700	-3,502	-9	-	-345	-289
	-44,099	-41,764	150	21	-10,081	-5,479

Group-wide information

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

	Jan-Dec 2023	Jan-Dec 2022
Sweden	396,546	438,042
Denmark	-	19
Norway	110,326	10,564
UK	33,765	37,550
Other	23,583	10,860
Total	564,220	497,035

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

	Jan-Dec 2023	Jan-Dec 2022
Sweden	469,861	445,484
UK	494	851
Total	470,355	446,335

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 402,439,000 (331,384,000).

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 2023 is SEK 1,276,875,000 (983,905,000). 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	2023	2024	2025	2026	2027-2031	Total
As of 31 December 2023	-	181,552	196,249	198,118	700,956	1,276,875
As of 31 December 2022	166,171	160,061	139,957	119,853	397,865	983,905

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 commitments, 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:

	31/12/2023	31/12/2022
Contract assets	16,038	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.

NOTE G6 OTHER OPERATING INCOME

	Jan-Dec 2023	Jan-Dec 2022
Profit from sales of machinery/equipment	871	77
Foreign exchange gains	2,101	1,526
Other income	1,050	1,501
Total	4,022	3,104

NOTE G7 OTHER OPERATING EXPENSES

	Jan-Dec 2023	Jan-Dec 2022
Loss from divestment of machinery/equipment	-417	-61
Foreign exchange losses	-2,521	-1,789
Total	-2,988	-1,849

NOTE G8 REMUNERATION TO EMPLOYEES, ETC.

Salaries, other remuneration and social security expenses	Jan-Dec 2023	Jan-Dec 2022
Salaries and other remuneration	120,136	103,748
of which, CEO and other senior executives	9,401	8,817
Pension expenses – defined-contribution plans	12,636	10,960
of which, CEO and other senior executives	1,087	1,014
Other social security contributions	37,796	34,205
of which, CEO and other senior executives	1,746	1,487

Average number of employees with geographical distribution by country

	Jan-Dec 2023		Jan-Dec 2022	
	Average number of employees	of whom, men	Average number of employees	of whom, men
Sweden	153	135	139	123
UK	2	1	2	1
Denmark	-	-	-	-
Group total	155	136	141	124

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, of whom one (none) woman.

Remunerations to senior executives

Senior executives refers to Group Management, which is described in more detail in [the Corporate Governance Report](#). Jonny Granlund is engaged on a consulting basis. 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 2023

	Fixed salary	Other benefits	Consulting fee	Total salaries and remuneration
President and CEO	1,833	103	-	1,935
Other senior executives (3)	2,007	156	2,562	4,725
Group total	3,840	259	2,562	6,661

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

Other benefits refer to a company car.

Fees to Board members in the Parent Company

	Jan-Dec 2023			Jan-Dec 2022		
	Board fee	Consulting fee	Total	Board fee	Consulting fee	Total
Anders Westermark (Chairman)	200	-	200	200	-	200
Catharina Elmsäter Svärd	100	-	100	100	-	100
Anna Weiner Jiffer	-	-	-	100	-	100
Adam Ådin	-	-	-	100	-	100
Ulf Marklund	-	2,904	2,904	-	2,904	2,904
Björn Östlund	100	-	100	100	-	100
Linn Andersson	100	-	100	-	-	-
Andreas Lanttoo	100	-	100	-	-	-
Total	600	2,904	3,504	600	2,904	3,504

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 commitment to the CEO and a previous senior executive, and in connection with this has taken out 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 624,000 (385,000) on the balance sheet 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 2023	Jan-Dec 2022
Ernst & Young		
– Audit assignment	1,038	821
– Other services	4	39
Total	1,042	860
Kallerman Revision A/S		
– Audit assignment	17	56
– Other services	11	34
Total	28	90
Burrows Scarborough		
– Audit assignment	109	91
– Other services	109	8
Total	218	99
Total	1,288	1,049

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 31/12/2023	Of which right- of-use assets	Balance as of 31/12/2022	Of which right- of-use assets
Buildings and land	33,990	22,756	35,170	24,785
Locomotives and wagons	128,394	21,216	134,772	24,556
Mobile machinery	202,741	1,493	179,959	1,678
Vehicles	5,330	5,295	3,996	3,936
Equipment, tools, fixtures and fittings	5,147	-	5,445	-
Total	375,602	50,760	359,343	54,954

Lease liabilities	31/12/2023	31/12/2022
Non-current	37,128	42,646
Current	11,899	10,658
Total	49,027	53,304

Additional rights of use (ROUs) during 2023 totalled SEK 9,367,000 (7,479,000).

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

	Jan-Dec 2023	Jan-Dec 2022
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		
Depreciation of buildings and land	7,396	6,708
Depreciation of locomotives and wagons	3,339	3,339
Depreciation of mobile machinery	184	250
Depreciation of vehicles	2,533	2,737
Total	13,453	13,034
Other external costs		
Expenses attributable to short-term leases	47,877	43,986
Expenses attributable to leases for which the underlying asset is of low value, and which are not short-term leases	1,517	1,160
Financial expenses		
Interest expenses	1,401	1,166

The total cash outflow for leases in 2023 amounted to SEK 64,289,000 (59,170,000). 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.

The largest lease where the Group is the lessor pertains to two locomotives of model Vossloh Euro4000 T68. The agreement runs until 31 December 2025, but includes a clause that entitles the lessor to terminate the agreement in advance subject to six months' notice if the policy interest rate exceeds a given level. While the Group deems it likely that the lessee will complete

the whole agreement period, only six months are included in the table below.

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

	31/12/2023	31/12/2022
Within 1 year	3,793	3,338
Between 1 and 5 years	-	-
More than 5 years	-	-
Total	3,793	3,338

Rental income during 2023 totalled SEK 6,774,000 (5,801,000).

NOTE G11 FINANCIAL INCOME AND EXPENSES

	Jan-Dec 2023	Jan-Dec 2022
Interest income	150	21
Total financial income	150	21
Interest expenses on:		
- liabilities to credit institutions	-8,654	-4,281
- lease liabilities	-1,411	-1,168
Other financial expenses	-16	-29
Exchange rate adjustment, non-current receivables	-92	-
Profit on liquidation of subsidiaries	-645	-
Total financial expenses	-10,818	-5,478
Net financial income/expense	-10,668	-5,457

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 2023	Jan-Dec 2022
Other operating income (Note G6)	2,101	1,526
Other operating expenses (Note G7)	-2,521	-1,789
Exchange rate differences – net	-420	-262

The above items originate from financial instruments.

NOTE G13 INCOME TAX

	Jan-Dec 2023	Jan-Dec 2022
Current tax:		
Current tax on net profit/loss for the year	-8,117	-3,588
Total current tax	-8,117	-3,588
Deferred tax (Note G24)		
Occurrence and reversal of temporary differences	-5,525	-6,537
Total deferred tax	-5,525	-6,537
Total income tax	-13,643	-10,125

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 2023	Jan-Dec 2022
Profit/loss before tax	57,266	46,907
Income tax calculated in accordance with tax rate in Sweden, 20.6 percent (20.6)	-11,797	-9,663
Effect of foreign tax rates	-15	-13
Non-deductible expenses	-498	-282
Goodwill impairment	-	-215
Adjustment related to previous years	-	48
Effect of loss carry-forwards for which no deferred tax assets are recognised	-1,204	-
Effect of loss on divestment of subsidiaries	-133	-
Other	5	-
Tax expense	-13,642	-10,125

The weighted average tax rate for the Group was 23.8 percent (21.6).

NOTE G14 INTANGIBLE ASSETS

Cost	Capitalised development costs	Patents	Goodwill	Transportation licences	Total
As of 1 January 2022					
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
Impairments	-	-	-1,046	-	-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

Cost	Capitalised development costs	Patents	Goodwill	Transportation licences	Total
Financial year 2023					
Opening carrying amount	538	188	6,300	1,186	8,212
Purchases/capitalised expenses for the year	2,370	-	-	868	3,238
Disposals and scrapings	-763	-	-	-	-763
Amortisation	-170	-64	-	-254	-488
Closing carrying amount	1,974	124	6,300	1,800	10,198
As of 31 December 2023					
Cost	6,085	1,094	9,626	3,413	20,218
Accumulated amortisation and impairment	-4,110	-971	-3,326	-1,613	-10,020
Carrying amount	1,974	124	6,300	1,800	10,198

Impairment testing of goodwill

Goodwill has an indefinite useful life. This means that no annual amortisation is carried out. Instead, impairment testing is carried out on each record date or as indicated. The following is a compilation of goodwill broken down by each cash-generating unit affected by the acquisitions:

Goodwill	31/12/2023	31/12/2022
Transport Scandinavia	2,546	2,546
Machines and Technology	3,754	3,754
Total	6,300	6,300

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 2022							
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

	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 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
Financial year 2023							
Opening carrying amount	35,170	134,772	179,959	3,996	5,445	78,779	438,123
Exchange rate differences	20	-	-	5	-	-	25
Purchases/capitalised expenses for the year	6,767	295	4,530	3,978	1,392	52,446	69,408
Reclassifications	-	8,239	35,490	-	-	-46,066	-2,338
Disposals and scrappings	-	-297	-120	-90	-339	-604	-1,449
Depreciation	-7,967	-14,615	-17,119	-2,559	-1,351	-	-43,611
Closing carrying amount	33,990	128,394	202,741	5,329	5,147	84,555	460,157
As of 31 December 2023							
Cost	77,158	248,831	332,667	9,645	11,203	84,555	764,059
Accumulated depreciation	-43,168	-120,437	-129,926	-4,315	-6,056	-	-303,902
Carrying amount	33,990	128,394	202,741	5,329	5,147	84,555	460,157

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 on each record date, or as indicated, for each cash-generating unit that they belong to. 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 after tax 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.

The Company classifies financial instruments with a remaining term of less than 12 months as current assets and liabilities. Financial instruments with a term exceeding 12 months, for which the Company has an unconditional right to postpone settlement of the asset or liability for at least 12 months, are classified as non-current assets and liabilities.

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	31/12/2023	31/12/2022
Accounts receivable	56,518	40,936
Other current receivables	1,826	1,144
Other non-current receivables	3,000	3,954
Deposits	1,465	658
Cash and cash equivalents	39,432	31,976
Total	102,241	78,668
Financial liabilities	31/12/2023	31/12/2022
Liabilities to credit institutions	74,346	100,833
Current liabilities to credit institutions	84,698	63,927
Accounts payable	47,693	34,359
Other current liabilities	5,583	5,011
Total	212,319	204,130

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

	31/12/2023	31/12/2022
Accounts receivable	56,926	41,345
Less: provision for doubtful receivables	-408	-409
Accounts receivable – net	56,518	40,936

The fair value of accounts receivable corresponds to their carrying amounts since the discount effect is not material.

At 31 December 2023, satisfactory accounts receivable amounted to SEK 56,518,000 (40,936,000) for the Group.

At 31 December 2023, overdue accounts receivable amounted to SEK 14,521,000 (7,307,000).

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). 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.

The age analysis of overdue accounts receivable is shown below:

	31/12/2023	31/12/2022
1-30 days	14,161	5,714
31-60 days	220	1
> 61 days	140	1,592
Total overdue accounts receivable	14,521	7,307

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:

	31/12/2023	31/12/2022
SEK	53,709	37,872
EUR	1,331	-
GBP	-	2,012
USD	1,478	1,052
Total	56,518	40,936

NOTE G18 INVENTORIES

During the 2023 financial year, product costs were recognised in the balance sheet under the item Raw materials and consumables in an amount of SEK 71,137,000 (71,214,000).

There are no material differences between the carrying amount and the fair value of the inventory. No part of the inventory was adjusted as a result of increase in the net realisable value. No goods were pledged as security for loans and other obligations.

NOTE G19 OTHER CURRENT RECEIVABLES

	31/12/2023	31/12/2022
VAT receivables	-	4,997
Deduction in taxes and social security contributions	277	2,438
Receivables from insurance companies	890	949
Deposits	-	658
Other receivables	952	211
Total	2,119	9,253

NOTE G20 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2023	31/12/2022
Accrued income	840	592
Prepaid lease payments	290	133
Prepaid rent for premises	1,346	2,147
Prepaid insurance policies	4,601	2,743
Other items	10,723	6,486
Total	17,801	12,101

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

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. The equity/assets ratio was 42.6 percent (41.2) at year-end 2023.

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 [Consolidated Statement of Comprehensive Income](#). There is no potential dilution effect, which is why earnings per share are the same before and after dilution.

NOTE G23 BORROWING

	31/12/2023	31/12/2022
Non-current		
Liabilities to credit institutions	74,346	100,833
Lease liabilities	37,128	42,646
Total non-current borrowing	111,474	143,479
Current		
Lease liabilities	11,899	10,658
Liabilities to credit institutions	84,698	63,927
Total current borrowing	96,597	74,585

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.

Liabilities to credit institutions

Liabilities to credit institutions are subject to an average interest rate of 6.1 percent per year (4.5) 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 2023 and 2022 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 228,934,000 (219,991,000).

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 is based on discounted cash flows with an interest rate based on the loan interest rate of 5.6 percent (3.8) 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 35,000,000 (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 2023 (0). The bank overdraft facility is subject upon utilisation to an interest rate of 5.25 percent (3.75) as of 31 December 2023, which is paid quarterly.

NOTE G24 DEFERRED INCOME TAX**Deferred tax assets (net)**

Carrying amounts pertain to temporary differences attributable to:

	31/12/2023	31/12/2022
Lease liability	10,054	10,932
Tax loss carry-forwards	-	752
Internal gains in non-current assets	80	104
Endowment insurance for future pensions	157	105
	10,292	11,892
Amounts offset against deferred tax liabilities according to the offset rules	-10,282	-11,211
Net deferred tax assets	10	681

Deferred tax liabilities (net)

Carrying amounts pertain to temporary differences attributable to:

	31/12/2023	31/12/2022
Right-of-use assets	10,153	11,110
Untaxed reserves	59,617	54,672
Temporary differences in foreign subsidiaries	-	85
	69,770	65,867
Amounts offset against deferred tax assets according to the offset rules	-10,282	-11,211
Net deferred tax liabilities	59,488	54,656

The gross change regarding deferred taxes is as follows:

Deferred tax assets/liabilities	Deferred tax assets				Deferred tax liabilities			Total
	Leases	Loss carry-forwards	Internal gains in non-current assets	Endowment insurance for pensions	Leases	Untaxed reserves	Temporary differences in foreign subsidiaries	
As of 1 January 2022	-12,071	-1,061	-39	0	12,395	47,153	1,058	47,434
Recognised in statement of comprehensive income	1,138	329	-63	-105	-1,285	7,519	-1,004	6,530
Exchange rate differences	-	-19	-1	-	-	-	31	12
As of 31 December 2022	-10,932	-751	-104	-105	11,111	54,672	85	53,975
Recognised in statement of comprehensive income	878	777	24	-53	-957	4,945	-87	5,526
Exchange rate differences	-	-25	-	-	-	-	3	-23
As of 31 December 2023	-10,054	0	-81	-158	10,153	59,617	0	59,478

NOTE G25 OTHER CURRENT LIABILITIES

	31/12/2023	31/12/2022
Employee withholding taxes and social security contributions	2,878	2,275
VAT	1,608	1,928
Other current liabilities	1,097	809
Total	5,583	5,011

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

	31/12/2023	31/12/2022
Accrued salaries	6,470	6,693
Accrued social security contributions	10,518	9,600
Accrued holiday pay	12,525	11,100
Other items	7,393	5,865
Total	36,906	33,257

NOTE G27 PLEDGED ASSETS

	31/12/2023	31/12/2022
Liabilities to credit institutions		
Chattel mortgages	111,100	111,100
Machinery and equipment	228,934	219,991
Leases		
Locomotives and wagons	5,016	5,797
Mobile machinery	1,493	1,678
Vehicles	5,295	3,936
Total	351,838	342,501

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 two subsidiaries, 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 2023, this remuneration amounted to SEK 2,904,000 (2,904,000), 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 2023, on the same terms as previously. The agreement is subject to a six-month mutual period of notice and expires on 31 March 2024. 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 2023, this remuneration amounted to SEK 1,655,000 (1,903,000).

Jonny Granlund, a member of Group Management, 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 2023. 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 1,836,000 in 2023. The agreement covers the period up until 31 December 2024 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.

Andreas Lantto was elected as Board member of the Parent Company at the 2023 Annual General Meeting. Andreas is a part-owner and Board member of Nordkonsult Luleå AB, which supplies technical consultancy services to the Group. The fee for these services is charged per hour, and remuneration amounted to SEK 1,269,000 in 2023.

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

	31/12/2023	31/12/2022
Depreciation, amortisation and impairment	44,099	42,811
Profit/loss from sale of property, plant and equipment and intangible assets	911	-16
Provision for future payroll tax	52	100
Impairment of financial non-current assets	954	-
Total	46,017	42,894

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 9,261,000 (7,087,000) 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 2023	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
(A) Operating profit/loss	67,934	52,365	56,219	60,385	31,977
(B) Net sales	564,220	497,035	437,946	401,301	370,610
(A/B) Operating margin, %	12.04	10.54	12.84	15.05	8.63

(Amounts in SEK 000)	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
(A) Equity	274,118	244,095	221,150	194,861	153,871
(B) No. of shares, 000s	24,124	24,124	24,124	24,124	23,013
(A/B) Equity per share, SEK*	11.36	10.12	9.17	8.08	6.69

(Amounts in SEK 000)	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
(A) Equity	274,118	244,095	221,150	194,861	153,871
(B) Total assets	643,022	592,873	557,965	521,388	459,166
(A/B) Equity/assets ratio, %	42.63	41.17	39.64	37.37	33.51

(Amounts in SEK 000)	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
(A) Agreed total dividend	14,475	14,475	14,475	14,475	7,237
(B) No. of shares, 000s	24,124	24,124	24,124	24,124	24,124
(A/B) Dividend per share, SEK	0.60	0.60	0.60	0.60	0.30

(Amounts in SEK 000)	Jan-Dec 2023	Jan-Dec 2022	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2019
(A) Net sales	564,220	497,035	437,946	401,301	370,610
(B) Comparative figure from previous period	497,035	437,946	401,301	370,610	270,147
((A-B)/B) Sales growth, %	13.52	13.49	9.13	8.28	37.19

Extrapolation of the alternative performance measure Net margin is in the tables under the section Net sales and profit in the [Administration Report](#). Definitions and purpose of the Company's alternative performance measures are under the section [Definitions](#).

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Parent Company Income Statement

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Net sales	P3	45,292	36,745
Other operating income	P4	149	19
Total		45,441	36,764
Operating expenses			
Raw materials and consumables		-12,448	-7,699
Other external costs	P6, P7	-18,577	-16,703
Personnel costs	P8	-17,190	-11,430
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		-531	-409
Other operating expenses	P5	-34	-32
Total operating expenses	P3	-48,780	-36,273
Profit from participations in associated companies and jointly controlled companies			-
Operating profit		-3,339	491

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Profit/loss from financial items			
Profit from participations in Group companies	P10	571	-4,334
Other interest income and similar profit/loss items	P9	328	41
Interest expenses and similar profit/loss items	P9	-447	-96
Total profit/loss from financial items		451	-4,389
Profit/loss after financial items		-2,888	-3,898
Appropriations	P11	26,100	9,300
Tax on profit/loss for the year	P12	-4,741	-2,089
Profit/loss for the year		18,471	3,312

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 72-110 constitute an integral part of these consolidated financial statements.

Parent Company Balance Sheet

Amounts in SEK 000	Note	31 Dec 2023	31 Dec 2022
ASSETS			
Intangible assets			
Capitalised development expenses	P13	506	49
Patents	P14	124	188
Total intangible assets		630	237
Property, plant and equipment			
Buildings	P15	4,635	4,073
Equipment, tools, fixtures and fittings	P16	861	710
Total property, plant and equipment		5,496	4,783
Financial non-current assets			
Participations in Group companies	P17	28,887	33,887
Deferred tax assets	P21	82	52
Total financial non-current assets		28,969	33,939
Total non-current assets		35,094	38,959

Amounts in SEK 000	Note	31 Dec 2023	31 Dec 2022
Current assets			
Current receivables			
Accounts receivable	P18	15	39
Receivables from Group companies		105,191	94,161
Other receivables		814	155
Prepaid expenses and accrued income	P19	2,066	1,706
Total current receivables		108,086	96,060
Cash and cash equivalent	P20	35,342	26,419
Total current assets		143,428	122,479
TOTAL ASSETS		178,522	161,438

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Parent Company Balance Sheet (cont.)

Amounts in SEK 000	Note	31 Dec 2023	31 Dec 2022
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		15,101	17,446
Retained earnings		-	8,816
Profit/loss for the year		18,471	3,312
Total non-restricted equity		33,571	29,575
Total equity		43,462	39,466

Amounts in SEK 000	Note	31 Dec 2023	31 Dec 2022
Provisions			
Provision for tax		77	49
Total provisions		77	49
Current liabilities			
Accounts payable	P18	6,080	1,614
Tax liability		6,541	2,154
Liabilities to Group companies		119,006	115,831
Other liabilities	P22	562	371
Accrued expenses and deferred income	P23	2,793	1,953
Total current liabilities		134,982	121,923
TOTAL EQUITY AND LIABILITIES		178,521	161,438

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Parent Company Statement of Changes in Equity

Amounts in SEK 000	Note	Restricted equity		Non-restricted equity	Total equity
		Share capital	Share premium reserve	Retained earnings including profit/loss for the year	
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
Opening balance					
as of 1 January 2023		9,891	17,446	12,129	39,466
Profit/loss for the year				18,471	18,471
Total comprehensive income		-	-	18,471	18,471
Transactions with shareholders					
Conversion of debenture					
					-
Dividend			-2,346	-12,129	-14,475
Closing balance					
as of 31 December 2023		9,891	15,100	18,471	43,462

The notes on pages 72-110 constitute an integral part of these consolidated financial statements.

Parent Company Cash Flow Statement

Amounts in SEK 000	Note	Jan-Dec 2023	Jan-Dec 2022
Cash flow from operating activities			
Operating profit		-3,339	491
Adjustment for non-cash items	P25	438	457
Interest received		5,117	157
Interest paid		-447	-97
Income tax paid		-384	-634
Cash flow from operating activities before changes in working capital		1,385	374
Cash flow from changes in working capital			
Increase/decrease in operating receivables		-12,025	-5,100
Increase/decrease in operating liabilities		8,672	16,658
Total changes in working capital		-3,353	11,558
Cash flow from operating activities		-1,968	11,932
Cash flow from investing activities			
Investments in intangible assets	P13, P14	-526	-50
Divestment of intangible assets		69	-
Investments in property, plant and equipment	P15, P16	-1,518	-591
Divestment of property, plant and equipment		460	-
Divestment of subsidiaries		781	-
Cash flow from investing activities		-734	-641

Cash flow from financing activities

Group contributions received		56,600	16,300
Group contributions paid		-30,500	-17,500
Dividend paid		-14,475	-14,474
Cash flow from financing activities		11,625	-15,674
Cash flow for the period			
Opening cash and cash equivalents		26,419	30,802
Closing cash and cash equivalents	P20	35,342	26,419

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

New and amended standards applied by the Parent Company

New or revised IFRS and interpretation statements did not have a material impact on the Parent Company's financial statements.

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

Due to of the correlation between accounting and taxation, the regulations governing financial instruments have been applied in accordance with the Swedish Annual Accounts Act and the cost method. 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

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".

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 44,850,000 (35,507,000), which corresponds to 99.0 percent (96.6), and operating expenses include invoicing of Group companies in an amount of SEK 1,483,000 (1,672,000), which corresponds to 3.0 percent (4.6).

NOTE P4 OTHER OPERATING INCOME

	Jan-Dec 2023	Jan-Dec 2022
Foreign exchange gains	28	17
Government grants received	2	2
Gains on divestment of non-current assets	121	-
Total	19	19

NOTE P5 OTHER OPERATING EXPENSES

	Jan-Dec 2023	Jan-Dec 2022
Foreign exchange losses	-34	-32
Total	-34	-32

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 2023	Jan-Dec 2022
Within 1 year	2,240	1,772
Between 1 and 5 years	4,315	4,708
More than 5 years	-	-
Total	6,555	6,480

During the year, expensed lease fees totalled SEK 3,323,000 (2,973,000) 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 2023	Jan-Dec 2022
Ernst & Young		
– Audit assignment	632	472
– Other services	-	33
Total	632	505

NOTE P8 REMUNERATION TO EMPLOYEES, ETC.

Salaries, other remuneration and social security expenses	Jan-Dec 2023	Jan-Dec 2022
Salaries and other remuneration	10,946	6,734
of which, CEO and other senior executives	3,850	3,117
Pension expenses – defined-contribution plans	1,616	1,199
of which, CEO and other senior executives	956	736
Other social security contributions	3,952	2,720
of which, CEO and other senior executives	1,510	1,195

	Jan-Dec 2023	Jan-Dec 2022
Average number of employees		
Women	8	8
Men	3	2
Total	11	10

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

	Jan-Dec 2023	Jan-Dec 2022
Profit from participations in Group companies		
Dividend from subsidiaries	4,790	116
Impairment of shares in subsidiaries	-4,200	-4,449
Capital gain/loss on divestments	-19	-
Total	571	-4,334

NOTE P11 APPROPRIATIONS

	Jan-Dec 2023	Jan-Dec 2022
Group contributions received	56,600	38,300
Group contributions paid	-30,500	-29,000
Total	26,100	9,300

NOTE P12 INCOME TAX

	Jan-Dec 2023	Jan-Dec 2022
Current tax:		
Current tax on net profit/loss for the year	-4,771	-2,138
Total current tax	-4,771	-2,138
Deferred tax (Note P21)		
Occurrence and reversal of temporary differences	30	49
Total deferred tax	30	49
Total income tax	-4,741	-2,089
	Jan-Dec 2023	Jan-Dec 2022
Profit/loss before tax	23,212	5,402
Income tax calculated in accordance with tax rate in Sweden, 20.6 percent (20.6)	-4,782	-1,113
Non-deductible expenses	-77	-94
Non-deductible impairment of participations in subsidiaries	-869	-917
Non-taxable dividends from subsidiaries	987	24
Adjustment related to previous years	-	10
Tax expense	-4,741	-2,089

NOTE P13 CAPITALISED DEVELOPMENT EXPENSES

	31/12/2023	31/12/2022
Opening cost	49	-
Purchases for the year	526	49
Disposals and scrappings	-70	-
Closing accumulated cost	506	49
Opening amortisation	-	-
Amortisation for the year	-	-
Closing accumulated amortisation	0	0
Closing residual value according to plan	506	49

NOTE P14 PATENTS

	31/12/2023	31/12/2022
Opening cost	1,094	1,094
Closing accumulated cost	1,094	1,094
Opening amortisation	-907	-831
Amortisation for the year	-64	-76
Closing accumulated amortisation	-971	-907
Closing residual value according to plan	124	188

NOTE P15 BUILDINGS

	31/12/2023	31/12/2022
Opening cost	4,503	4,304
Purchases for the year	815	199
Closing accumulated cost	5,318	4,503
Opening depreciation	-430	-215
Depreciation for the year	-253	-215
Closing accumulated depreciation	-684	-430
Closing residual value according to plan	4,635	4,073

NOTE P16 EQUIPMENT, TOOLS, FIXTURES AND FITTINGS

	31/12/2023	31/12/2022
Opening cost	1,449	1,161
Purchases for the year	703	392
Disposals and scrappings	-400	-104
Closing accumulated cost	1,752	1,449
Opening depreciation	-738	-725
Depreciation for the year	-214	-117
Disposals and scrappings	61	104
Closing accumulated depreciation	-892	-738
Closing residual value according to plan	861	710

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 Lining AB	556873-4817	Skellefteå, Sweden	Railway maintenance
Railcare Sweden Ltd	8687106	Derby, UK	Railway maintenance
Railcare Resources 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	Participating interest	Book value	Book value
	31/12/2023 (%)	31/12/2022 (%)	31/12/2023	31/12/2022
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	-	5,000
Railcare Lining AB	100	100	100	100
Railcare Sweden Ltd	100	100	11	11
Railcare Resources AB	100	100	100	100
Elpro i Skellefteå AB	100	100	4,100	4,100
			28,887	33,887

	31/12/2023	31/12/2022
Opening cost	38,336	38,336
Divestment/liquidation	-9,449	-
Closing accumulated cost	28,887	38,336
Opening impairment	-4,449	-
Impairment for the year	-	-4,449
Reversed impairment losses	4,449	-
Closing accumulated impairment	0	-4,449
Book value	28,886	33,887

The operation in Denmark has been discontinued, and liquidation of Railcare Danmark A/S was completed in December 2023.

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	31/12/2023	31/12/2022
Accounts receivable	15	39
Receivables from Group companies	105,191	94,161
Cash and cash equivalent	35,342	26,419
Total	140,548	120,619
Financial liabilities measured at cost	31/12/2023	31/12/2022
Accounts payable	6,080	1,614
Liabilities to Group companies	119,006	115,831
Other current liabilities	91	61
Total	125,177	117,506

NOTE P19 PREPAID EXPENSES AND ACCRUED INCOME

	31/12/2023	31/12/2022
Prepaid lease payments	10	12
Prepaid rent for premises	766	690
Prepaid insurance policies	68	57
Other items	1,221	946
Total	2,066	1,706

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:

	31/12/2023	31/12/2022
Tax loss carry-forwards	-	-
Endowment insurance for pensions	82	52
Closing balance	82	52

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

NOTE P22 OTHER CURRENT LIABILITIES

	31/12/2023	31/12/2022
Employee withholding taxes	291	177
VAT	180	134
Other current liabilities	91	61
Total	562	371

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

	31/12/2023	31/12/2022
Accrued holiday pay	1,430	907
Accrued social security contributions	700	446
Other items	663	599
Total	2,793	1,953

NOTE P24 CONTINGENT LIABILITIES AND PLEDGED ASSETS

	31/12/2023	31/12/2022
Guarantees for subsidiaries	163,868	170,566
Total	163,868	170,566

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 2.5 from 31 December 2021 and at any time thereafter. The Group fulfilled the loan term during the 2023 and 2022 financial years.

NOTE P25 ADJUSTMENT FOR NON-CASH ITEMS

	31/12/2023	31/12/2022
Depreciation	531	409
Profit/loss from sale of property, plant and equipment and intangible assets	-121	-
Provision for payroll tax	28	49
Gain from sales of associated companies	-	-
Total	438	458

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 implemented 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	15,100,560
Profit/loss for the year	18,470,528
Total	33,571,087

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

A dividend of SEK 0.70 per share to be paid to shareholders, totalling	16,886,917
to be carried forward to a new account	16,684,170
Total	33,571,087

Board 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 8 May 2024.

The Board of Directors and the CEO hereby provide their assurance that the consolidated financial statements have been prepared in accordance with 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, SWEDEN, 11 APRIL 2024

Anders Westermark
 Chairman of the Board

Linn Andersson
 Board member

Mattias Remahl
 CEO

Our Audit Report was submitted on 15 April 2024
 Ernst & Young AB

Micael Engström
 Authorised Public Accountant

Ulf Marklund
 Board member

Björn Östlund
 Board member

Catharina Elmsäter-Svärd
 Board member

Andreas Lantto
 Board member

Audit Report

To the Board of Directors of Railcare Group AB Corp.
 ID no. 556730- 7813

REPORT ON THE ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

Opinions

We have audited the annual accounts and consolidated accounts of Railcare Group AB (publ) except for the corporate governance statement on pages 54-65 and the statutory sustainability report on pages 39-52 for the year 2023. The annual accounts and consolidated accounts of the company are included on pages 33-111 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 2023 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 2023 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 54-65 and the statutory sustainability report on pages 39-52. 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.

Description

The value of locomotives and wagons, work machines and ongoing new facilities amounts to KSEK 415,690 and constitutes approx. of 65% 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 K15 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 2-32, 53 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 esti-

mates 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 2023 and the proposed appropriations of the company's profit or loss. We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the 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 con-

trolled 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 sup-

porting 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 (publ) for the financial year 2023. 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 (publ) 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.

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 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.

Auditor's responsibility

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 ISQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with professional ethical requirements, professional standards and applicable 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 54-65 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 39-52, 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, Hamngatan 26, 111 47 Stockholm, was appointed auditor of Railcare Group AB by the general meeting of the shareholders on the 4th of May 2023 and has been the company's auditor since the 19th of October 2009.

Skellefteå den 15 april 2024
 Ernst & Young AB

Micael Engström
 Authorised Public Accountant

Multi-year summary

Amounts in SEK million	2023	2022	2021	2020	2019	2018	2017	2016
Net sales	564.2	497.0	437.9	401.3	370.6	270.1	292.6	353.1
Capitalised work on own account	14.2	12.1	8.3	16.2	7.5	5.5	2.2	1.3
Other operating income	4.0	3.1	6.4	3.6	1.8	1.2	1.8	2.0
Total operating income	582.5	512.3	452.6	421.1	379.9	276.8	296.6	356.4
Raw materials and consumables	-211.8	-193.1	-141.0	-121.7	-129.6	-70.5	-99.3	-130.6
Other external costs	-85.6	-75.8	-62.9	-58.9	-47.1	-71.3	-61.5	-58.7
Personnel costs	-170.1	-146.3	-139.0	-124.6	-120.4	-108.4	-92.9	-92.2
Depreciation and impairment of property, plant and equipment	-44.1	-42.8	-52.1	-53.3	-49.7	-24.1	-23.2	-21.5
Other operating expenses	-2.9	-1.8	-1.5	-2.3	-1.2	-0.9	-3.1	-3.5
Total operating expenses	-514.6	-459.9	-396.4	-360.7	-348.0	-275.3	-280.0	-306.4
Operating profit/loss (EBIT)	67.9	52.4	56.2	60.4	32.0	1.5	16.7	50.0
Financial income	-0.6	0.0	0.1	0.0	0.0	0.0	0.0	0.6
Financial expenses	-10.1	-5.5	-4.4	-4.8	-5.8	-5.4	-5.0	-5.8
Net financial income/expense	-10.7	-5.5	-4.4	-4.8	-5.8	-5.3	-4.9	-5.2
Share of profit after tax from associated companies reported according to the equity method	0.0	0.0	-0.2	0.3	0.3	0.2	0.2	0.0
Profit/loss before tax	57.3	46.9	51.7	55.9	26.5	-3.6	12.0	44.9
Tax	-13.6	-10.1	-11.2	-12.1	-5.7	2.2	-3.0	-10.2
Profit for the period	43.6	36.8	40.5	43.8	20.8	-1.4	9.0	34.7
Equity/assets ratio, %	42.6	41.2	39.6	37.4	33.5	32.3	31.7	33.7

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 may 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
<i>Operating profit/loss (EBIT)</i>	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.
<i>Net financial income/expense</i>	Net financial items are calculated as financial income less financial expenses.	This performance measure illustrates the net amount from the company's financial activities.
<i>Net margin</i>	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.
<i>Total assets</i>	Calculated as the total of the company's assets at the end of the period.	
<i>Equity per share, SEK</i>	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
<i>Sales growth, %</i>	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.
<i>Operating margin, %</i>	Calculated as operating profit divided by net sales.	This performance measure illustrates how much of the company's profit/loss is generated by its operating activities.
<i>Equity/assets ratio, %</i>	Calculated as equity divided by total assets.	This performance measure illustrates the company's financial position and long-term solvency.
<i>Dividend per share, SEK</i>	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
<i>Earnings per share before dilution, SEK</i>	Calculated as profit/loss attributable to Parent Company 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.
<i>Earnings per share after dilution, SEK</i>	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

CLEARANCE LOCOMOTIVE/ STANDBY LOCOMOTIVE	A 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 open the track for traffic again.
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	New signalling system for Sweden's entire rail network. Replaces an old system, simplifies traffic management and maintenance, and in the long term facilitates international traffic.
ETCS	The on-board system required in locomotives once the new ERTMS signalling system has been implemented on Sweden's railways.
EXTENDING SERVICE LIFE	Obsolete 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. Equipped with its own power source, vacuum pumps, hydraulics and operator cabs. The improved MPV has the same functionality, but is also equipped with a pantograph. This enables batteries to charge directly from overhead lines.

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.
ONBOARD EQUIPMENT	The equipment required on board locomotives to enable communication with the relevant railway signalling system.
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.
RAILVAC	Railcare's 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.
RE-MOTORISATION	Engine replacement where older diesel motors are replaced with new modern diesel motors that meet current environmental standards, reduce operating costs and improve accessibility.
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.
TRACK TIMETABLES	Time slots allocated by the Swedish Transport Administration for maintenance relating to carrying out work on the relevant tracks. During these periods, the tracks cannot be used for regular rail traffic.

Shareholder information

2024 ANNUAL GENERAL MEETING

Railcare's Annual General Meeting will take place on Wednesday, 8 May 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 Monday 29 April 2024 and should notify the company in writing of their participation by Thursday 02 May 2024, 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 Power of Attorney, registration certificates and other authorisation documents.

FINANCIAL CALENDAR

- The Interim Report for January–March 2024 will be published on 7 May 2024.
- The Annual General Meeting will take place on 8 May 2024 at Railcare's head office in Skelleftehamn, Sweden.
- The Interim Report for January–June 2024 will be published on 15 August 2024.
- The Interim Report for January–September 2024 will be published on 7 November 2024.
- The Year-end Report for 2024 will be published on 20 February 2025.

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 internally 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, development of cost-effective freight and passenger transport, and rising environmental awareness. Railcare delivers both sustainable and efficient solutions that ensure that railway services 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 170 employees and annual sales of approximately SEK 550 million. The company's registered office is located in Skellefteå, Sweden.



Offices & Addresses

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