Strukton Rail A/S

Gammel Lyngvej 2, DK-4600 Køge

Annual Report for 1 January - 31 December 2021

CVR No 20 28 65 47

The Annual Report was presented and adopted at the Annual General Meeting of the Company on 7 /6 2022

Jens Christian Jensen
Chairman of the General Meeting

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Contents

Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Strukton Rail A/S for the financial year 1 January - 31 December 2021.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2021.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Køge, 7 June 2022

Executive Board

Jens Christian Jensen
CEO

Board of Directors

Karl Johan Oscarsson Chairman	Jens Christian Jensen	Gerhardus Plechelmus Sanderink
Paulus Henricus Maria de Haas		

Independent Auditor's Report

To the Shareholder of Strukton Rail A/S

Report on the Consolidated Financial Statements and the Parent Company Financial Statements

Opinion

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and of consolidated cash flows for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Strukton Rail A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("the Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financials Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the Financial Statements
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark 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 Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Reporting obligations under section 7(2) of the Danish Executive Order on Approved Auditors' Reports

Non-compliance with Danish tax legislation
We note that the Company for one reporting period has reported wrong VAT figures. Consequently, Management may incur liability in accordance with the Danish VAT Act. However, we have verified that the matter has been corrected and any outstanding payment due to the error has been settled.

Hellerup, 7 June 2022
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR No 33 77 12 31

Jacob Fromm Christiansen statsautoriseret revisor mne18628	Søren Alexander statsautoriseret revisor mne42824

Company Information

The Company	Strukton Rail A/S Gammel Lyngvej 2 DK-4600 Køge Website: www.strukton.dk CVR No: 20 28 65 47 Financial period: 1 January - 31 December Municipality of reg. office: Køge
Board of Directors	Karl Johan Oscarsson, Chairman Jens Christian Jensen Gerhardus Plechelmus Sanderink Paulus Henricus Maria de Haas
Executive Board	Jens Christian Jensen
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 DK-2900 Hellerup

Financial Highlights

Seen over a three-year period, the development of the Group is described by the following financial highlights:

	Group		
	2021	2020	2019
	TDKK	TDKK	TDKK
Key figures			
Profit/loss			
Revenue	249.599	218.385	377.813
Operating profit/loss	-16.133	-65.531	-176.564
Net financials	12.301	-5.653	6.164
Net profit/loss for the year	-3.854	-70.752	-171.044
Balance sheet			
Balance sheet total	355.092	321.360	198.623
Equity	23.986	27.840	35.344
Cash flows			
Cash flows from:			
- operating activities	18.556	-42.512	-73.258
- investing activities	-808	3.476	-1.078
including investment in property, plant and equipment	-1.049	-1.212	-1.078
- financing activities	48.389	65.095	74.383
Change in cash and cash equivalents for the year	66.137	26.059	47
Number of employees	106	151	187
Ratios			
Solvency ratio	6,8%	8,7%	17,8%
Return on equity	-14,9%	-224,0%	-296,4%
Profit margin	-1,5%	-30,0%	-46,8%

The financial highlights shows only the development in 2021, 2020 and 2019, because the Group was established in the end of 2020.

Management’s Review

Key activities

The Group's principal activities comprise construction and maintenance of railways in Denmark.

Development in the year

The income statement of the Group for 2021 shows a loss of DKK 3,853,796, and at 31 December 2021 the balance sheet of the Group shows equity of DKK 23,986,071.

The result for 2021 is in line with the development expectations from last year.

The past year and follow-up on development expectations from last year

In the 2020 Annual Report, the Group management expressed expectations of an 15 % increase in sales compared to 2021 in the order of DKK 35 million and a profit margin of -2%. In 2020, the sales increased from DKK 218 million to a net revenue in 2021 of DKK 250 million. The development was primarily due to a higher winning rate of projects. The market in general has been impacted by an increasing number of tenders compared to 2020. The profit margin for 2021 was -1,5%.
The small positive deviation compared to the outlook for 2020 is primarily caused by a marginal higher project profitablity than anticipated.

Going concern

The 2021 Annual Report has been prepared in accordance with the going concern assumption. As disclosed in note 1 to which Management refers, the going concern assumption is based largely on support letters that secure further financing from the Groups’s parent companies. The Group will have a need to obtain further financing to continue its operations, however the size of this financing is dependent on various factors also disclosed in note 1 to which Management refers. It is Management’s clear view that the Group’s cash position is secured in order to be able to continue normal operations for 2022.

Management’s Review

Targets and expectations for the year ahead

Due to the scope of tendered projects in 2021, the Group expects an 35 % increase in revenue for the coming year compared to 2021 of around DKK 340 million with a profit margin of approximately 2%. The outlook for 2022 is to some degree dependent on the Group winning new projects. Approximately 30 % of the projected revenue comes from new projects won in 2022. Currently, the Group’s win rate is in accordance with Management’s expectations.

The current staff is expected to be increased by 10 to be suitable for the revenue in 2022.

To date, the Group’s financial situation has not been significantly affected by COVID19, nor is COVID19 expected to have any significant impact on the Group’s results of operations for the remaining months of the financial year. The Group’s expectations as to the consequences of COVID19 are reflected in the expectations expressed above.

Research and development

The Group has not been actively involved in any research and development activities. However, the Group is a member of the BaneBranchen, which has the objective of strenghtening the education of future railway engineers from the Technical University of Denmark.

External environment

The Group is certified according to ISO9001:2008 / ISO 140001:2004 and ISO45001. In relation to the certifications, the Group has formulated objectives for its environmental work.

The environmental objectives relates to reduction of fossil fuels, better waste management in the tracks and use of chemical APV.

Intellectual capital resources

The Group constantly works on maintaining its position as the leading railway construction and maintenance company. To ensure this position, the Group's objective is to employ and retain highly skilled employees.

The Group is a member of "BaneBranchen" and Danish Construction Association which works to strenghten the training of engineers and the creation of apprenticeships in the railway industry.

Statement of corporate social responsibility

Statement on corporate social responsibility can be found on the website of the Parent Company:

http://www.strukton.dk/om-oss/csr

Management's Review

Statement on gender composition

Target figures for the Board of Directors

The Board of Directors has set a target figure of 33% for the underrepresented gender for the Board of Directors, corresponding to 1 out of 3 board members. The Board of Directors aims to achieve the target figure before the end of 2025.

Currently, the Group has no female board members appointed by the annual general meeting. The owners have not changed the composition of the board and therefore the target number has not been achieved

Policy to increase the share of the underrepresented gender at other management levels

The management has adopted a policy to increase the share of the underrepresented gender at other management levels, including the Group's department managers and team leaders. The policy contains a framework for the individual managers' career development and mentoring possibilities as well as internal target figures for the share of female managers. The policy also provides guidelines for recruitment and retention of female managers in the Group.

More specifically, the Group has launched the following initiatives to increase the share of female managers:
•Staff policy to promote equal career opportunities for both genders
•Recruitment procedures that help ensure uniform recruitment opportunities for both genders

The proportion of female managers at other management levels is 25% and has increased compared to 2020. The Group expects the initiatives launched to result in a slight increase in the share of female managers at the other management levels in the coming years.

Uncertainty relating to recognition and measurement

The valuation of work in progress is partly by estimates regarding the percentage of completion and profit. In the time until the projects are finalized both positive and negative deviations may arise from the recognized estimate.

The Group concluded a significant construction contract (Signalprogram F baneVest) regarding financial cooperation in Fjernbane West Project I/S. The financial outcome of this is subject to some uncertainty, which may be significant, including consequences of expected time extension until 2027/2028. The contract is recognized with Management's estimate of the expected outcome.

Further we refer to note 2.

Besides the matters mentioned above there is no other uncertainty in relation to this annual report.

Management's Review

Unusual events

The financial position at 31 December 2021 of the Group and the results of the activities and cash flows of the Group for the financial year for 2021 have not been affected by any unusual events.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
		DKK	DKK	DKK	DKK
Revenue		**249.598.509**	**218.385.247**	**249.274.292**	**218.385.247**
Cost of sales	3	-238.706.899	-271.981.389	-238.609.489	-271.981.389
Gross profit/loss		**10.891.610**	**-53.596.142**	**10.664.803**	**-53.596.142**
Administrative expenses	3	-27.024.407	-11.934.999	-18.990.194	-11.934.999
Operating profit/loss		**-16.132.797**	**-65.531.141**	**-8.325.391**	**-65.531.141**
Other operating income		0	906.752	0	906.752
Other operating expenses		-22.436	-428.487	-22.436	-428.487
Profit/loss before financial income and expenses		**-16.155.233**	**-65.052.876**	**-8.347.827**	**-65.052.876**
Income from investments in subsidiaries	4	0	0	5.990.278	0
Income from investments in associates		14.940.473	0	784.102	0
Financial income		710.291	0	710.291	0
Financial expenses	5	-3.349.327	-5.653.135	-2.990.640	-5.653.135
Profit/loss before tax		**-3.853.796**	**-70.706.011**	**-3.853.796**	**-70.706.011**
Tax on profit/loss for the year	6	0	-45.804	0	-45.804
Net profit/loss for the year		**-3.853.796**	**-70.751.815**	**-3.853.796**	**-70.751.815**

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2021	2020	2021	2020
		DKK	DKK	DKK	DKK
Goodwill		8.038.923	16.077.847	0	0
Intangible assets	7	**8.038.923**	**16.077.847**	**0**	**0**
Other fixtures and fittings, tools and equipment		9.909.807	17.593.661	9.909.807	17.593.661
Property, plant and equipment	8	**9.909.807**	**17.593.661**	**9.909.807**	**17.593.661**
Investments in subsidiaries	9	0	0	48.351.322	42.361.044
Investments in joint ventures	10	46.889.758	31.949.284	834.677	50.574
Deposits	11	24.000	0	24.000	0
Fixed asset investments		**46.913.758**	**31.949.284**	**49.209.999**	**42.411.618**
Fixed assets		**64.862.488**	**65.620.792**	**59.119.806**	**60.005.279**
Inventories	12	**4.526.892**	**3.591.368**	**4.526.892**	**3.591.368**
Trade receivables		23.554.530	19.879.964	23.554.530	19.879.964
Contract work in progress	13	127.171.671	126.380.198	127.171.671	126.380.198
Receivables from group enterprises		0	0	5.268.547	5.327.395
Receivables from associates and joint ventures		41.334.857	78.690.392	41.334.857	78.690.392
Other receivables		1.148.568	1.239.757	1.147.270	1.238.479
Corporation tax		398.788	0	0	0
Receivables		**193.608.414**	**226.190.311**	**198.476.875**	**231.516.428**
Cash at bank and in hand		**92.094.431**	**25.957.082**	**92.082.800**	**25.741.863**
Currents assets		**290.229.737**	**255.738.761**	**295.086.567**	**260.849.659**
Assets		**355.092.225**	**321.359.553**	**354.206.373**	**320.854.938**

Balance Sheet 31 December

Liabilities and equity

		Group		Parent Company	
	Note	2021	2020	2021	2020
		DKK	DKK	DKK	DKK
Share capital	14	1.100.000	1.100.000	1.100.000	1.100.000
Reserve for net revaluation under the equity method		28.254.758	13.314.284	5.990.278	0
Retained earnings		-5.368.687	13.425.584	16.895.793	26.739.868
Equity		**23.986.071**	**27.839.868**	**23.986.071**	**27.839.868**
Other provisions	16	61.236.817	72.157.810	61.236.817	72.157.810
Provisions		**61.236.817**	**72.157.810**	**61.236.817**	**72.157.810**
Lease obligations		1.856.904	5.636.720	1.856.904	5.636.720
Payables to group enterprises		45.349.781	46.021.822	45.349.781	46.021.822
Other payables		14.143.893	13.836.408	14.143.893	13.836.408
Long-term debt	17	**61.350.578**	**65.494.950**	**61.350.578**	**65.494.950**
Credit institutions		69.287	55.058	69.287	55.058
Lease obligations	17	3.880.086	5.046.008	3.880.086	5.046.008
Trade payables		15.297.860	28.620.341	15.275.860	28.578.271
Contract work in progress, liabilities	13	79.428.281	69.007.532	79.428.281	69.007.532
Payables to group enterprises	17	72.057.669	18.064.731	71.209.456	17.617.718
Other payables	17	37.785.576	35.073.255	37.769.937	35.057.723
Short-term debt		**208.518.759**	**155.866.925**	**207.632.907**	**155.362.310**
Debt		**269.869.337**	**221.361.875**	**268.983.485**	**220.857.260**
Liabilities and equity		**355.092.225**	**321.359.553**	**354.206.373**	**320.854.938**

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Statement of Changes in Equity

Group

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
	DKK	DKK	DKK	DKK
Equity at 1 January	1.100.000	13.314.284	13.425.583	27.839.867
Net profit/loss for the year	0	14.940.474	-18.794.270	-3.853.796
Equity at 31 December	**1.100.000**	**28.254.758**	**-5.368.687**	**23.986.071**

Parent Company

	Share capital	Reserve for net revaluation under the equity method	Retained earnings	Total
Equity at 1 January	1.100.000	0	26.739.867	27.839.867
Net profit/loss for the year	0	5.990.278	-9.844.074	-3.853.796
Equity at 31 December	**1.100.000**	**5.990.278**	**16.895.793**	**23.986.071**

Cash Flow Statement 1 January - 31 December

	Note	Group 2021	Group 2020
		DKK	DKK
Net profit/loss for the year		-3.853.796	-70.751.815
Adjustments	18	4.229.250	14.676.100
Change in working capital	19	21.218.240	19.262.523
Cash flows from operating activities before financial income and expenses		**21.593.694**	**-36.813.192**
Financial income		710.291	0
Financial expenses		-3.349.327	-5.653.135
Cash flows from ordinary activities		**18.954.658**	**-42.466.327**
Corporation tax paid		-398.788	-45.804
Cash flows from operating activities		**18.555.870**	**-42.512.131**
Purchase of property, plant and equipment		-1.049.410	-1.211.511
Sale of property, plant and equipment		241.501	1.237.576
Dividends received from joint ventures		0	3.450.000
Cash flows from investing activities		**-807.909**	**3.476.065**
Repayment of loans from credit institutions		14.229	55.058
Reduction of lease obligations		-4.945.738	-7.016.048
Raising of loans from group enterprises		53.320.897	50.954.741
Group constribution		0	21.101.618
Cash flows from financing activities		**48.389.388**	**65.095.369**
Change in cash and cash equivalents		**66.137.349**	**26.059.303**
Cash and cash equivalents at 1 January		25.957.082	-102.221
Cash and cash equivalents at 31 December		**92.094.431**	**25.957.082**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		92.094.431	25.957.082
Cash and cash equivalents at 31 December		**92.094.431**	**25.957.082**

Notes to the Financial Statements

1 Going concern

The 2021 annual financial statements of Strukton Rail A/S were prepared based on the going concern assumption. To support the going concern assumption, Management has liquidity forecasts for 2022 and coming years. The Group has as previous year secured a letter of support from the ultimate parent company providing a funding of maximum DKK 100 million. Moreover, the Group's immediate parent company has also provided a letter of support ensuring that any loans extended will not be recalled. Both letters of support are valid up until 31 December 2022.

The total need of liquidity is to a large extent dependent on the below items:

- As indicated in note 2, with respect to the F-bane project the Group has finalized the negotiations with Banedanmark and the result is captured in a Letter of Agreement. This results in a cash contribution and a solution for the contractual 'Advance Payment Guarantees' requirement.

- With appointing Strukton Group supervision and the signing of the Letter of Agreement, a significant reduction in cost and capital expenditure are reached. The forecasted project result as per end of 2021 is stable and at the same level as in 2020.

- The first 2 roll out lines have passed Final Acceptance and were delivered to Banedanmark. The 3rd line is in operation and is performing well. The focus is on optimization of the operational performance and the correct implementation of the contract to assure that the cost stays within the budget.

- The Group and its immediate parent company have a mutual bank agreement with Danske Bank. During the Spring of 2022, the bank agreement was extended to September 2022. Based on the above expected positive outcomes, it is Management's estimate that the Group will receive an extension of its bank agreement or successfully be able to negotiate a new bank agreement. In Spring 2022 the balance sheet and Equity of both Strukton A/S and its immediate parent company has been strengthened.

- Should the Group at any point during 2022 need more liquidity than described above, Management sees other possibilities to negotiate further extension of loans and credit lines with its ultimate owner.

Moreover, in making the assessment of the Group's ability to continue as a going concern, Management has, amongst others, taken into consideration the operating plan and 2022 budget, developments of the orderbook, compliance with financial covenant's requirements, cash projections and/or the ability to fulfil the short-term liabilities towards the supply chain into account. In performing this assessment, Management has considered factors that could indicate the presence of material uncertainties that might cast significant doubt upon the Group's ability to continue as a going concern. Factors considered included: operating results and/or major losses on projects, a potential economic downturn and potential further restrictions on Covid-19.

Notes to the Financial Statements

2 Uncertainty concerning recognition and measurement

The Group executes design and realization (construct) projects for customers. In these kind of projects both design risks and realization risks play a role in a wide range of project works in terms of complexity, scale and order size.

Depending on the contract type, errors in forecasts and estimates may result in project losses and negative cash flows. In some cases, this results in discussions with the principal regarding financial settlements of the project. This generally concerns the invoicing of contract deviations, the cost of delays or the quality of the works. In some cases, this may lead to claims and further legal proceedings. However, in most cases such discussions are resolved to the satisfaction of all parties involved. The Group is committed to structural application of tender procedures, both during the acquisition phase and during the execution phase, in order to prevent this sort of risks.

The total project cost is subject to accounting estimates. Such accounting estimates are subject to more uncertainty as:

- The agreed contract form entails more risk for the contractor. After all, in a design and realization contract the contractor also bears the design risk. In addition, in some contracts, the contractor is also responsible for maintenance.

-The contract term is longer (or maybe extended even longer), whereby the estimate of the final amount of work is inherently subject to greater uncertainty.

The F-Bane project

The F-bane project (construction contract and participation in Fjernbane West Project I/S) is associated with a higher degree of judgmental uncertainty in the financial year 2021. The F-Bane project is executed by a consortium of Strukton Rail A/S and Thales Denmark A/S on behalf of Banedanmark. The contract concerns installation and maintenance of signaling systems for Fjernbane West. All existing signaling systems on Fjernbane West will be replaced by a system based on ERTMS (European Railway Traffic Management System. The F-Bane project is highly complex, in particular due to the high technical requirements imposed on the railway sector and due to the long duration of the project. As of 31 December 2021, the project has generated revenue of DKK 628 million and is approx. 60 % complete. The F-bane contract is loss-making, and the expected contract result for the F-bane project remained the same. Due to losses produced in 2021, the provision for the loss-making contract was decreased from DKK 72 million in 2020 to DKK 62 million in 2021.

The year-end balances and results incurred during 2021 are based on Management's best forecast. The forecast takes into account the project history and also makes assumptions about future efficiencies and synergies to be achieved. Management stresses that significant accounting estimates have been applied and, consequently, due to the size of the contract changes to these estimates may affect future results materially.

Unrecognised deferred tax asset

At 31 December 2021, the Parent Company had a non-recognised tax asset of DKK 53.126 thousand. Due to the uncertainty associated with the Parent Company's future earnings, the asset has not been recognized.

Notes to the Financial Statements

		Group		Parent Company	
		2021	2020	2021	2020
		DKK	DKK	DKK	DKK
3	**Staff**				
	Wages and Salaries	85.202.759	107.182.894	85.207.470	107.182.894
	Pensions	9.462.863	12.243.146	9.462.863	12.243.146
	Other social security expenses	1.916.634	2.546.686	1.916.634	2.546.686
	Other staff expenses	2.151.838	2.860.330	2.151.838	2.860.330
		98.734.094	**124.833.056**	**98.738.805**	**124.833.056**
	Including remuneration to the Executive and Supervisory Boards	**3.197.018**	**0**	**3.197.018**	**0**
	Average number of employees	**106**	**151**	**106**	**151**

Remuneration to the Executive Board has not been disclosed in comparative figures in accordance with section 98 B(3) of the Danish Financial Statements Act.

		Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
4	**Income from investments in subsidiaries**				
	Share of profits of subsidiaries			14.029.202	0
	Amortisation of goodwill			-8.038.924	0
				5.990.278	**0**

		Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
5	**Financial expenses**				
	Interest paid to group enterprises	1.848.367	2.241.502	1.848.367	2.241.502
	Other financial expenses	1.496.703	518.607	1.138.016	518.607
	Exchange adjustments, expenses	4.257	2.893.026	4.257	2.893.026
		3.349.327	**5.653.135**	**2.990.640**	**5.653.135**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
6 Tax on profit/loss for the year				
Current tax for the year	0	0	0	0
Adjustment of tax concerning previous years	0	45.804	0	45.804
	0	**45.804**	**0**	**45.804**

7 Intangible assets

Group

	Goodwill
	DKK
Cost at 1 January	16.077.847
Cost at 31 December	16.077.847
Impairment losses and amortisation at 1 January	0
Amortisation for the year	8.038.924
Impairment losses and amortisation at 31 December	8.038.924
Carrying amount at 31 December	**8.038.923**
Amortised over	2 years

Notes to the Financial Statements

8 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	DKK
Cost at 1 January	50.329.498
Additions for the year	1.049.410
Disposals for the year	-2.971.821
Cost at 31 December	48.407.087
Impairment losses and depreciation at 1 January	32.735.837
Depreciation for the year	8.469.327
Reversal of impairment and depreciation of sold assets	-2.707.884
Impairment losses and depreciation at 31 December	38.497.280
Carrying amount at 31 December	**9.909.807**
Depreciated over	3-7 years
Including assets under finance leases amounting to	6.824.201

Notes to the Financial Statements

		Parent Company	
		2021	2020
		DKK	DKK
9	**Investments in subsidiaries**		
	Cost at 1 January	42.361.044	0
	Additions for the year	0	42.361.044
	Cost at 31 December	42.361.044	42.361.044
	Value adjustments at 1 January	0	0
	Net profit/loss for the year	14.029.202	0
	Amortisation of goodwill	-8.038.924	0
	Value adjustments at 31 December	5.990.278	0
	Carrying amount at 31 December	**48.351.322**	**42.361.044**
	Remaining positive difference included in the above carrying amount at 31 December	8.038.924	16.077.847

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership	Equity	Net profit/loss for the year
Strukton Rail Holding A/S	Taastrup	506.000	100%	40.312.399	14.029.202

		Group		Parent Company	
		2021	2020	2021	2020
		DKK	DKK	DKK	DKK
10	**Investments in joint ventures**				
	Cost at 1 January	18.635.000	15.000.000	15.000.000	15.000.000
	Net effect from merger and acquisition	0	3.635.000	0	0
	Cost at 31 December	18.635.000	18.635.000	15.000.000	15.000.000
	Value adjustments at 1 January	13.314.284	-11.499.426	-14.949.426	-11.499.426
	Net effect from merger and acquisition	0	28.263.710	0	0
	Net profit/loss for the year	14.940.474	0	784.103	0
	Dividends received	0	-3.450.000	0	-3.450.000
	Value adjustments at 31 December	28.254.758	13.314.284	-14.165.323	-14.949.426
	Carrying amount at 31 December	**46.889.758**	**31.949.284**	**834.677**	**50.574**

Notes to the Financial Statements

Investments in joint ventures are specified as follows:

Name	Place of registered office	Votes and ownership
Strukton - Arkil JV I/S	Haderslev	50%
Fjernbane west Projekt I/S	Søborg	30%
Strukton - Aarsleff JV I/S	Viby J.	45%

11 Other fixed asset investments

	Group	Parent Company
	Deposits	Deposits
	DKK	DKK
Cost at 1 January	0	0
Additions for the year	24.000	24.000
Cost at 31 December	24.000	24.000
Carrying amount at 31 December	**24.000**	**24.000**

12 Inventories

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
Raw materials and consumables	4.526.892	3.591.368	4.526.892	3.591.368
	4.526.892	**3.591.368**	**4.526.892**	**3.591.368**

Notes to the Financial Statements

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
13 Contract work in progress				
Selling price of work in progress	1.014.710.885	991.018.081	1.014.710.885	991.018.081
Payments received on account	-966.967.495	-933.645.415	-966.967.495	-933.645.415
	47.743.390	**57.372.666**	**47.743.390**	**57.372.666**
Recognised in the balance sheet as follows:				
Contract work in progress recognised in assets	127.171.671	126.380.198	127.171.671	126.380.198
Prepayments received recognised in debt	-79.428.281	-69.007.532	-79.428.281	-69.007.532
	47.743.390	**57.372.666**	**47.743.390**	**57.372.666**

14 Equity

The share capital consists of 1,100 shares of a nominal value of DKK 1,100,000. No shares carry any special rights.

15 Distribution of profit

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Reserve for net revaluation under the equity method	14.940.474	0	5.990.278	0
Retained earnings	-18.794.270	-70.751.815	-9.844.074	-70.751.815
	-3.853.796	**-70.751.815**	**-3.853.796**	**-70.751.815**

Notes to the Financial Statements

16 Other provisions

Other provisions include a provision for future losses in respect of work in progress for third parties.

	Group 2021 DKK	Group 2020 DKK	Parent Company 2021 DKK	Parent Company 2020 DKK
Balance at beginning of year	72.157.810	67.164.389	72.157.810	67.164.389
Provision in year	623.000	14.315.822	623.000	14.315.822
Employed in year	-11.543.993	-9.322.401	-11.543.993	-9.322.401
	61.236.817	**72.157.810**	**61.236.817**	**72.157.810**

	Group 2021 DKK	Group 2020 DKK	Parent Company 2021 DKK	Parent Company 2020 DKK
The provisions are expected to mature as follows:				
Within 1 year	623.000	0	623.000	0
Between 1 and 5 years	60.613.817	72.157.810	60.613.817	72.157.810
	61.236.817	**72.157.810**	**61.236.817**	**72.157.810**

17 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group 2021 DKK	Group 2020 DKK	Parent Company 2021 DKK	Parent Company 2020 DKK
Lease obligations				
Between 1 and 5 years	1.856.904	5.636.720	1.856.904	5.636.720
Long-term part	1.856.904	5.636.720	1.856.904	5.636.720
Within 1 year	3.880.086	5.046.008	3.880.086	5.046.008
	5.736.990	**10.682.728**	**5.736.990**	**10.682.728**
Payables to group enterprises				
Between 1 and 5 years	45.349.781	46.021.822	45.349.781	46.021.822
Long-term part	45.349.781	46.021.822	45.349.781	46.021.822
Other short-term debt to group enterprises	72.057.669	18.064.731	71.209.456	17.617.718
	117.407.450	**64.086.553**	**116.559.237**	**63.639.540**
Other payables				
Between 1 and 5 years	14.143.893	13.836.408	14.143.893	13.836.408
Long-term part	14.143.893	13.836.408	14.143.893	13.836.408
Other short-term payables	37.785.576	35.073.255	37.769.937	35.057.723
	51.929.469	**48.909.663**	**51.913.830**	**48.894.131**

Notes to the Financial Statements

	Group	
	2021	2020
	DKK	DKK
18 Cash flow statement - adjustments		
Financial income	-710.291	0
Financial expenses	3.349.327	5.653.135
Depreciation, amortisation and impairment losses, including losses and gains on sales	16.530.687	8.977.161
Income from investments in associates	-14.940.473	0
Tax on profit/loss for the year	0	45.804
	4.229.250	**14.676.100**

19 Cash flow statement - change in working capital		
Change in inventories	-935.524	-249.216
Change in receivables	32.956.686	-56.272.194
Change in other provisions	-10.920.993	4.993.421
Change in trade payables, etc	118.071	70.790.512
	21.218.240	**19.262.523**

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations

Charges and security

As security for debt to credit institutions, the Group and Strukton Rail AB have issued a company charge. The company charge, which is maximised to DKK 30.000.000, comprises the two entities' combined or separate debt at 31 December 2021. For the Group, the company charge includes the following assets:

- Other plant, fixtures and fittings, tools and equipment
- Inventories
- Work in progress for third parties
- Trade receivables

Rental and lease obligations

	Group		Parent Company	
	2021	2020	2021	2020
	DKK	DKK	DKK	DKK
Lease obligations under operating leases. Total future lease payments:				
Within 1 year	2.072.788	1.948.381	2.072.788	1.948.381
Between 1 and 5 years	1.618.485	2.209.522	1.618.485	2.209.522
	3.691.273	**4.157.903**	**3.691.273**	**4.157.903**
Rent obligation with interminable rent agreements with remainingcontract terms up to 22 months.	1.150.737	1.719.513	1.150.737	1.719.513

Guarantee obligations

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Advance payments guarantee	82.984.320	97.970.720	82.984.320	97.970.720
Guarantee commitments	17.758.114	17.021.576	17.758.114	17.021.576

Notes to the Financial Statements

20 Contingent assets, liabilities and other financial obligations (continued)

Other contingent liabilities

By virtue of its business operations, The Group is a party to legal disputes that can be expected in the course of its business operations. Management keeps all such involvement under constant review and makes provisions accordingly.

Other contingent liabilities include the Group's joint and several liability together with other stakeholders for Fjernbane West Project I/S' obligations (Municipality of reg. office: Gladsaxe). The Group has entered into the partnership due to the signing of a major contract, with a share of ownership of 30%. At 31 December 2021, the limited partnership's debt total DKK 59.396.208.

Furthermore, the Group is jointly and severally liable with all the stakeholders of Strukton-Arkil JV I/S' liabilities (Municipality of reg. office: Randers). The Group has entered the partnership with a share of ownership of 50%. At 31 December 2021, the limited partnership's debt total DKK 1.669.354.

Furthermore, the Group has provide guarantee for Danske Bank regarding Strukton Rail AB bank accounts.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Strukton Rail Holding A/S, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

The Group is a partner in Strukton - Aarsleff JV I/S and is jointly and severally liable with other stakeholders for its obligations. The latest audited annual report at 30 September 2021 showed a total debt of DKK 18,071,663.

21 Related parties

	Basis
Controlling interest	
Stichting Administratiekantoor Sanderink Investments, Netherlands	The ultimate parent company
Strukton Rail AB, Sweden	The Intermediate parent company

Notes to the Financial Statements

21 Related parties (continued)

Transactions

The Group has chosen only to disclose transactions which have not been made on an arm’s length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Notes to the Financial Statements

22 Accounting Policies

The Annual Report of Strukton Rail A/S for 2021 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2021 are presented in DKK.

Correction of material misstatements

The corrections relate to missing recognition of receivables from associates, VAT and adjustment of contract work in progress. The misstatements have no effect on the Income Statement or Equity, why only the comparative figures have been corrected for the balance sheet. Correction of the misstatements means that comparative figures for receivables from associates have been increased by DKK 50,821,010, Other payables has been increased by DKK 10,164,202 and Contract work in progress has been reduced by DKK 40,656,808.

Recognition and measurement

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation

The Consolidated Financial Statements comprise the Parent Company, Strukton Rail A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and

22 Accounting Policies (continued)

losses on transactions between the consolidated enterprises.

The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations

Pooling of interests

Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the two enterprises are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied at the date of acquisition, and comparative figures have not been restated.

Leases

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group.

The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

22 Accounting Policies (continued)

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Contract work in progress (construction contracts) is recognised at the rate of completion, which means that revenue equals the selling price of the work completed for the year (percentage-of-completion method). This method is applied when total revenues and expenses in respect of the contract and the stage of completion at the balance sheet date can be measured reliably, and it is probable that the economic benefits, including payments, will flow to the Group. The stage of completion is determined on the basis of the ratio between the expenses incurred and the total expected expenses of the contract.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales comprises costs incurred to achieve revenue for the year. Cost comprises raw materials, consumables, direct labour costs and indirect production costs such as maintenance and depreciation, etc, as well as operation, administration and management of factories.

Administrative expenses

Administrative expenses comprise expenses for Management, administrative staff, office expenses, depreciation, etc. Amortisation of goodwill is also included to the extent that goodwill relates to administrative activities.

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of equipment.

Income from investments in associates

The item “Income from investments in associates” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

22 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with wholly owned Danish and foreign subsidiaries. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 2 years.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans raised directly for financing the construction of property, plant and equipment are recognised in cost over the period of construction.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment	3-7 years

The fixed assets' residual values are determined at nil.

Depreciation period and residual value are reassessed annually.

Impairment of fixed assets

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

Notes to the Financial Statements

22 Accounting Policies (continued)

If so, the asset is written down to its lower recoverable amount.

Investments in associates

Investments in associates are recognised and measured under the equity method.

"Investments in associates" in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in associates is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the associates.

Associates with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Other fixed asset investments

Other fixed asset investments consist of deposits.

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of raw materials and consumables equals landed cost.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Notes to the Financial Statements

22 Accounting Policies (continued)

Contract work in progress

Contract work in progress is measured at selling price of the work performed calculated on the basis of the stage of completion. The stage of completion is measured by the proportion that the contract expenses incurred to date bear to the estimated total contract expenses. Where it is probable that total contract expenses will exceed total revenues from a contract, the expected loss is recognised as an expense in the income statement.

Where the selling price cannot be measured reliably, the selling price is measured at the lower of expenses incurred and net realisable value.

Payments received on account are set off against the selling price. The individual contracts are classified as receivables when the net selling price is positive and as liabilities when the net selling price is negative.

Expenses relating to sales work and the winning of contracts are recognised in the income statement as incurred.

Provisions

Provisions are recognised when - in consequence of an event occurred before or on the balance sheet date - the Group has a legal or constructive obligation and it is probable that economic benefits must be given up to settle the obligation.

Other provisions include warranty obligations in respect of repair work within the warranty period of . Provisions are measured and recognised based on experience with guarantee work.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash

22 Accounting Policies (continued)

value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement

The cash flow statement shows the Group´s cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group´s cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, provisions, intragroup business combinations and other adjustments. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions and disposals of plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise ”Cash at bank and in hand”.

The cash flow statement cannot be immediately derived from the published financial records.

Notes to the Financial Statements

22 Accounting Policies (continued)

Financial Highlights

Explanation of financial ratios

Profit margin	$\frac{\text{Profit before financials x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year x 100}}{\text{Average equity}}$