

Annual and Sustainability Report 2019



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Managing Director’s Message

As new Managing Director, it is very satisfying to see that we have successfully reversed the negative financial trend in the past year. This bodes well for the future. I have a message to all our employees who, together, have contributed to this fine result – Thank you!

Our operating profit for the 2019 business year was SEK 125 million. This is a financial result we have every reason to be proud of.

It is a privilege to lead a company that helps to provide societal benefit and contributes to greater sustainability. 2019 is the year in which the climate became one of the most debated issues, and this discussion also raises the issue of more sustainable travel. And for sustainable travel, trains are needed.

However, if we are to contribute to a sustainable societal development, it is also important that we run our business sustainably, and here our systematic work on sustainability has continued to bring results. One area that I particularly want to mention is our focus on vehicles, where our initiatives have succeeded in reducing our carbon dioxide emissions by 20%. Having said that, I should nevertheless emphasise that we as a company have both challenges and opportunities to work on.

I want to praise all Strukton employees, whose skills and commitment every day create our business and its values. Ensuring we are an attractive workplace for them, and future colleagues, is one of our most important success factors. One challenge in the coming years will be to recruit the right skills and expertise for our business. Together with The Swedish Construction Federation, we are raising the issue of skills supply for the entire sector. In addition, we must focus even more on transferring information to decision-making politicians so that we, together, can create societal benefit.

Our business is sensitive to political decisions. In 2018, the Swedish Government appointed a commission to consider the option of allowing the Swedish Transport Administration to take

over much of the basic maintenance of railways. The report was to be delivered in 2019, but the commission has now been extended to 2020.

At the end of 2019, Strukton had a total order book worth approximately SEK 3 100 million. We are seeing reduced volumes and a slowdown in orders for maintenance and construction of railways, despite society needing a well-functioning railway system. We hope that this trend will reverse when the commission’s report is published.

Our focus going forward will continue to be on clear management and governance, improved administrative procedures, and efficiency in contracts. In addition to our core activities, we will continue to invest in new, innovative solutions, where we see potential in the demand from both current and new international clients.

To ensure we are better equipped for the future, in 2019 we began reviewing our strategy and organisation. We have started the organisational changes, and expecting the changes to be fully implemented in the first half of 2020. The aim of this is to create positive synergies and to improve our capability to meet our clients’ needs and external developments. At the end of 2019, the Covid-19 virus began to spread. The virus will affect our company and our employees, but at present we cannot foresee the consequences.

Finally, as newly appointed Managing Director of Strukton, I would like to specifically thank Lars Schyllander for leading the company in such a commendable way while serving as Acting Managing Director for much of 2019.

Together we make a difference!

Johan Oscarsson
Managing Director,
Strukton Rail AB



Our common responsibility

In 2015, the world’s countries adopted Agenda 2030, 17 global targets for sustainable development. All businesses have an important role to play, and Strukton supports Agenda 2030 in its entirety. Our mission enables us to actively contribute to many of the goals. In this report, we show this by highlighting the goal(s) to which our prioritised sustainability areas are linked.



About the report

This is Strukton Rail AB’s (hereinafter Strukton) combined annual and sustainability report for 2019. The report has been prepared in accordance with Global Reporting Initiative standards (2016) at the Core level of application, and is Strukton’s first report prepared according to this regulatory framework. Strukton is subject to the provisions in the Swedish Annual Accounts Act regarding sustainability reporting. The report addresses Strukton’s important sustainability issues, risks, and how the company is working with these, and describes company policies. Strukton reports on its sustainability work in the company’s annual and sustainability report.

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The year in brief



Machinery

The Machinery business area is supplying a new tamping machine for use in our maintenance contracts with the Swedish Transport Administration. The machine is a Plasser & Theurer o8-4x4/4S (see photo) and is equipped with the latest technology.

More charging stations

First stage in the expansion of the charging station network for our chargeable hybrids and electric cars – approximately 90 new charging stations spread over five of our business locations.

JANUARY

Söderström bridges

Track, electricity, and signal technology in the project to replace the metro bridges running between Gamla stan and Slussen in Stockholm.

No renewed contract for operation and maintenance of the Mälär Line

Unfortunately, Strukton failed to win an extension on the Swedish Transport Administration contract for operation and maintenance of the Mälär Line (Mälärbanan).

Fire in Hässleholm

Major fire in Hässleholm disrupts rail traffic between Malmö and Stockholm. Strukton and the Swedish Transport Administration carry out repairs efficiently, by working 24/7 in three shifts. Overhead wires, gantries, posts, sleepers, and signal cables were destroyed in the fire, which broke out in an old freight storage building next to the railway.



Managing Director leaves the company

After nearly 20 years, the Managing Director of Strukton leaves the company. Lars Schyllander appointed Active Managing Director.

Almedalen

Strukton takes part in the Almedalen week with a seminar: 'Who is responsible for ensuring that digitalisation becomes reality in a society?' Focus is on railway punctuality targets and attractiveness, but also Agenda 2030 and the Global Sustainable Development Targets.



New contract

Strukton wins contract for the Täby kyrkby – Kragstälund section of the Roslag Line. The contract concerns extension of the existing single track.



New Managing Director

The Strukton Board of Directors appoints Johan Oscarsson to the position of Managing Director. Johan will take up the position on 3 March 2020.

DECEMBER

New organisation

A new organisational structure for Strukton is implemented, ensuring we are better equipped for the future. A smaller management team at company level, new group division in the support functions, and a corporate structure in which the regions are replaced with business units.

Permit-based maintenance with renewed POSS platform

A new platform for Strukton's monitoring system is launched, POSS** Online R7. POSS serves as a virtual maintenance assistant, and supports development of new maintenance strategies.

**POSS is a diagnostics system for monitoring essential assets such as points, signs and signalling systems.

Power Supply wins order

The Power Supply business area receives an order from the Swedish Transport Administration for modernisation of protective and control equipment for three older converters in the Järna substation. A new digitalised system improves functionality and extends the technical life of the converters.



Sales

SEK 2 521 million

Operating profit

SEK 125 million

Order book

SEK 3 100 million

Employees

947

Track kilometres (maintained by Strukton)

3 176 km

200 times
round the Earth

Strukton vehicles
were driven a total of
8 025 383 km on
business during
the year.

About Strukton

Strukton is a private railway contractor that builds and maintains trams, railways, and metro facilities in southern and central Sweden. Our business operation contributes to the promise of punctual rail traffic.

We ensure that tracks and facilities are of a good standard for meeting the needs of a growing population, both today and in the future. We also upgrade track facilities, provide them with power, and offer digital solutions for inspection, monitoring and other technology for maintaining track systems proactively and over the long term. Through our work, we want to contribute to societal benefit by ensuring safe and punctual rail traffic. Our main clients are the Swedish Transport Administration (Trafikverket) and the Traffic Administration in Stockholm (Trafikförvaltningen).

Operation and maintenance

Strukton is a key actor on the Swedish Transport Administration tracks in southern and central Sweden. On commission from the Traffic Administration in Stockholm, we are responsible for operation, maintenance, development, and planning of reinvestments in the Stockholm metro system, on the Spårväg City, Lidingö (Lidingö-banan) and Roslag (Roslagsbanan) lines. The maintenance contracts run for between five and nine years. Strukton Rail's operation and maintenance activities include services such as inspection, troubleshooting, component replacement, measurement, vegetation clearance, de-icing, snow clearance, and other winter services. Our maintenance services are also offered to other owners of infrastructure in Sweden.

Investment projects

Strukton carries out complete BEST undertakings/ contracts. We work on a project basis with new construction, maintenance work, upgrades, and improvements in standards in all railway engineering. Examples include track and sleeper replacement, points replacement, upgrading of signal systems, and power supply facilities.

Innovation and digital technology

Strukton's ambition is to take a leading role in the digitalisation of railways. We develop and offer solutions for digital maintenance planning, a model for proactive and cost-effective railway maintenance. Collection and analysis of data on the status of a railway facility enables optimal planning of short-term and long-term maintenance. One important task ahead is to develop models for procurement and project agreements, with more focus on quality, function and advisory services than is the case today.

Organisation

In Sweden, Strukton has 947 employees. Strukton Rail AB is part of the Strukton Group, which has approximately 6 500 employees in Europe, and in the US and Australia. The parent company in the group is Strukton Rail BV, with its head office in the Netherlands. This report concerns the business operation of Strukton Rail AB.

In 2019, the previous subsidiary, RBS, has been integrated in Strukton. All RBS employees received an offer to retain their jobs.



Our locations

In autumn 2019, a new organisational structure has been drawn up, with the aim of improving the company's capability to meet the needs of the market and future development. Our new organisation has a smaller management team at company level, a new group division in the support functions, and a corporate structure in which the regions are replaced with business units.

Vision

We contribute to societal benefit by enabling punctual, safe, and attractive rail transport for operators, passengers, and buyers of cargo transports. We will achieve this by developing Strukton into a market-leading technology company that works proactively – we find it before it breaks – with the aim of securing the facilities' value for our clients.

Business concept

With commitment and expertise, we will plan, build, and maintain rail systems in Scandinavia. The business operation will be characterised by high-tech expertise and a sense of responsibility, and by constantly rejuvenating.

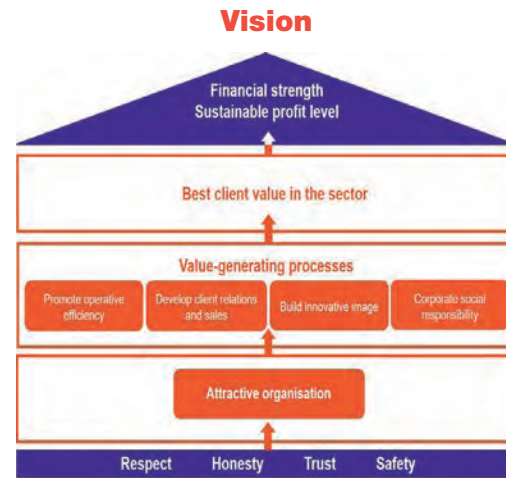
Strukton
in brief
2019



Owner: Strukton Rail BV, Netherlands
Number of employees: 947
Regions Region East, Region West, Region South
Business areas: Power Supply, Machinery
Main clients: Swedish Transport Administration, Traffic Administration in Stockholm
Track kilometres maintained by Strukton: 3 176 km (of which 2 989 km for the Swedish Transport Administration and 187 km for the Traffic Administration in Stockholm)
Sales: SEK 2 521 million
Operating profits: SEK 125 million

Strategy and governance

Strukton is managed and governed through the company's strategic plan, based on our values document (RÄLS), and involves five strategic themes. Attractive organisation, Promote operative efficiency, Develop client management and sales, Build innovative image, and Corporate social responsibility. In 2019, work was completed on updating the strategic plan and the company's strategic objectives. On the basis of the identified objectives, the management team sets overarching targets for the entire company, which are followed up quarterly on a balanced scorecard.



Company Policy and Code of Conduct

Two overarching policy documents form the basis for how we make decisions and how we conduct ourselves in everyday business activities.

The Company Policy sets forth Strukton's basic principles, and comprises the vision, business concept, overarching objectives, and values. As practical tools, we have internal company policies, procedures, and instructions, which are presented in Strukton's management system.

The Code of Conduct defines Strukton's values, and provides guidance on how employees and others commissioned by Strukton are to conduct themselves in different situations. Every manager is responsible for ensuring that both employees and business partners are informed about the Code. All employees undergo training in the Code of Conduct.

Certified management system

Strukton is certified according to the ISO standards for quality, environment, and work environment. For us, the certification is proof that we are working systematically and are on the right road in our improvement work. In 2019, we were recertified according to ISO 45001 (which replaces OHSAS 18001) for the work environment.



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The 5S work concerns getting everything to work in the best possible way, for quality, the environment, and the work environment. In Eslöv, we implemented the 5S method after our move to a new site, and were awarded certification less than a year later. In practical terms, the work can be seen through clear markings, information signs and practical procedures that make it easy for everyone to find what they need, and that contribute to a pleasant workplace with less stress. It's a matter of not complicating things, ensuring that everyone participates and takes responsibility themselves.

Marko Huttunen, Project Manager, 5S Eslöv

Orderly approach using 5S

Strukton applies the 5S method in its operative work. The 5S method is a structured way to work with constant improvements at all levels. In practice, 5S is a method for sorting, systematising, shining, standardising and sustaining. The aim is to attain and maintain orderliness. The method leads to time savings, greater efficiency and interaction, and a safer work environment.

Satisfied clients

Our overarching objective is to create the best client value in the sector. Strukton will stand for the best total cost, problem-free delivery, proactive advisory services, and innovation and development. In 2019, a new client value analysis was carried out; the most recent previous analysis had been carried out in 2017. The analysis shows that our clients are satisfied with our services, and that we compare favourably with our sector colleagues.

At the same time, we see that client expectations have increased, and it is important for us to meet these expectations. We see in particular that client satisfaction has increased in our project activities. In addition, we have received a lot of positive feedback from the Swedish Transport Administration for our work with Stockholm Mitt and the City Line, and the VGG contract. We also received a lot of praise for our work in connection with the fire in Håssleholm.

Focus on corporate social responsibility

Corporate social responsibility is a key part in Strukton's governance and strategic plan. We work systematically and with a long-term sustainability perspective, with a focus on eight prioritised areas where we have most impact and that are of greatest significance for our stakeholders. Strukton will contribute to smooth-running infrastructure, which is part of the societal structure. Rail is one of the most energy-efficient and most sustainable modes of transport available, and we are proud to play our part.





Materiality analysis

In 2017, we carried out a comprehensive stakeholder dialogue and materiality analysis, to define the most significant sustainability issues for Strukton on the basis of their importance for key stakeholders and in the impact of our activities. We based our work on a comprehensive compilation of sustainability areas selected on the basis of several international frameworks, and enabled us to hold constructive and efficient dialogue with our stakeholders. The results formed the basis of Strukton's decision to focus on eight prioritised sustainability areas: Anti-corruption, Safety, Work environment and health, Terms of employment, Emissions from transports, Financial performance, Supplier relations, and Gender equality and diversity.

In 2019, work began on updating the company's strategy. As part of this work, the materiality analysis has been updated through a verified stakeholder dialogue. The updated materiality analysis resulted in the same eight prioritised sustainability as previously, but with certain adjustments to the weightings in their importance for the different stakeholder groups. The corporate social responsibility issues of Safety, Terms of employment, and Gender equality and diversity have been weighted somewhat higher than previously, while Anti-corruption and Financial performance have been weighted somewhat lower than previously.



”It’s a privilege to work with a company management team and board that don’t just see the need for systematic sustainability work, but also see the opportunities this affords. Based on my extensive experience from the private and business spheres, I’d say this is rarely the case.

Johan Sundqvist, Sustainability Manager

Develop processes and procedures

Strukton’s work on sustainability is carried out in an integrated way. Strukton’s values, Company Policy and Code of Conduct provide the overarching framework for the work on sustainability. The work with targets, activities and follow-up is under constant development. The work is based on a multi-year plan, with the overarching objective to improve our own sustainability performance and make further contributions to a sustainable society. In order to measure our progress in the work on sustainability, for each prioritised sustainability area we have defined measures and targets that we work towards.

Continual stakeholder dialogue

One important part of our sustainability work is dialogue with our key stakeholders. The aim of the dialogue is to create an understanding for the needs of external parties in relation to Strukton’s business operation. This helps us to identify and revise our challenges and opportunities in the sustainability area. We have identified seven stakeholder groups as key Strukton stakeholders. We did this through an internal process in which we examined which party/parties affect and are affected by Strukton’s business operation.

Stakeholder group	Prioritised issues	Dialogue form
Owners	Safety, Financial performance, Personal development/in-service training	Board meetings
Clients	Anti-corruption, Transport emissions, Gender equality and diversity	Client value surveys, regular meetings, etc.
Public agencies	Safety, Anti-corruption, Work environment and health	Audits/inspections, training, etc.
Employees	Safety, Work environment and health, Terms of employment	Employee surveys, workplace meetings, etc.
Suppliers	Work environment and health, Safety, Terms of employment	Supplier meetings, audits, etc.
Trade unions	Work environment and health, Safety, Financial performance	Continual interaction, negotiations, etc.
Competitors	Safety, Terms of employment, Work environment and health	Sector organisations, party-representative bodies, etc.



Sustainable economy



A stable economy and profitability over time are key aspects of a sustainable business operation for Strukton. We work systematically to improve cost-effectiveness and attain a profit level that is sustainable in the long term.

Profitability and growth give us greater opportunity to implement our mission in the best way, and thereby contribute to sustainable infrastructure and societal development. Our owners also require us to be profitable in both the short and long terms. Through a clear focus on a commercial and resource efficient approach, and by creating good conditions for the staff working in our contracts, we work continually to improve what we deliver, with more satisfied clients as a result.

A strong year financially

2019 has been a strong year for Strukton, with a more favourable climate and a better position to carry out efficient maintenance compared with

2018. Work to improve production efficiency and reduce costs, management by objectives, and follow up have also brought results. Important parts have concerned setting up a common method of working regarding forecasts and follow-up, increasing financial understanding and knowledge about our contracts, and exposing suppliers to competition to ensure more cost-effective purchases.

Profit/loss for the year

Operating profit for the year was SEK 125 million (-133 in 2018) and the operating margin was 5.0% (-5.8), a distinct improvement compared with 2018. In 2019 Strukton paid SEK 262 million in tax (employer contributions, corporation tax and VAT).

Measurable targets and outcome				
Long-term sustainable profit level, measured as operating margin	Target 2020	Target 2019	Outcome 2019	Outcome 2018
	3.9%	5.0%	5.0%	-5.8%

Weaker order book

Strukton's order book mainly comprises long operation and maintenance contracts, which give a stable platform for sustainable financial development. The proportion of projects has increased in recent years, and in 2019 accounted for approximately 27% of the sales (15%). Even if demand in the market has been high in recent years, with more investments in railway infrastructure, some restraint from the Swedish Transport Administration was observed during the year. The agency has ordered considerably lower volumes than previous years because additional funding has reached its limit.

At the same time, orders have slowed. Strukton missed out on two maintenance procurements

during the year, while several maintenance contracts will come to an end in 2022. As of 31 December 2019, the order book was worth SEK 3 100 million (4 300).

Continued focus on efficient processes and methods of working

We continue to focus on compliance with established methods of working, improving efficiency when following up targets, forecasting, and ensuring that we have the right skills and the right system support. Strukton will take the step to become more digitalised and cut down on manual work in both administration and production, measures that we see as necessary if we want to improve our competitiveness in the market.



”Renovating the Söderström bridge has been likened to conducting surgery on a heart that is still beating. What has made it possible is that only four of the five tracks are used by the metro. As early as 2014, preparatory work started to get the fifth track in order. The track has been used during the summers in which the complicated upgrade has been going on, meaning that work could continue on one bridge segment and one track at a time while trains used the other four. The most important success factor in the work is skilled employees – we’ve worked on cohesion in the project and worked closely with our side contractors. When everyone’s pulling in the same direction, the end result will be good!

Fredrik Thulin, Site Manager, Project East

Strukton as a workplace



Strukton is a service company, and the core of our business operation is our employees’ skills. For us, ensuring a healthy work environment and our future skills supply are critical success factors.

We aim to be an attractive employer for both current and future employees. We therefore work to ensure that every employee will be satisfied and feel they can develop with us. Our most basic responsibility as an employer in the railway sector is to ensure a safe working environment for those that work on the tracks.

Employee survey: Commitment, satisfaction, and stress

We carry out an annual employee survey according to the ‘HiPO’ method, High Performance Organisation. The survey measures motivation and commitment, and is a tool for development and participation in the workplace. In 2019, the HiPO index increased to 58 (56 in 2018). The response frequency was 76%. Most employees experience that collaboration and the decision-making processes work well, and that they can influence their work.

Areas with potential for improvement are employees’ confidence in the management, collaboration between regions and business units, and dialogue with clients about their expectations.

Concern about the future

The employee survey also asked employees how they felt about future development in and for Strukton. Here, the responses showed a tendency towards uncertainty about the future, despite Strukton’s profit being better than previous years.

We see this as partly depending on continued political uncertainty for the railways in Sweden, more specifically the organisation and allocation of responsibility. Several people in management positions have left Strukton during the year, which has also contributed to many people in the organisation having a difficult work situation.

Future skills supply

There is great demand for trained staff in the sector, and we are working actively to ensure a future supply of skilled labour. Together with other actors in the sector and The Swedish Construction Federation, Strukton is driving an initiative to ensure that the railway-related training programmes at upper secondary and tertiary level are made equivalent.

Working groups with representatives from the trade unions and The Swedish Construction Federation have been set up to lobby for decisions from the public agencies. In 2020, we will be working actively with central coordination of internships and summer jobs. This will involve closer collaboration with, primarily, sector training programmes at the Swedish Transport Administration’s training school and at the training college in Vansbro.

Strukton also arranges its own training programmes. At the start of 2019, 12 people completed their training to become supervisors on railways and metros in the initiative, Strukton Rail Academy.

Measurable targets and outcome			
	Target	Outcome 2019	Outcome 2018
High Performance Organisation (HiPO index)	61	58	56

Better control of overtime hours

Since 2018, a special focus has been placed on closer control of worked overtime. On the whole, overtime in the operation has not been excessive, but it is important that anyone working overtime gets the right compensation and resting time. All managers have been trained, and dialogue held with the trade union on how overtime hours are to be treated. The number of incorrectly treated overtime hours decreased by 91% between 2017 and 2018. This positive trend continued in 2019.

Equal treatment and gender equality

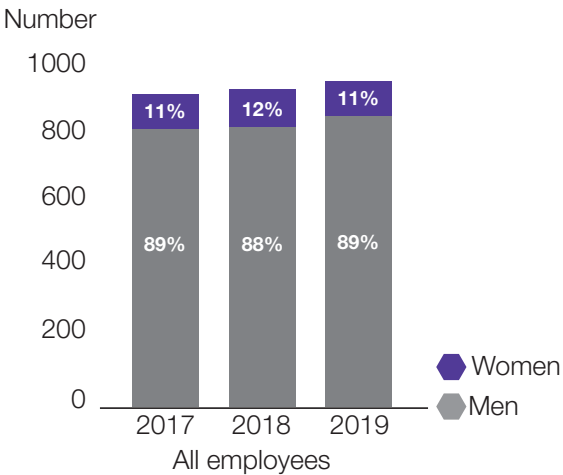
We aim to be an inclusive workplace where everybody feels they can participate. We operate in a highly man-dominated sector, and share the ambition to encourage more women to apply to the railway sector. This involves working actively to promote equal treatment and diversity. Strukton supports for human rights and will be a workplace free from discrimination and harassment. The employee survey shows that violations do occur, and we are working actively to prevent this. During the year, all HR staff were trained in this area. Two cases of discrimination were investigated by independent external specialist expertise, and neither of the cases proved to have a factual basis.

All Strukton employees are covered by collective bargaining agreements. We carry out annual salary reviews to ensure comparable salaries. In 2019, 143 people started working at Strukton.

Strukton works actively to ensure that everyone in the company has the same career opportunities, regardless of background and gender. The gender distribution in the management team was three women and seven men.

The average age among Strukton employees was 42, and in the management team 55. The Strukton Board of Directors comprises one woman and five men, with an average age of 52.

Gender distribution



Gender distribution for all positions (regardless of type/length) at any time during each calendar year.

Distribution by age

	Employees	Management team
Under 30	20.3%	0%
30–49	47.0%	20%
Over 50	32.7%	80%

Data from 31 Dec. 2019

Safe work environment



Building, operating, and maintaining track and railway systems is associated with risks for those who carry out the work and for others working on and around the track. A safe work environment and safe track environment are therefore top priority for Strukton.

At Strukton, we work systematically to prevent and minimise the safety risks. There is operative contingency in place 24/7 in the event of incidents.

Strukton's safety platform

Together with Strukton's safety policy, laws and regulations set the frameworks for the safety work, but what is important is that we work in a structured way and that those who work on the track facilities have sufficient knowledge and a high level of safety awareness.

In our safety platform, we have compiled the ten most important principles that guide our work every day. The overarching motto is that everyone will come home safely – this applies to both passengers and train staff as well as railway employees.

All employees who work in track environments must be trained in safety. Suppliers who work in track environments must have a designated Safety Officer before they can carry out assignments on our behalf.

- 1. We work safely... or not at all
- 2. We teach new colleagues how to work safely
- 3. We work preventively
- 4. We plan our work well
- 5. We have an orderly workplace
- 6. We check and follow up
- 7. We review our partners
- 8. Everyone is entitled to stop a work process
- 9. We follow up to learn
- 10. We collaborate in the sector

Preventive risk management

Work in track environments is governed by an extensive regulatory framework. Checks of the work environment comprise health and safety inspections and workplace checks. Before any work starts, operational planning and risk assessments are carried out, and a work environment plan is drawn up that describes how the work will be carried out.

Risk of accidents involving agency staff

One prioritised area is to reduce the number of accidents, incidents, and deviations involving external agency staff. Previously, we have had an increasing number of risk situations and incidents, for example where staff lacked sufficient local knowledge or have had incorrect documentation on the facility, or that tracks have not been shut down correctly during work.

We have therefore raised the level of scrutiny in supplier assessments, and improved the safety requirements stipulated in agreements. We have particular focus on the 16 (in 2019) suppliers identified as being most critical for Strukton, on the basis of their role and assignment. Suppliers that are repeatedly involved in safety incidents are investigated in more detail.

Improved work with local awareness

The railway's sophisticated safety system is used during all work in the track environment. Local awareness is needed so that employees can identify where there are risks and know about



Transition to ISO 45001

Previously, Strukton has been certified according to the OHSAS 18001 work environment standard. During autumn 2019, an audit for the transitioning to ISO 45001 was carried out. Only two minor deviations were identified.

During the year, the Swedish Work Environment Authority carried out an inspection of our facility in Malmö. With the exception of a few minor criticisms, Strukton received a positive assessment of the work.

the nature of the safety system for every specific workplace.

The Swedish Transport Administration, as manager of the infrastructure, is responsible for ensuring that local information about the facility is made available, at different levels for different safety authorisations. As contractors, we are responsible for ensuring that the employees participating in the work are given the right information. During the year, improved procedures and working methods have been drawn up to ensure this. All relevant employees were given a presentation of the new procedures in October 2019.

Clear policy regarding alcohol and drugs

For many years, Strukton has been taking the issues of drugs and alcohol at workplaces very seriously. We have a random sample programme in which 25% of our employees are tested annually by the occupational healthcare service in workplace visits. Agency staff and any subcontractors are included in the sampling, and all suppliers must agree to this in contracts with Strukton.

Ergonomics and vibration

As part of our preventive work, our production staff have undergone training in ergonomics and vibration, risk assessment, and medical examinations together with the occupational healthcare service. The choice of hand tool has a great influence on the work environment, and in new investments, vibration levels are an important parameter to consider.

Monthly follow-up

Through monthly follow-up of quality, environment, work environment, and safety, the entire organisation is kept informed on current status and incidents that have occurred. The follow-up also enables continual sharing of experiences and active improvement work through the year. The monthly report includes performance figures for near-accidents, work environment accidents, and undesirable incidents, with particular focus on the five most serious incidents in traffic and electrical safety. This includes collisions, derailment and deviations that could cause impact with a person. In 2019, 5.1 occupational accidents causing sick leave occurred per million hours worked, a reduction of 76% compared with the previous year. However, the target of 4 was not reached. Reported accidents were mainly slipping and tripping incidents and crushing injuries.



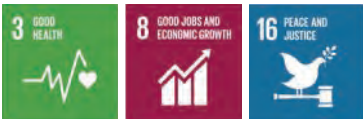
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Strukton is really good at the safety work. Improvements and changes in the procedure concerning local awareness mean that we no longer have the problems of short-circuiting in the wrong place, you know the dangers and problems at sites that are new to you before you start work, and damage to points has fallen considerably.

Tommy Dalstål & Magnus Hörberg,
Safety Officers

Measurable targets and outcome		
Safe and healthy work environment (LTAR = Lost Time Accident Rate, number of work-related accidents per million hours worked)	Target	Outcome 2019
	4	5.1%

Supplier relations



Our ambition is long-term, stable supplier relations, and we place the same high requirements on our suppliers as we do on ourselves in terms of quality, safety, ethics, and responsibility for people and the environment.

Our suppliers and subcontractors are an important part of Strukton’s operation and undertakings. In 2019, Strukton had a purchasing volume of SEK 1.8 billion, of which the largest proportion by far was hired resources and subcontractors.

Clear purchasing process

Strukton establishes stable, efficient supplier relations, and aims to ensure control and responsibility throughout the supplier chain. Societal benefit is in focus, and by ensuring that our procurements are made through a competition procedure we contribute to the investments in railways being as efficient as possible. In recent years, extensive work has gone into developing strategy, organisation and process regarding our purchasing. The purchasing strategy is now integrated in our production operation, making purchasing cost-effective and assuring its quality.

Stricter requirements

All our suppliers must undergo supplier assessment, and an approval and qualification process. The requirements vary according to whether the supplier is delivering materials or services, and whether or not the suppliers operate in the track environment. Our supplier assessment includes checks of the supplier’s financial position, quality, safety and environment work, work environment, collective bargaining agreements, human rights, and checks that the supplier has the right insurance cover. During the year, new requirements have been implemented for indirect material and services,

categories where Strukton is also in a good position to place more extensive requirements regarding sustainability. A consequence is that we now give greater priority to suppliers that implement comprehensive and systematic work on sustainability.

Collaboration with office material suppliers on sustainability

In our procurements for indirect purchases, sustainability aspects are now clearly described in the tender documentation, together with a strong focus on following up the environmental impact of the specific delivery. For example, during the year, we have held dialogue on environmental aspects with our supplier of office materials. This has resulted in fewer transports, through better planning of purchases and a greater proportion of products with an environmental classification.

Code of Conduct in agreements

All suppliers that entered into agreements in 2019 approved, in writing, compliance with Strukton’s Code of Conduct. Our agreement templates and appendices are continually updated as new requirements arise. Agreement suppliers are followed up and assessed according to an audit plan. In addition, there is continual monitoring during ongoing projects. The ambition is to have fewer suppliers in total, but a larger proportion with agreements.

Proportion of purchases from agreement suppliers
In 2019, we had approximately 210 agreement suppliers, together accounting for 73% of the total purchasing volume.



Measurable targets and outcome		
All Category A suppliers must have undergone supplier assessment	Target	Outcome 2019
	100%	95%

Anti-corruption



Strukton stands for good business ethics, and takes a clear stand against all forms of bribery and corruption. Our clients, collaboration partners, suppliers and other stakeholders must have confidence in us.

Our good reputation is vital for our long-term success. Even if our business operation is largely regulated by law, and must comply with many stringent requirements, it is important to highlight the importance of talking about corruption. Corruption in all its forms undermines trust in society, and damages both societal and economic development.

It is therefore important that we collaborate with our clients and stakeholders in the anti-corruption work, and ensure a high level of awareness of our risks and challenges. We can see that they regard anti-corruption as a particularly important issue.

Values and the Code of Conduct

Our values document, RÄLS, and our Code of Conduct, guide us in the ways we conduct our business activities and how we are to act in relation to our clients, suppliers, competitors, and each other. The Code of Conduct is a living document, and is a fixed point on the agenda at all workplace meetings.

Managers are responsible for ensuring that the employees in their teams understand and can apply the Code of Conduct. Higher-level managers are also responsible for giving guarantees to the Board of Directors in the Strukton Rail Group about compliance with the Code of Conduct.

Zero tolerance against corruption

Our Code of Conduct makes clear our position and our rules regarding bribes and corruption. Our employees and suppliers may neither offer nor accept gifts, rewards, or other benefits.

Whistleblower function

Our employees are encouraged to report any suspicion of bribery, corruption or and other incidents that violate our Code of Conduct or values. The first stage is to report incidents to the immediate supervisor, and then to the HR department or the company lawyer. Incidents may also be reported using the email address given in the Code of Conduct. Since January 2019, a new whistleblower function has been in place that enables anonymous reporting through an external service. Reported cases are handled by HR. During 2019, cases were reported in our whistleblower function, but none of these concerned corruption.

Training for all employees

All managers in Strukton have been trained in how we work to prevent bribery and corruption, and on the risks in each business area. All employees undergo an e-training programme in the Code of Conduct, which includes a section on anti-corruption.

Extracts from the Code of Conduct

Bribery and corruption
We refuse to offer, give, or receive bribes or improper payment, or participate in any form of corrupt activity, neither directly nor through a third party.

Human rights
We respect and protect human rights. It is of the utmost importance that we all act in accordance with the accepted norms stipulated by national and international agencies and UN norms.

Environment and emissions



Strukton aims for a long-term sustainable use of natural resources, and works systematically to reduce environmental impact. Our significant environment issues concern emissions from transports, energy use, handling of chemicals, and waste.

Our environmental work will be characterised by a cyclical approach, reduced environmental impact, and prevention of contaminations. The work is carried out within the framework of our ISO 14001-certified environmental management system. All employees completed an online environmental training programme in 2018-2019. We apply the precautionary principle in all our decisions that can impact the environment and people.

Compliance with environmental legislation

Strukton conducts no activities that require a licence or an obligation to report according to the Swedish Environmental Code. Strukton was not served any environmental sanction fees during the year.

Membership of Fossil Free Sweden

Since March 2019, Strukton has been a member of the Fossil Free Sweden initiative. By signing the Fossil Free Sweden Declaration, Strukton has undertaken to implement tangible measures to reduce emissions, with the aim of meeting the

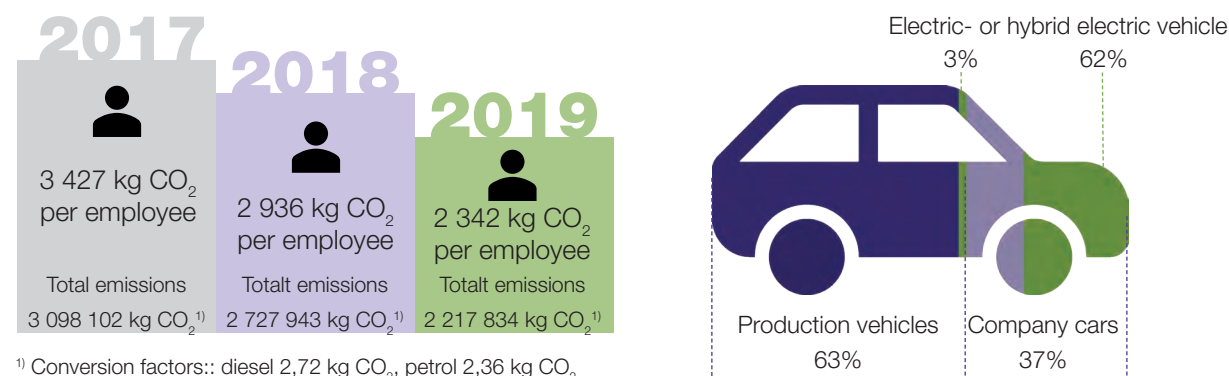
conditions of the Paris Agreement and attaining the 1.5-degree goal.

Reduced emissions from transports

For the second consecutive year, our carbon dioxide emissions from the vehicle fleet have fallen by more than our annual target. In 2019, we reduced our emissions by 20% compared with the target of 10%. This was mainly due to our focus on expanding the charging infrastructure and coordinated procurement of electric and chargeable hybrid vehicles. Other important activities are electronic driving journals, specified fuel invoices, a new regulatory framework regarding company cars, and a new travel policy. Production vehicles and company cars account for approximately 70% of Strukton's consumption of diesel and petrol. One challenge regarding our production vehicles is finding fossil-free alternatives, as development in the market is lagging. Strukton has initiated dialogue with the Swedish Transport Administration on joint efforts to find solutions.

Emissions from transports

During the year, our total carbon dioxide emissions decreased by 510 109 kg. Reduction per employee was 539 kg, or 20%, so we exceeded the target for the year. For the individual, the reduction is the equivalent of four tanks of fossil fuel on an annual basis.



” In 2019, a new policy was adopted on travel, overnight accommodation, and conferences. In the policy, Strukton established that rail or other public transport is the first alternative for business trips. The policy also includes the challenge of asking the question whether a physical meeting is actually needed, or whether it could just as easily be held virtually, for example by using Skype. This is part of reducing our emissions from transports, seen from an environmental perspective, which I believe will have effect.

Malin Olsson, QEW Engineer

Environmental adaptation of work vehicles

Work machines and track-based vehicles carry out much of the work on the track, and these are assessed to be the biggest environmental risk, through leakage of diesel or hydraulic oil. Fuel consumption of machines is difficult to influence, but we continue to follow our investment programme for machines, since this leads to improved performance, work environment and safety.

1.5 times round the Earth on electricity

On the road to our vision for a completely fossil-free car fleet by 2030, we have started to measure and follow up the use of electricity in our electric and chargeable hybrid cars. In the second half of 2019, the charging stations were used 1 636 times, the equivalent of 9 875 kWh and thereby 60 853 fossil-free km, the equivalent of 1.5 times round the Earth on electricity.

Energy use

Strukton is subject to the Swedish law on energy audits in large companies. In 2019, we continued our work on identifying how energy use for transports is distributed, and investigating the opportunities available to improve energy performance in transports.

Strukton leases approximately 70 operational premises around Sweden. Most of these premises have a 'warm' rent, which means that electricity, heating, and cooling are included in the rent. In connection with the energy audit work, energy savings have been made on many sites, for example through adaptation and control of lighting. The standard calculated electricity consumption for the 45 000 m² area in the operational premises was approximately 2 500 MWh for 2019.

Measurable targets and outcome

Annual reduction of carbon dioxide emissions from production vehicles and company cars in relation to the number of employees.

Target	Outcome 2019	Outcome 2018
-10%	-20%	-14%

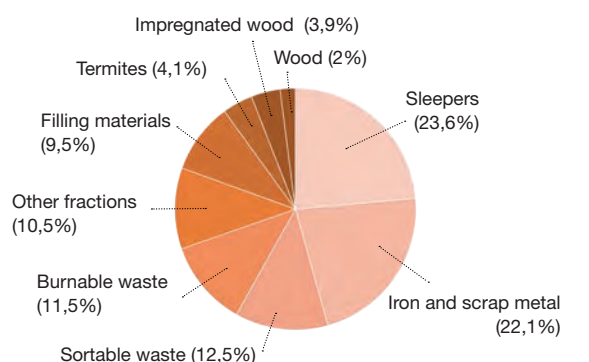
Handling chemicals

In our business operation, we handle many chemicals. To ensure we have control over which chemical products are in stock and are used, all product documentation is placed in a database available to all employees. Safety data sheets are also available via an app in our telephones.

During the year, we completed the inventory, started in 2018, of all used chemicals. We have also carried an inventory and risk assessment of other chemical sources of risk, such as exhaust emissions and generation of dust. We will be continuing work to establish a standard range and reduce the number of chemicals, and also on substitution and skills enhancement. For 2019, we reported to the Swedish Chemicals Agency the import of 87 tonnes of chemicals in the form of welding material. This is in accordance with the requirements of the Swedish Environmental Code.

Waste

Strukton works together with a national collaboration partner on standard, systematic and environmentally secured waste management, and on complying with the requirements for internal inspections that apply regarding sorting, treatment, and documentation. The total amount of waste generated in Strukton's business operation was 1 540 tonnes in 2019. The standard waste sorting mainly comprises eight fractions. The largest fractions comprise sleepers (24%) and iron and scrap metal (22%).



Risk management

Like all other companies and organisations of different sizes, Strukton is exposed to both external and internal factors and influences that contribute to uncertainty about whether we will be able to reach our targets. Active risk management is therefore of key importance in our corporate governance.

A troubled world

In recent years, the surrounding world, both in and outside Sweden, has been characterised by increased concern and contingency for external security risks. Protecting information and facilities against possible external threat has become more important than ever. So far, railways have been spared from incidents. However, this does not mean that Strukton can drop its guard, quite the opposite in fact. We are constantly reviewing our risk management work, with the aim of simplifying and improving, but also to meet increased external requirements.

Strukton’s risk management

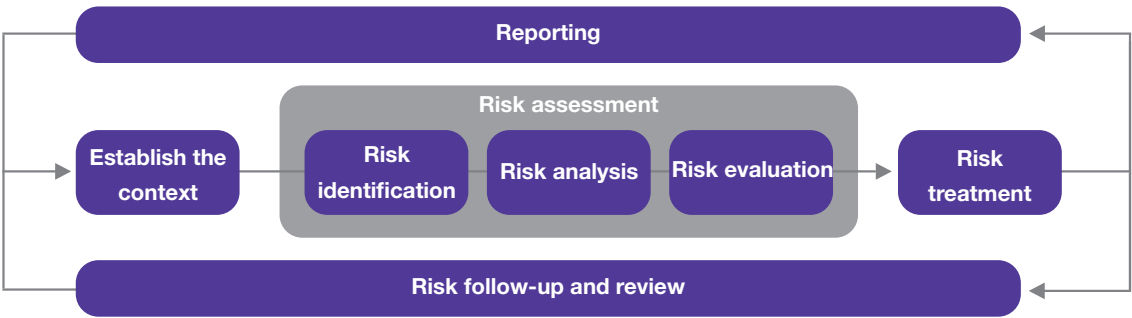
Risk management is a learning process that will contribute to our strategic work and help us attain our goals and make well-considered decisions. During the year, we have therefore continued to develop our risk process. The aim is to acquire a better overall picture of the risks, more clearly linked to the overarching objectives of the business.

Since 2018, the sustainability perspective has been an integrated part of Strukton’s risk management. Risks are assessed and managed continually within the framework of Strukton’s certified management system. Our documented method of working is based, for example, on the principles and processes in the guidance standard for risk management, ISO 31000.



” A new, clearer organisational structure and implementation of Stratsys, a digitalised tool for strategic planning, enables Strukton to be more offensive in its work on quality. Our goals can be broken down, followed up, and reported at all levels, in a more transparent way. One tangible example is our climate goal within the organisation to travel more by train and less by car.

Rebin Amin, QEW strategist with focus on management by objectives and process development

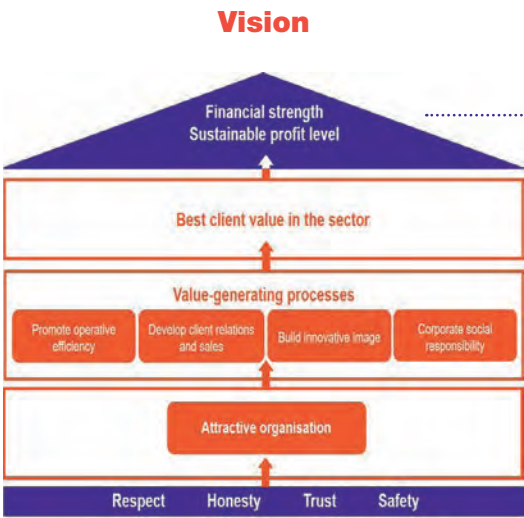


Overarching risk compilation

The overall risk compilation comprises a total of 31 risks, categorised according to the estimated degree of probability and consequences as ‘red’ (significant), ‘yellow’ or ‘green’. Strukton has six identified ‘red’ risks (significant).

No significant risks have been identified with regard to human rights or the environment. Environment-related risks are managed within the framework of Strukton’s environmental management system.

Our risk categorisation follows Strukton’s strategic map. The financial risks are a risk for our financial strength. Market and external risks stand in relation to us wanting to create the best client value in the sector, while operative risks are risks for our value-generating processes and our ability to be an attractive organisation.



Risk areas	Significant ‘red’ risks	Where addressed
Financial risks	Financial reporting	Sustainable economy, pages 12-13
Market and external risks	Corruption Political decisions	Anti-corruption, page 19 Managing Director’s Message, page 3
Operative risks	Lose licence and safety certificate A+B Processes Work environment/Traffic safety	Safe work environment, pages 16-17 About Strukton, pages 6-8 Safe work environment, pages 16-17

Financial Report 2019



Financial report for the 2019 business year

The Board of Directors and the Managing Director hereby present the following financial report.

Contents

Administration Report	27
Income statement	32
Balance sheet	33
Changes in equity	35
Cash flow analysis	36
Notes	38

Unless stated otherwise, all figures are shown in SEK thousands. Figures in parentheses refer to the previous year.

Administration report

Information about the business operation

The Board of Directors and the Managing Director of Strukton Rail AB hereby present the Annual and Sustainability Report for the 2019 business year. The company was formed on 12 May 1999. The registered office of the company is in Stockholm municipality and, since 2015, the head office of Strukton Rail has been in Västberga, south of Stockholm. The company is a wholly owned subsidiary of Strukton Railinfra AB (556634-6747), which in turn is owned by Strukton Rail BV (Netherlands).

Strukton Rail AB is a private contractor with a focus on track and railway systems. The company's main clients are the Swedish Transport Administration and the Traffic Administration in Stockholm. The total number of employees in the financial year was 947 (929).

Sales during the year for Strukton Rail AB's wholly owned subsidiary RBS ban och signal AB, corporate ID number 559048-4167, were 166 (135) and the operating profit was 1.2 (0.8). As of 1 December 2019, the business operation was taken over by Strukton Rail AB through an acquisition of assets and liabilities.

Multi-year comparison (SEK thousand)

Summary of the company's financial development.

	2019	2018	2017	2016	2015
Net sales	2 521 099	2 302 870	2 440 598	2 569 510	2 504 804
Operating profit	125 117	-133 843	-40 068	4 364	52 940
Profit after financial items	23 433	-136 077	-42 784	883	42 600
Total assets	1 124 645	1 078 271	1 067 666	1 082 693	937 670
Number of employees	947	929	904	865	859
Equity ratio %	13,1	8,0	18,1	21,0	24,3
Return on equity %	15,9	neg	neg	0,4	19,0
Cash flow from operating activities	79 085	98 957	33 524	23 106	-45 427

Definitions of key figures are given in note 1.

Market

The market for railway contractors is growing, mainly in new-construction projects and reinvestments. Railway contractors are broadening their skills and expertise, and strengthening their positions in both the maintenance and project markets, which means more competition. The international presence in the project market is also increasing, for example in the extension of the Cross Line (Tvärbanan) in Stockholm, service tunnels for the Blue metro line to Nacka, and the expansion to four tracks in the section between Lund and Arlöv.

Clients expect proactive contractors with high capacity and capabilities regarding analysis, planning, governance, documentation, and follow-up. We are also seeing that clients are investing in their own expertise in the form of staff and monitoring systems for greater control of their facilities. Strukton is investing in, for example, an asset management system and digital tools that will improve the company's competitiveness, increase its proactivity, and secure deliveries at the right quality.

The business operation and significant events

Strukton Rail AB is responsible for the basic maintenance in nine of the Swedish Transport Administration's contracts. The work has continued more efficiently than in the previous year when the weather and fires made it difficult to work as planned. One significant event during the year has been fewer orders from the Swedish Transport Administration. Changed procurement behaviour caused by additional funding coming to an end has had a negative effect on the profitability. Consequently, Strukton has not had full efficiency in the contract, since the fixed staffing required for troubleshooting could not be utilised to its maximum.

In August, a large fire in an old freight storage building by the railway in Hässleholm caused major disruption on the line between Stockholm and Malmö. Together with subcontractors, Strukton took timely and extensive action, which meant that rail traffic could resume very quickly. All this work was the result of good collaboration and pooling of resources in the sector (client, operators, and contractors).

Commissioned by the Traffic Administration in Stockholm, during the summer Strukton has carried out work on the upgrade of the last parts of the Söderström bridges between Slussen and Gamla stan, one of Stockholm's busiest stretches of rail. The old steel and concrete bridge was replaced by a stainless-steel structure with an expected life length of 120 years. Wooden sleepers were also replaced with a composite material.

At the start of the year, Strukton won a contract for a project in southern Sweden that involved upgrading the Ystad-Simrishamn section of track for higher speeds. The work went on during the year and will be completed in spring 2020. The Sandhem-Nässjö Project has progressed well during the year, and will continue in 2020. During the year, the Power Supply business area has worked on a commission from BaneNor in the Drammen Project, a turnkey project involving the construction of substations as part of the renewal of the Vestfold Line (Vestfoldbanan). The Spånga-Barkarby project on the Mälär Line is nearing completion.

During the year, SRAB's wholly owned subsidiary Strukton Rail A/S (SR A/S) made considerable impairments in its largest project, which resulted in a need for capital from SRAB. As of 31 December, a shareholder contribution of SEK 176 million was made, and based on SRAB's value of the shares in the subsidiary, the value was impaired by SEK 90 million.

On 1 December, the business activity in the wholly owned subsidiary RBS ban och signal AB (RBS) was taken over through an acquisition of assets and liabilities. The acquisition included 64 people, comprising 53 skilled workers and 11 white-collar staff, and machines and leased inventory items. Two projects were also taken over through the acquisition – the Jönköping Line (Jönköpingsbanan) and Rosshyttan/Vikmanshyttan, both involving upgrades to increase track speed. The end client for the project is the Swedish Transport Administration, but RBS has been SRAB's subcontractor during the year.

Incoming orders, order book

During the year, no major basic maintenance projects for the Swedish Transport Administration have been started, and no options were triggered. A small maintenance contract for the Kärråkra depot (Kärråkradepån) for Region Skåne was won in 2019, and a maintenance project for Eskilstuna municipality. Strukton won a number of projects, including two contracts for the Traffic Administration in Stockholm. One involves expansion of the existing single track between Täby Kyrkby and Kragstälund on the Roslag Line (Roslagsbanan), and the other was a BEST project on the section between Bromma Blocks and Bromma Airport, which is part of the new Cross Line (Tvärbanan) to Kista.

In the autumn, the Power Supply business unit received an order from BaneNor for a mobile substation and mobile gas-insulated switchgear, Kjelland substation, south of Stavanger. At the end of 2019, a contract was also awarded for the extension of Alingsås substation. This is an assignment for the Swedish Transport Administration that will begin in 2020.

At the start of 2020, a large project order was received in which Strukton will be subcontractor to Skanska regarding the construction of double track between Ängelholm and Helsingborg. The work will mainly be carried out after 2020.

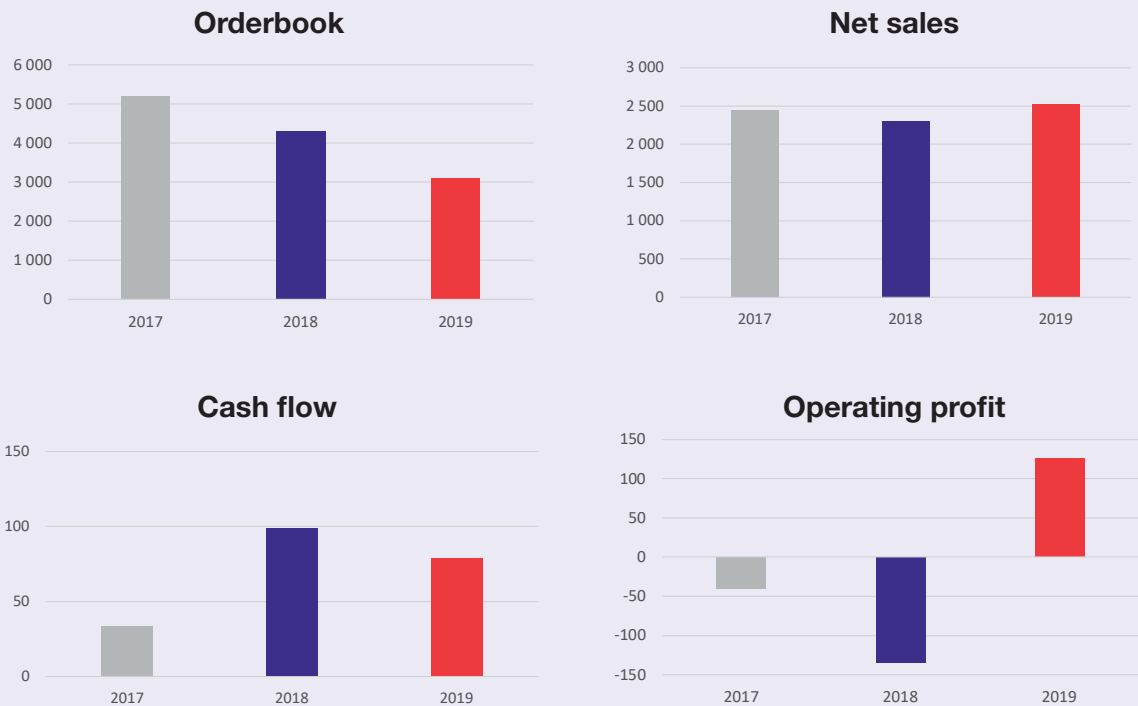
Orders at the end of the year were worth SEK 3.1 billion (4.3). Orders fell because many of the operation and maintenance contracts will be open for procurement within a couple of years. In 2019, Strukton lost a procurement for the basic maintenance of Stockholm Syd and also the Mälär Line (Mälärbanan). The order book is also affected by the new approach, introduced in December 2018, regarding valuation of future forecasts.

Sales, profit/loss, cash flow

Net sales increased by nearly 10% compared to last year, and were 2 521 (2 303). Approximately 73% of sales involved operation and maintenance activities, the majority on commission from the Traffic Administration in Stockholm and the Swedish Transport Administration. Operating profit was 125.1 (-133.8) as a result of a good production year, more favourable weather than 2018, and a major focus on efficiency in production, planning and project management. Falling volumes in existing basic maintenance (Swedish Transport Administration) have led to inefficiency in some contracts, which has considerably reduced profitability. Project activities in both BEST projects (Track, Electricity, Signalling, Tele) and the Power Supply business unit have produced good results and have had a full order book for the year.

In 2020, there is full focus on improving efficiency, reviewing planning, production, and continued cost awareness to ensure Strukton remains competitive in the future. Part of this involves reviewing manual procedures, and introducing more digital support in both production and administration.

Cash flow from operating activities was 79.1 (98.9). The net flow of acquisitions and disposals of non-current assets was -33.1 (-19.7). Cash and cash equivalents at year-end were 151 (74.0). Strukton has an approved overdraft facility of 75 (125), none of which was used at year-end. Other performance figures with multi-year comparison are shown in the table.



Significant risk factors

Strukton Rail is exposed to operational, client and external risks, and financial risks. As Strukton Rail mainly works with state and municipal clients, there are also market and political risks. Decisions beyond our control can have major consequences for Strukton’s capability to act. Within railway contracts, safety is of utmost importance, and large regulatory compliance risks are also linked to safety and the work environment.

The biggest risks are mainly within the operative business, occurring throughout the contractor process, from procurement phase to completion. Significant risks are found in resource planning, purchases from subcontractors, attracting and retaining employees, and efficiency in production planning and governance. The management system in Strukton Rail includes processes for managing risks within the operational activities. The work to improve risk management and analysis is continuous.

Strukton Rail applies the percentage of completion method, which means that profit is recognised on the basis of the contract’s stage of completion and final forecast of costs. This requires reliable forecasts and detailed follow-up. Forecasts are continually followed up monthly according to the established process, to ensure correct valuations and to minimise risks and fluctuations when reporting profit/loss. Contract expertise linked to the financial side is an area that is always important; training takes place continuously and is part of the improvement work to enable Strukton Rail to attain its long-term growth objectives.

Financial risks such as currency exchange risks, credit risks and liquidity risks are relatively limited. Strukton Rail is exposed to currency risks to only a small extent, because most purchases are made in Swedish kronor. In a sector with clear seasonal variation, there is always a liquidity risk, i.e. the inflow of cash does not match expenses. Strukton Rail limits this risk through regular liquidity planning, but the opportunities for rapid invoicing and liquidity are limited by contract requirements from our clients. The credit risk is small, as the main clients are the Swedish Transport Administration and the Traffic Administration in Stockholm.

Strukton is insured against risks relating to property, disruption and liability caused by the business activity. In conjunction with Strukton Rail’s sustainability work, a more comprehensive risk analysis has been drawn up, and this is presented on pages 22-23.

Expected future developments and significant risk factors

One significant risk is that procuring organisations will only value the lowest price and not value quality and safety at all in future procurements. Over time, this will reduce the quality of railways and, as a consequence, reduce confidence in the railway system. It will also undermine profitability in the sector.

In January 2020, Covid-19 started to spread globally. Because of this, the company’s crisis group was activated, and planning and follow-up takes place continually to address the issue and its consequences. The Corona pandemic will affect the sector for a long time and in many ways, for example, high levels of sick leave over a long time, less rail travel, fewer reinvestments and investments in both existing and new railways, and less funds for clients to use for procurement. Naturally, this is a risk that Strukton shares with the entire sector, and one that is impossible to get an overview on and carry out consequence analyses.

Sustainability Report

Strukton Rail AB is subject to the provisions in the Swedish Annual Accounts Act regarding the preparation of a sustainability report. The company has chosen to prepare its sustainability report as an appendix to this annual report. To identify its significant sustainability areas, the company carried out a materiality analysis.

The area of human rights is integrated in many of the significant sustainability areas that Strukton has identified, but is not presented as a separate section in the materiality analysis, as the issue is integrated in many parts of the business activities. Respect for human rights in Strukton’s business operation concerns requirements placed on suppliers and contractors, but it also includes carrying out active safety work in the assignments, covering Strukton employees, contractors, partners, clients, and the general public. Strukton’s active work on gender equality and diversity is also part of the work on respect for human rights.

Strukton’s Board of Directors is responsible for sustainability reporting.

The sustainability report in accordance with the Swedish Annual Accounts Act is presented on the following pages:

Sustainability area	Page
Business model	6-8
Important sustainability issues	9-11
Social responsibility	14-18
Respect for human rights	14-18
Personnel	14-16
Environment	20-21
Anti-corruption	19
Risk management	22-23

Income statement (SEK thousands)

	Note	2019	2018
Operating income			
Net sales	2, 3, 4	2 521 099	2 302 870
Other operating income		5 105	7 964
Total operating income		2 526 204	2 310 834
Operating costs			
Materials and subcontractor expenses		-1 213 505	-1 196 891
Other external expenses	5, 6	-241 612	-342 153
Personnel expenses	7	-924 089	-882 466
Depreciation of property, plant and equipment and amortisation of intangible assets	8, 9, 10	-21 881	-23 167
Total operating costs		-2 401 087	-2 444 677
Operating profit		125 117	-133 843
Profit from financial items			
Profit from participations in associated companies	11	-13	-
Interest income and currency gains	12	11 475	10 200
Interest expenses and currency losses	13	-22 732	-12 434
Impairment of shares in subsidiaries		-90 414	-
Total profit from financial items		-101 684	-2 234
Profit after financial items		23 433	-136 077
Appropriations	14	22 441	42 144
Tax on the year's profit	15	-32 108	19 959
Profit for the year		13 766	-73 974

Balance sheet (SEK thousands)

	Note	31-12-2019	31-12-2018
Assets			
Non-current assets			
<i>Intangible assets</i>			
Expenses brought forward for development work	8	2 507	1 795
Intangible assets in progress		130	-
		2 637	1 795
<i>Property, plant and equipment</i>			
Equipment, tools and fixtures	9, 16	13 102	9 807
Machines and installations, and other equipment	10	85 013	81 240
Construction in progress and prepayments regarding tangible assets		3 661	-
		101 776	91 047
<i>Financial assets</i>			
Participations in group companies	17	152 855	66 668
Participations in associated companies	18	5 698	5 711
Deferred tax receivables		0	31 304
		158 553	103 683
Total non-current assets		262 966	196 525
Current assets			
<i>Current receivables</i>			
Receivables in group companies		116 645	188 440
Accounts receivable		396 262	386 884
Tax assets		9 738	1 412
Other current receivables		15 416	45 867
Prepaid expenses and accrued income	19	42 631	47 105
Income accrued but not invoiced		129 563	137 951
		710 255	807 659
Cash and cash equivalents	20	151 424	74 087
Total current assets		861 679	881 746
Total assets		1 124 645	1 078 271

Balance sheet (SEK thousands)

	Note	31-12-2019	31-12-2018
Equity and liabilities			
Equity			
<i>Restricted equity</i>			
Share capital	21	100	100
Reserve fund		20	20
		120	120
<i>Unrestricted equity</i>			
Retained profit or loss		117 022	127 590
Profit for the year		13 766	-73 974
		130 788	53 616
Total equity		130 908	53 736
Untaxed reserves	22	20 741	41 608
Provisions			
Provisions for pensions and similar obligations	23	258 753	238 537
Other provisions	24	82 357	127 056
Total provisions		341 110	365 593
Non-current liabilities			
Liabilities to group companies		104 471	-
Other liabilities	25	11 555	-
Total non-current liabilities		116 026	-
Current liabilities			
Accounts payable		138 261	181 538
Liabilities to group companies		54 387	111 649
Other liabilities		38 041	49 969
Accrued expenses and prepaid income	26	153 854	150 692
Invoiced but not accrued income		131 317	123 486
Total current liabilities		515 860	617 334
Total equity and liabilities		1 124 645	1 078 271

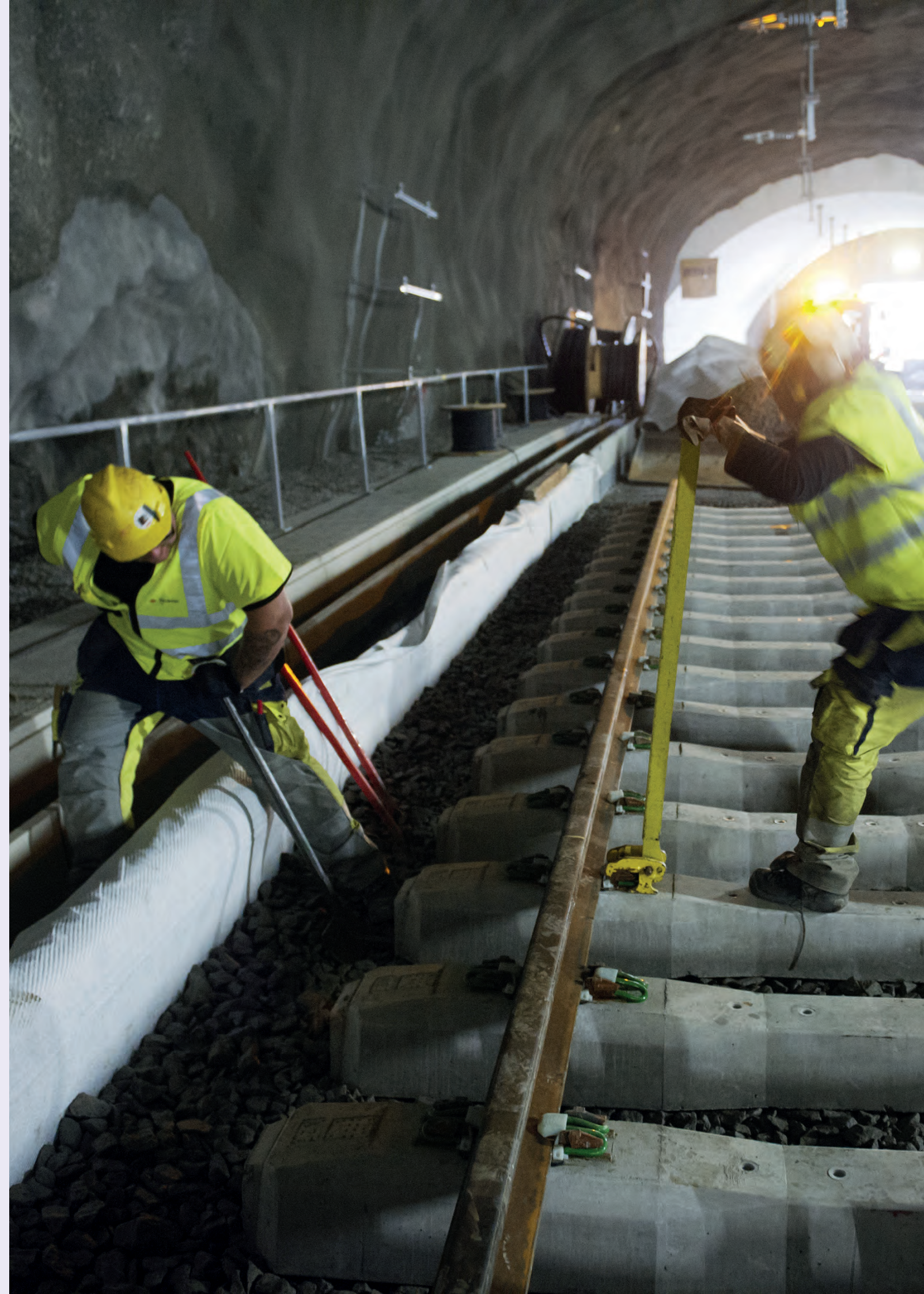
Changes in equity (SEK thousands)

	Share capital	Reserve fund	Unrestricted equity	Total equity
Equity 1-1-2018	100	20	127 590	127 710
Profit for the year	-	-	-73 974	-73 974
Equity 31-12-2018	100	20	53 616	53 736
Equity 1-1-2019	100	20	53 616	53 736
Shareholder contribution received	-	-	63 406	63 406
Profit for the year	-	-	13 766	13 766
Equity 31-12-2019	100	20	130 788	130 908

The share capital comprises 1 000 Class A shares.

Cash flow analysis (SEK thousands)

	Note	31-12-2019	31-12-2018
Operating activities			
Operating profit before financial items		125 116	-133 842
Adjustments for non-cash items, etc.	27	-101 855	156 796
Interest received		6 841	10 200
Interest paid		-19 200	-12 434
Income tax paid		-9 130	-685
		1 772	20 035
Increase/decrease in group receivables		71 795	32 276
Increase/decrease in accounts receivable		-9 378	135 285
Increase/decrease in other current receivables		43 313	-86 895
Increase/decrease in accounts payable		-43 277	-17 743
Increase/decrease in group liabilities		-57 263	13 304
Increase/decrease in other current operating liabilities		-935	2 695
Cash flow from operating activities		6 027	98 957
Investing activities			
Investments in property, plant and equipment	9, 10	-31 306	-13 459
Investments in subsidiaries	17	0	-5 628
Investments in intangible assets		-1 857	-621
Cash flow from investing activities		-33 163	-19 708
Financing activities			
Loans from Group companies		104 471	-
Cash flow from financing activities		104 471	-
Cash flow for the year		77 335	79 249
Opening cash and cash equivalents		74 087	-5 163
Closing cash and cash equivalents		151 422	74 086



Notes

Note 1 Accounting and valuation principles

Strukton Rail AB’s annual report has been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Accounting Standards Board General Guidelines, BFNAR 2012:1 Annual and Consolidated Accounting (K3).

The accounting principles are unchanged compared to previous years.

Consolidated accounts have not been prepared, in accordance with the exemption provision in Chapter 7, Section 3 of the Swedish Annual Accounts Act. The company is a wholly owned subsidiary of Strukton Railinfra AB, corporate ID number 556634-6747, with registered office in Stockholm. Strukton Railinfra AB is part of a group in which Strukton Groep NV, corporate ID number 30004006, with registered office in Utrecht, Netherlands, prepares the consolidated accounts for the largest group.

Assets, provisions, and liabilities have been valued at acquisition cost, unless stated otherwise.

Intangible assets

Intangible assets in Strukton Rail AB comprise development costs for business systems.

Property, plant, and equipment

Property, plant, and equipment are carried at cost after deducting accumulated amortisation and impairments.

Financial assets

Financial assets in Strukton Rail AB comprise participations in group companies (Strukton Rail Danmark and RBS ban och signal AB) and in associated companies (Bergproduktion i Sverige HB and JPL Rail A/S).

Impairment testing of financial assets

At each balance sheet date, Strukton Rail AB assesses whether there is an indication of a need for impairment of any of the financial assets. Impairment losses occur if the decrease in value is deemed to be permanent. The need for impairment is tested individually for shares and participations and other individual financial assets that are significant. Examples of indications of a need for impairment are negative financial circumstances or unfavourable changes in sector terms in companies in which Strukton Rail AB has invested in shares. Impairment of assets is valued at accrued cost of acquisition, calculated as the difference between the asset’s carrying amount and present value of the company management’s best estimate of the future cash flows, discounted with the asset’s original effective interest rate. If shares are impaired, the impairment amount is determined as the difference between the carrying amount and the highest of the fair value, less selling costs, and the present value of future cash flows (which is based on the company management’s best estimate).

Financial instruments

Strukton Rail has no financial instruments.

Additional expenses

Additional expenses that satisfy the asset criterion are included in the carrying amount of the asset. Expenses for continual maintenance and repairs are reported as costs when they arise.

Depreciation

Depreciation is done on a straight-line basis over the estimated useful life of the asset, because this reflects the expected consumption of the asset’s future financial benefits. Depreciation is recognised as a cost in the income statement.

	Useful life
Machinery	10–15 years
Equipment, tools, and fixtures	5 years
Technical facilities	10 years

Operational leasing agreements

Leasing fees according to operational leasing agreements, including increased first-time rental fee but excluding expenses for services such as insurance and maintenance, are recognised as costs on a straight-line basis over the leasing period. All leasing agreements are reported as operational leasing agreements.

Foreign currency

Items in foreign currency

Monetary items in foreign currency are translated at the exchange rate in effect on the balance sheet date. Non-monetary items are not translated, and are instead recognised at the exchange rate in effect at the time of acquisition.

Exchange rate differences that arise in adjustment or translation of monetary items are recognised in the income statement in the financial year in which they arise.

Employee benefits

In the company, there are both defined-benefit and premium-based pension plans. Strukton is currently covered by collective bargaining agreements on ITP occupational pensions for salaried employees and SAF-LO pensions for other workers.

Benefit-based pensions

For salaried employees with ITP 2 pensions, retirement pension with obligatory credit insurance is reported as a liability. In addition, there is a commitment (pension liability) from the time when parts of the company were covered by the municipal pension plan. These liabilities are reported under ‘Provisions for pensions and similar obligations’.

Premium-based pensions

For workers and salaried employees with ITP 1 pensions, premium-based pensions apply, with payments to pension insurance schemes according to the respective collective bargaining agreement. Here, no pension liability arises.

Tax

Tax on the profit/loss for the year as shown in the income statement comprises current tax and deferred tax. Current tax is income tax for the current financial year that relates to the year’s taxable profit, and income tax from previous financial years that has not yet been reported. Deferred tax is income tax on taxable profit relating to future financial years as a result of earlier transactions or events.

Deferred tax liability is recognised for all taxable temporary differences, but deferred tax attributable to untaxed reserves is not reported separately because untaxed reserves are reported as a separate item on the balance sheet. Deferred tax assets are recognised for deductible temporary differences and to enable the utilisation of tax-loss carry forwards in the future. The valuation is based on how the recognised value of a corresponding asset or liability is expected to be recovered or settled. The amounts are based on the tax rates and tax regulations that are adopted before the balance sheet date, and have not been given present value.

Deferred tax assets have been valued to a maximum of the amount that will probably be recovered based on current and future taxable profit. The valuation is reviewed on every balance sheet date.

Appropriations

A provision is recognised in the balance sheet when the company has a legal or informal obligation as a result of a past event, and when it is probable that an outflow of resources will be required to settle the obligation and when it is possible to make a reliable assessment of the amount. On the first reporting occasion, provisions are valued at an amount that corresponds to the best estimate of the payment required to settle the obligation on the balance sheet date. The provisions are reviewed on every balance sheet date.

Contingent liabilities

A contingent liability is a possible obligation resulting from events that have occurred, and whose occurrence is only confirmed if one or more uncertain future events that are not completely within the company's control occur or do not occur; or when there is an existing obligation that is not reported as a liability or provision because it is not likely that an outflow of resources will be required to settle the obligation or because it cannot be estimated with sufficient reliability.

Revenue

Revenue is reported as the fair value received or that the company will receive for its own account, after deductions for value added tax, discounts, or similar deductions. Revenue is recognised only if it is probable that the economic benefits will fall to the company. In cases of uncertainty, a bad-debt loss is reported under costs in the income statement.

For both investment projects and operation and maintenance contracts, the company applies the percentage of completion method. Revenues in the contract are recognised in line with the stage of completion, measured as the expenses paid in the project in relation to the estimated costs for the entire project. One requirement for this principle is that the project can be forecast in a reliable way. If there is uncertainty about this, revenues are recognised to cover expenses paid. On the balance sheet, the difference between accrued revenue and invoicing is recognised as a current asset, and accrued revenue that is not invoiced is reported as a current liability.

A possible loss in both operation and maintenance contracts and investment projects is reported as soon as it becomes known. A possible loss is reported as a cost. Costs for tenders are not capitalised.

Leasing of machinery is reported on a straight-line basis over the leasing period.

Dividend

A dividend is recognised when the Board of Directors has decided that a dividend will be paid.

Year-end appropriations

Changes in untaxed reserves are reported as year-end appropriations in the income statement.

Group contributions are recognised as year-end appropriations. However, group contributions paid to a subsidiary are recognised as an increase in the carrying amount of the participation.

Shares and participations in subsidiaries

Shares and participations in subsidiaries are reported at cost, after deduction for any impairments. The acquisition value includes the price paid for the shares and acquisition costs. Any contribution of capital and group contributions are added to the acquisition value when they are made. Dividends from subsidiaries are recognised as revenue.

Equity

Equity is divided into restricted and non-restricted equity, in accordance with the division in the Swedish Annual Reports Act.

Untaxed reserves

Untaxed reserves are reported as a gross amount in the balance sheet, including the deferred tax liability attributable to the reserves.

Definitions of key indicators

Equity ratio

Equity and untaxed reserves (with deduction for deferred tax) in relation to the total assets.

Return on equity

Profit/loss after financial items in relation to equity and untaxed reserves (with deduction for deferred tax).

Note 2 Estimations and judgements

Estimations and judgements are reviewed on a regular basis, and are based on historical experience and other factors, including expectations regarding future events. The actual outcome may deviate from the judgements made earlier.

The percentage of completion method is based on final-stage forecasts for the projects. This means there is always an uncertainty in assessing future forecasts. In order to increase reliability and control, the forecasts are regularly updated and assessed.

In the event of disputes with suppliers and clients, a plausibility assessment has been carried out based on the information that is known and considered in the accounts.

Guarantee commitments apply for certain performed services, so any future guarantee expenses have been estimated.

Accounts receivable are recognised as the amount that is expected to be paid, after deduction for individually assessed possible credit losses.

Each project is assessed individually, and reservations made if necessary.

Note 3 Net sales according to business area and geographical markets

	2019	2018
Net sales divided by business area were as follows:		
Operating and maintenance contracts	1 844 130	1 961 046
Investment projects	678 194	343 984
Other revenue	3 882	5 805
Total	2 526 205	2 310 835

Of the total net sales, 99% were made in Sweden.

Note 4 Transactions with related parties

	2019	2018
Purchases and sales between group companies		
The following shows the proportion of the year's purchases and sales relating to group companies.		
Purchases (%)	8.17	4.29
Sales (%)	0.15	0.25

Management fee costs were SEK 12 057 thousand (12 858 thousand) and management fee revenues were SEK 3 190 thousand (7 261 thousand).

Note 5 Operational leasing agreements

	2019	2018
Future minimum leasing fees that must be paid for leasing agreements that cannot be terminated:		
Due for payment within one year	11 364	28 221
Due for payment between one and five years	6 374	37 977
Due for payment later than five years	0	1 414
	17 738	67 612
Leasing fees reported as costs during the period	44 009	54 294

Future leasing fees are based on agreements regarding cars, and are based on standard agreements.

Note 6 Auditors' fees

	2019	2018
PwC		
Auditing	1 419	1 387
Tax advice	428	697
Other services	108	0
Total	1 955	2 084

Note 7 Wages and salaries, other payments, and social costs

	2019	2018
Average		
Women	110	115
Men	837	814
Total	947	929
Wages and salaries, payments, social security charges and pension costs		
Salaries and payments to the Board of Directors and Managing Director	2 854	2 444
Wages and salaries to other employees	622 340	592 763
	625 194	595 207
Social security charges according to law and agreements	230 394	221 729
Pension costs for the Board of Directors and the Managing Director	157	136
Pension costs for other employees	68 344	65 393
Total	924 089	882 465
Board members and senior executives		
Number of board members on balance sheet day		
Women	1	2
Men	3	2
Total	4	4
Number of managing directors and other senior executives		
Women	3	5
Men	7	9
Total	10	14

Agreement on severance pay

If the Managing Director is given notice by the company, a lump-sum payment corresponding to 24 months of salary is paid. If notice is given on the Managing Director's initiative, the period of notice is six months. During the year, two Managing Director salaries were paid for a short period.

Note 8 Expenses brought forward for development work

	31-12-2019	31-12-2018
Opening costs	20 106	19 486
Capitalised expenses, purchases	1 727	621
Closing accumulated costs	21 833	20 107
Opening amortisation	-18 312	-14 083
Amortisation for the year	-1 015	-4 229
Closing accumulated amortisation	-19 327	-18 312
Closing planned residual value	2 506	1 795

Note 9 Equipment, tools, and fixtures

	31-12-2019	31-12-2018
Opening costs	31 069	39 592
Changes during the year		
- Purchases	7 359	7 390
- Sales and disposals	-1 525	-15 912
Closing accumulated costs	36 903	31 070
Opening depreciation	-21 262	-34 135
Changes during the year		
- Sales and disposals	1 525	15 629
- Depreciation	-4 065	-2 756
Closing accumulated depreciation	-23 802	-21 262
Closing planned residual value	13 101	9 808

Note 10 Machinery and other equipment

	31-12-2019	31-12-2018
Opening costs	235 064	230 431
Changes during the year		
- Purchases	20 660	8 777
- Sales and disposals	-1 712	-1 757
- Reclassifications	0	-2 386
Closing accumulated costs	254 012	235 065
Opening depreciation	-153 824	-139 362
Changes during the year		
- Sales and disposals	1 628	1 718
- Depreciation	-16 802	-16 180
Closing accumulated depreciation	-168 998	-153 824
Closing planned residual value	85 014	81 241

Note 11 Profit/loss from participations in associated companies

	2019	2018
Profit from Bergproduktion i Sverige AB	-13	0
Total	-13	0

Note 12 Other interest income and similar profit/loss items

	2019	2018
Interest income	3 754	1 460
Intra-Group interest income	3 087	4 819
Currency exchange gains	4 634	3 921
Total	11 475	10 200

Note 13 Interest expenses and similar profit/loss items

	2019	2018
Interest expenses Group companies	-2 632	-1 085
Other interest expenses and similar profit/loss items	-6 893	-1 233
Financial expenses, pensions	-9 661	-7 432
Currency exchange losses	-3 546	-2 683
Total	-22 732	-12 433

Note 14 Year-end appropriations

	2019	2018
Difference between reported depreciation and planned depreciation	20 867	18 938
Group contribution received	1 575	0
Change in tax allocation reserve	0	23 206
Total	22 442	42 144

Note 15 Tax on profit/loss for the year

	2019	2018
Current tax on profit/loss for the year	-804	0
Current tax attributable to previous years	0	0
Deferred tax	-31 304	19 959
Tax on profit for the year	-32 108	19 959
Reported profit before tax	45 874	-93 932
Tax based on applicable tax rate (21.4% [22%])	-9 817	20 102
Tax effect of non-deductible expenses	150	-110
Tax effect of tax-exempt revenue	8 863	0
Tax effect of reversal of deferred tax assets pertaining to previous year	0	-33
Deferred tax	-31 304	0
Reported tax change	-32 108	19 959

Note 16 State aid for acquisition of property, plant, and equipment

During the year, state support was received for investment costs for charging stations at Strukton's workplaces. So far, Strukton has received SEK 1 086 thousand.

Note 17 Participations in Group companies

	2019	2018
Opening accumulated cost	66 668	62 668
Shareholder contribution	176 601	4 000
Closing accumulated cost	243 269	66 668
Impairment for the year	-90 414	-
Closing accumulated impairment	-90 414	-
Closing carrying amount	152 855	62 668

The Group	Corp ID number	Registered office	Share of capital (%)
Strukton Rail A/S	20286547	Köpenhamn	100
RBS Ban och Signal AB	559048-4167	Västberga	100

Parent	Share of capital %	Share of voting capital %	Number of shares	Equity 31-12-19	Profit	Impairment	Book value 31-12-19
Strukton Rail A/S	100	100	500	68 816	-219 755	-90 414	148 806
RBS Ban och Signal AB	100	100	500	3 909	-84		4 050
Summa				72 725	-219 839	-90 414	152 856

Note 18 Participations in associated companies

	31-12-2019	31-12-2018
Opening accumulated cost	5 711	83
Acquisitions	0	5 628
Participation profit	-13	0
Closing accumulated cost	5 698	5 711

	Registered office	Corp ID number	Share of capital (%)
Bergproduktion i Sverige HB	Stockholm	969692-0132	50
JPL Rail AS	Örje	915650538	30

	Share of capital %	Share of voting capital %	Equity	Profit	Book value
Bergproduktion i Sverige HB	50	50	140	-13	70
JPL Rail AS	30	30	2 259	2 464	5 628

Note 19 Prepaid expenses and accrued income

	31-12-2019	31-12-2018
Prepaid rents	9 958	9 737
Other prepaid expenses	28 834	35 506
Prepaid insurance premium	3 839	1 862
	42 631	47 105

Note 20 Overdraft facility

	2019-12-31	2018-12-31
Approved overdraft facility	75 000	125 000

Note 21 Share capital

The share capital comprises 1 000 class A shares with a par value of SEK 100 per share.

Note 22 Untaxed reserves

	31-12-2019	31-12-2018
Accumulated excess depreciation	20 741	41 608
Summa	20 741	41 608

Note 23 Provisions for pensions and similar obligations

	31-12-2019	31-12-2018
Provisions according to Pension Obligations Vesting Act		
FPG/PRI-system pensions	258 753	238 537
Total	258 753	238 537

Note 24 Other provisions

	31-12-2019	31-12-2018
Guarantee commitments	7 683	183
Provisions for bad debt contracts	74 674	126 872
Total	82 357	127 055

Guarantee commitments

The company provides guarantees on certain performed services, and undertakes to repair or replace parts whose performance is inadequate. A provision of SEK 7 683 thousand (SEK 183 thousand) has been reported on the balance sheet date for expected guarantee claims, based on previous experiences of the level for repairs and replacement parts.

Note 25 Borrowing

	31-12-2019	31-12-2018
Times of maturity		
Liabilities to credit institutions	11 555	0
Total	11 555	0

Note 26 Accrued expenses and prepaid income

	31-12-2019	31-12-2018
Holiday liability including social security charges	59 152	50 726
Accrued wages and salaries	13 483	11 215
Shortened working time, including social security charges	13 303	11 032
Overtime liability, including social security charges	11 296	10 879
Expected penalties	1 771	1 545
Production-related expenses	32 094	51 711
Administrative expenses	22 755	13 584
Total	153 854	150 692

Note 27 Adjustments for non-cash items, etc.

	31-12-2019	31-12-2018
Depreciation	21 881	23 167
Capital gain	799	-
Changes in participations in associated companies	13	-
Provision for pensions	20 216	18 640
Provisions for bad-debt contracts	-44 698	114 989
External long-term loans	11 555	-
Group contribution received	1 575	-
Shareholder contribution received	63 406	-
Shareholders contribution paid	-176 601	-
Total adjustments	-101 854	156 796

Note 28 Pledged assets

	31-12-2019	31-12-2018
For own provisions and liabilities		
Chattel mortgages as collateral, Danske Bank	400 000	400 000
Chattel mortgages as collateral, PRI	50 000	50 000
Liabilities to credit institutions		
Bank guarantees, Atradius	77 942	122 046
Bank guarantees, Danske Bank	216 581	224 819
Bank guarantees, NordicGuarantee	8 588	20 375
	753 111	817 240

Note 29 Contingent liabilities

	31-12-2019	31-12-2018
Contingencies		
PRI and KPA Pension guarantees	4 009	4 771
Total contingent liabilities	4 009	4 771

Note 30 Proposed appropriation of the profit

	2019	2018
The following profit is at the disposal of the General Meeting of Shareholders:		
Retained earnings	117 022	127 590
Profit for the year	13 766	-73 974
	130 788	53 616
The Board of Directors proposes that the profits be carried forward		
	130 788	53 617
	130 788	53 617

Note 31 Events after the balance sheet date

At the end of January, the spread of Covid-19 took off globally. As a result, the company's crisis group has been activated. Planning and follow-up takes place continuously in order to be able to fend off what is happening. At present, the assessment is that the financial impact on the company of Covid-19 is limited given the company's operations. On April 1, 2020, a further 40% of JPL Rail AS was acquired. Strukton Rail AB now owns 70% of JPL Rail AS.

The Income Statement and Balance Sheet will be presented to the General Meeting of Shareholders on 2020 for adoption.

Stockholm 2020-

Joost Kool
Board member

Johan Oscarsson
Mnaging Director

Jacob Zeeman
Chairman

Trond Blomberg
Employee representative

Madelien Orveland
Employee representative

Our audit report was submitted on 2020

Öhrlings Pricewaterhouse Coopers AB

Helena Ehrenborg
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of Strukton Rail AB, corporate identity number 556571-9449

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Strukton Rail AB for the year 2019. The annual accounts of the company are included on pages 24-52 in this document.

In our opinion, the annual accounts and consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of Strukton Rail AB as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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.

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.

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

Other Information than the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises pages 3–23 and 58–59. (but does not include the annual accounts, consolidated accounts and our auditor's report thereon).

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. 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.

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.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar.

This description is part of the auditor's report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Strukton Rail AB for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be dealt with in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

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

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

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

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

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

Stockholm 2020
Öhrlings PricewaterhouseCoopers AB

Helena Ehrenborg
Authorized Public Accountant

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Strukton Rail AB, corporate identity number 556571-9449.

Engagement and responsibility

It is the board of directors who is responsible for the statutory sustainability report for the year 2019 on pages 3–23 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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 substantially different and 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.

Opinion

A statutory sustainability report has been prepared.

Stockholm 2020
Öhrlings PricewaterhouseCoopers AB/PricewaterhouseCoopers AB

Helena Ehrenborg
Authorised Public Accountant

GRI-index

Below you find the GRI content index that helps you navigate in the report. More information about GRI on www.globalreporting.org.

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GRI 101 (2016) Foundation			
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102-10	Significant changes to the organization and its supply chain	In 2019, the previous subsidiary, RBS, has been integrated in Strukton. All RBS employees received an offer to retain their jobs.	
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102-53	Contact point for questions regarding the report		p. 2
102-54	Claims of reporting in accordance with the GRI standards		p. 2
102-55	GRI content index		p. 58–59
102-56	External assurance	Not externally assured.	

Material topics disclosures			
GRI 200 Economic Impact			
201 (2016)	Economic Performance		
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 12–13
103-2	The management approach and its components		p. 12–13
103-3	Evaluation of the management approach		p. 12–13
Disclosure			
201-1	Direct economic value generated and distributed		p. 12–13
205 (2016)	Anti-korruption		
Management approach			
103-1	Explanation of the material topic and its Boundaries		s. 19
103-2	The management approach and its components		s. 19
103-3	Evaluation of the management approach		s. 19
Disclosure			
205-2	Communication and training on anti-corruption policies and procedures		s. 19
205-3	Confirmed incidents of corruption and actions taken		s. 19

Disclosure	Description	Comment	Page
GRI 300 Environmental Impact			
305 (2016)	Emissions to air		
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 20–21
103-2	The management approach and its components		p. 20–21
103-3	Evaluation of the management approach		p. 20–21
Disclosure			
305-1	Direct (Scope 1) GHG emissions	Scope: emissions from production vehicles and company cars	p. 20–21
305-5	Reduction of GHG emissions		p. 20–21
306 (2016)	Effluents and waste		
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 20–21
103-2	The management approach and its components		p. 20–21
103-3	Evaluation of the management approach		p. 20–21
Disclosure			
306-2	Waste by type and disposal method		p. 20–21
GRI 400 Social Impact			
403 (2018)	Occupational health and safety		
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 14–16
103-2	The management approach and its components		p. 14–16
103-3	Evaluation of the management approach		p. 14–16
403-1	Occupational health and safety management system	In 2019, a recertification audit to ISO 45001 was conducted. Two minor non-conformities were identified, that will be corrected.	p. 14–16
403-2	Hazard identification, risk assessment, and incident investigation	Risk assessments are carried out at changes, as part of the systematic work with occupational health and safety, and always before work in track environment. Incidents are documented and investigated.	p. 16, 22
403-3	Occupational health services	All employees are covered by occupational health services.	p. 14–15
403-4	Worker participation, consultation, and communication on occupational health and safety		p. 16
403-5	Worker training on occupational health and safety	Managers and safety representatives get training in workplace health and safety. All personnel gets relevant training in relation to their specific roles, including specific training for risk-related work, e.g. truck driving and chainsawing.	

Disclosure	Description	Comment	Page
403-6	Promotion of worker health	Workplace health and safety policy, preventive health care benefit.	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	To minimize risks, competence requirements are put on all staff. Work in track environment is strictly regulated. Workplace inspections are carried out regularly by safety representatives.	p. 16, 18–19
Disclosure			
403-8	Workers covered by an occupational health and safety management system	100 %	p. 16
403-9	Work-related injuries		p. 16
404 (2016) Training and education			
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 14–15
103-2	The management approach and its components		p. 14–15
103-3	Evaluation of the management approach		p. 14–15
Disclosure			
404-3	Percentage of employees receiving regular performance and career development reviews	All employees shall have a yearly individual development talk with their manager. According to the employee survey, 66% had this during 2019.	p. 14–15
405 (2016) Diversity and equal opportunity			
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 14–15
103-2	The management approach and its components		p. 14–15
103-3	Evaluation of the management approach		p. 14–15
Disclosure			
405-1	Diversity of governance bodies and employees		p. 14–15
406 (2016) Non-discrimination			
Management approach			
103-1	Explanation of the material topic and its Boundaries		p. 14–15
103-2	The management approach and its components		p. 14–15
103-3	Evaluation of the management approach		p. 14–15
Disclosure			
406-1	Incidents of discrimination and corrective actions taken		p. 14–15



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