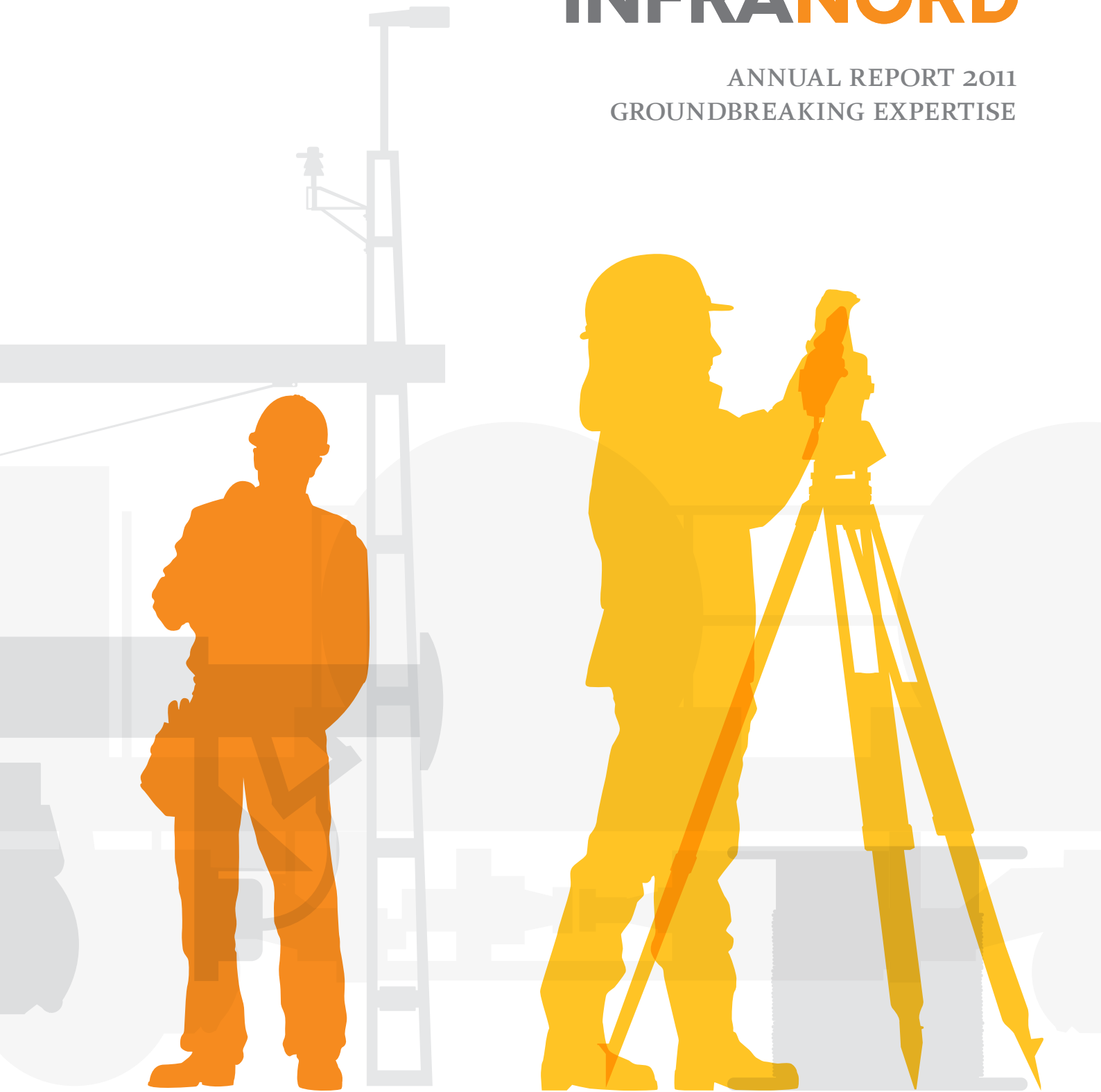


# INFRANORD

ANNUAL REPORT 2011  
GROUNDBREAKING EXPERTISE





## **Innovation**

*Infranord is a groundbreaking company in terms of both theory and practice. We think along new lines and develop our services by focusing on the needs of the customer.*



## **Expertise**

*Infranord is the most experienced player on the Swedish rail market. Nobody knows Sweden's rail infrastructure as well as we do. We share our knowledge with each other and with our customers. We supply high quality and offer good service.*



## **Efficiency**

*We offer the most efficient processes on the market, focusing on productivity, safety and quality. Our customers get more railway for their money.*

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This Annual Report includes Infranord's second sustainability report. Infranord presents a sustainability report annually, with the most recent report being submitted on 31 March 2011. The sustainability report has been drawn up in accordance with Global Reporting Initiative's (GRI) guidelines. Infranord's own assessment is that the sustainability report satisfies the requirements for applicability level C+, which is also confirmed by Deloitte AB. The information presented in Infranord's sustainability report is based on an assessment of which issues are most important for the company's stakeholders, as well as which issues are most important in order for Infranord to fulfil its assignments. Infranord's sustainability report covers the 2011 calendar year. Key figures in respect of employees, health, safety and the environment have primarily been gathered with the aid of internal reporting systems. The report covers Infranord's activities in Sweden, which make up 99 per cent of the company's total sales. As Sweden is by far the most important country as regards Infranord's operations, it is possible for the reader, despite the limitations, to make an adequate assessment of the company's sustainability performance. The 2012 sustainability report will cover all the operating countries, which means that information for Denmark and Norway will be included.

# Our journey in 2011



○ JAN: SNOW CLEARANCE

○ FEB: RAIL MAINTENANCE

○ MAR: TENDER

○ APR: MANAGEMENT CONFERENCE

○ MAY: OVERHEAD LINE REPLACEMENT

○ JUN: RAIL YARD REFURBISHMENTS

*Every minute.*

*Twenty-four hours a day.*

*Three hundred and sixty-five days a year.*

## What we said

Our goal for 2011 is to continue to develop our groundbreaking expertise. We will work in a more standardised and more efficient manner, the needs of our customers will always be central, and our services will be developed to meet these needs.

The competition for assignments is becoming increasingly tough in Sweden. During 2010 we established operations in Denmark and Norway. Our goal for 2011 was to win important contracts on both of these markets.

## What we did

We have charted our common processes for track and sleeper replacement. The work processes have been documented and standardised during 2011. The projects demonstrated that productivity can be increased significantly through reduced downtime and increased efficiency.

We continued to develop our services. Together with our largest customer, the Swedish Transport Administration, we worked to solve the problem of points freezing solid during the winter.



AUG: SLEEPER AND POINT REPLACEMENT



SEP: CAREER DAYS



OCT: NORDIC RAIL



NOV: TRACK AND POINT ALIGNMENT



DEC: CONSTRUCTION OF TRACK

## *What we want to achieve in 2012*

We initiated a process of change in relation to our machine park and services such as SpårEffekt in order to meet the needs of our customers.

We won strategically important assignments in Denmark and Norway. In Denmark, we established operations by building track between Copenhagen and the Öresund Bridge on behalf of Banedanmark. In Norway, we won and operations and maintenance contract in Minnesund.

Our journey towards offering our customers high quality and good service at the most competitive price will continue in 2012. A number of processes will be standardised and made more efficient. More services will be developed and packaged in a way that suits our customers. And we will continue to develop our expertise, in part through our work within Infranord Academy and Infranord Innovation.

# The Nordic region's leading rail contractor

## Important events in 2011

- **Rail maintenance in Skåne.** Infranord won the assignment to operate and maintain the railway in Malmö and southeastern Skåne – a total of around 280 km of railway and 557 points at a value of approximately SEK 400 million.
- **Kiruna.** Infranord won the assignment to build a new railway in Kiruna. The contract is valued at approximately SEK 200 million. The contract covers a section of around 17 kilometres as well as two rail yards/passing stations. Infranord also won the assignment for LKAB to build approximately 6,500 metres of track in the mine, 1,365 metres below ground.
- **New division for efficient processes.** The division Infranord Innovation was formed with the aim of developing the business from a Lean Manufacturing perspective and achieving operational excellence through efficient processes.
- **Assignments in Denmark and Norway.** Infranord was awarded the assignment to build two parallel tracks from Copenhagen to the Öresund Line. Banedanmark was the client, and the contract is valued at approximately SEK 55 million. Infranord also won its first assignment in Norway – carrying out overhead line work between Minnesund and Eidsvoll.
- **SpårEffekt for fewer disruptions.** Infranord launched the package offer SpårEffekt, which will result in fewer rail disruptions due to extremely meticulous inspections and proposed measures. The package also encompasses an emergency call-out team for rapid remedial action on faults.
- **Coast-to-Coast Line.** Infranord was again entrusted to look after operation and maintenance of the Coast-to-Coast Line. The Swedish Transport Administration was the client, and the contract sum is estimated at approximately SEK 270 million.
- **Infranord Academy.** Infranord decided to start up an internal training operation, Infranord Academy.

## Infranord in brief

*Infranord is the Nordic region's leading rail contractor. The company offers operations and maintenance, as well as refurbishment and new construction of railways in Sweden, Norway and Denmark. The company is based in Sweden, where it has around 3,000 employees, of which just over 2,000 are engineers possessing skills within rail, electrical, signalling and telecom engineering. Since 2010 we have also had operations in Denmark and Norway. By offering the market's most innovative solutions, most efficient processes and industry-leading expertise, Infranord is contributing towards a safe, punctual and environmentally sound rail transport system.*

- *Infranord is owned by the Swedish State, was privatised in 2010 and was previously known as Banverket Production.*
- *Approximately 3,000 employees.*
- *Sales of SEK 4,495 million in 2011.*
- *Operations with Service, Construction and Other Services, such as telecom, machinery and engineering services.*
- *Offices in Sweden, Denmark and Norway. Head Office in Solna and regional offices in Luleå, Gävle, Solna, Göteborg and Malmö.*
- *Managing Director Niclas F. Reinikainen.*

KEY FIGURES	2011	2010
Net sales, SEK million	4,495	4,507
Operating profit/loss, SEK million	-71	30
Operating margin, %	neg.	0.67
Equity/assets ratio, %	30.6	35.9
Number of non-tenured employees at year-end	2,643	2,964

# *Innovation Expertise. Efficiency.* Infranord's three building blocks

During 2011, Infranord has consistently followed the strategy of creating the industry's most efficient processes. The financial results for the year are disappointing, but the building blocks we are currently laying mean that our future in a growing market looks bright.

2011 was a challenging year for Infranord and the rest of the railway market in Sweden. Severe winter weather at the start of the year resulted in delays to construction projects, which led to difficulties in planning and optimising operations. Prior to the 2011/2012 season, we in the industry have developed solutions so as to be better equipped when the snow and cold weather arrive.

## **Standardised services and high service level**

Infranord's strategy entails us offering our customers more railway for the money. We do this by supplying services with a high quality and level of service at a competitive price. In order to succeed, we have to work intelligently. We will offer standardised services and the most efficient processes in the industry.

We are still at the start of our journey towards the operational excellence we are endeavouring to achieve, but I know that we will succeed. Infranord's employees possess unique expertise – nobody else knows the Swedish railway network as well as we do. And we have the ability to think along new lines when developing our range of services.

In recent years we have implemented a number of organisational changes that are helping us to make our organisation more efficient. In 2011 we commenced the important work of rationalising our working methods, in the form of improving and standardising the processes for sleeper and track replacement. It is with pleasure and pride that I can also state that our employees have participated in an extremely committed and competent manner to improve the processes and create "best practice" within the company.

Continuing this work will be a high priority for us in 2012.

## **Results**

Infranord's results for the year did not achieve the levels we had wanted, although the company has strengthened its potential for success during the year and the future looks bright.

Net sales during 2011 amounted to SEK 4,495 million (4,507) and operating profit/loss amounted to SEK -71 million (30). The main reason for the poorer results is a change in the sales mix between the two years, with a move towards projects with a larger proportion of materials and a lower requirement for in-house resources in the form of personnel and machinery. The severe winter weather at the start of the year also made some of the scheduled work more difficult, resulting in the low utilisation of personnel and machinery resources. We have also written down profits in ongoing projects during the year.

## **Important business deals in 2011**

We have won several important business deals during the year. To start with I would like to mention our first assignments in Denmark and Norway. These markets have considerable potential.

In March we won the assignment to build tracks from Copenhagen to the Öresund Line from the Danish authority Banedanmark (Rail Net Denmark). Infranord is building two parallel tracks as well as installing overhead lines and points. One important factor for the success of the project is the fact that we can use personnel and machinery from both Sweden and Denmark. The work will be complete during the summer of 2012.



*"During 2011 we began the important task of rationalising our working methods. We have improved and standardised the processes for sleeper and track replacement."*

Niclas F. Reinikainen

We have also succeeded with our intentions in Norway in 2011. In February we were commissioned by Norska Jernbaneverket (Norwegian National Rail Administration) to carry out overhead line work at Minnesund. This is a sub-project within one of Norway's largest railway projects.

Another important project relates to the maintenance of the Coast-to-Coast Line in southern Sweden. We have been working on this section of railway since 2005, and our staff possess extensive knowledge about the facilities. Our working methods have been streamlined in recent years, and we are proud to have been entrusted to continue providing maintenance on the important Coast-to-Coast Line.

*"Infranord's strategy entails us offering our customers more railway for their money."*

Infranord has won two contracts in Kiruna during the year. In conjunction with LKAB's continued mining of iron ore in the mine situated below the city of Kiruna, parts of the urban area of Kiruna have to be moved. The old railway south of the city has ended up in an area at risk of landslides.

Infranord's assignment is to build a new railway west of Kiruna. At the same time, we are working underground to build tracks at a depth of 1,365 metres down in the mine. In this way we can contribute to the future of Kiruna, Sweden's most northerly city.

#### **Infranord Academy**

Expertise in one of the building blocks on which our business is based. In order to utilise the expertise within the company, we decided during the year to launch an internal training operation, called Infranord Academy. Starting in 2012, we will be offering internal training in the fields of transport and electrical safety. It is my hope that this internal training operation will result in greater flexibility, increased quality, shorter lead times and lower training costs.

#### **The winter**

Infranord participated in the national work aimed at reducing rail disruption ahead of the 2011/2012

winter. We have developed our work in order to contribute to a rail transport system that also works well during the winter months. This entails both an upgraded machine park and supervision of the machinery's geographical location, as well as the development of new services.

#### **Sustainability is the way ahead**

Constant improvements and long-term sustainability are natural elements in our endeavour to be the Nordic region's leading supplier of rail engineering services. We are achieving this by prioritising innovation, efficiency and expertise – and by focusing on sustainable development. Issues with the highest priority include the health and safety of employees and contractors, as well as the company's impact on the environment. We will offer a working environment that is characterised by safety, job satisfaction and participation, in which the experiences of all are utilised and where diversity is viewed as an important asset. In order to reduce the load on the environment, we are working to reduce our use of resources and our emissions – both on our own and in collaboration with customers, suppliers and other stakeholders.

#### **Outlook 2012**

The future looks bright for Infranord. We possess unique expertise and enjoy a strong market position. We have a successful and well established strategy that we consistently follow. We are operating on a growing market. Trains are coming into their own as a means of transport. This is something that everyone agrees on – politicians, transport authorities, passengers, business, the environmental movement and the workforce of the future.

Stockholm, March 2012



Niclas F. Reinikainen  
Managing Director  
Infranord



# Efficient track replacement in Bergslagen

Rapid processes and good planning are central when replacing track. Time is a critical factor, to ensure that interruptions to rail services are as short as possible. Personnel, machinery and materials have to be planned long in advance.

During 2011, Infranord has worked to streamline and standardise work processes during track replacement. One of the pilot projects was the track replacement work on the Stålldalen–Hällefors section in Bergslagen. The railway between Stålldalen and Hällefors is a well worn section, which the Swedish Transport Administration had decided to upgrade in order to route more heavy freight trains through the region.

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Section: **Stålldalen–Hällefors**

Type: **Contract**

Client: **Swedish Transport Administration**

Complete: **Winter 2011**

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Infranord has worked to replace the tracks and carry out work on the overhead lines in Bergslagen over the course of two years. Some 45 people have been engaged in replacing 2,100 metres of track per day. The heart of the work has been the track replacement train, measuring more than 500 metres in length.

During 2011, Infranord has made its working methods more efficient within the framework of the company's strategy, which aims to achieve operational excellence through process development. This has entailed charting and documenting the work processes. The best processes have been identified and it has been possible to reduce downtime.



# Satisfied customers through the market's most efficient processes

Infranord will be the most innovative, skilled and efficient supplier of rail engineering services. We offer our customers more railway for their money.

Infranord maintains rail infrastructure of all types, as well as planning and implementing all kinds of new construction, expansion and refurbishment projects relating to the railway. Infranord has a comprehensive range of machinery at its disposal, and manufactures its own rail engineering products and components.

## **A customised strategy**

Infranord's customers are made up of track owners in Sweden, Norway and Denmark. Within these companies, the construction supervisors, purchasers and their managers are responsible for reaching decisions as to how contracts are to be divided. In order for Infranord to be perceived as the most competitive alternative, our customers must perceive that we understand their priorities and have the ambition to develop alongside them. We have to focus on passengers and freight carriers, as well as ensuring rapid deliveries and maximum safety. Our customers need an efficient, innovative and skilled partner. Infranord has to live up to this. For this reason, our guiding principles are:

- Innovation
- Expertise
- Efficiency

## **Innovation**

Infranord is a groundbreaking company in terms of both theory and practice. We think along new lines and develop our services by focusing on the needs of the customer. Infranord is a modern market leader that is endeavouring to achieve constant improvements and development.

## **Expertise**

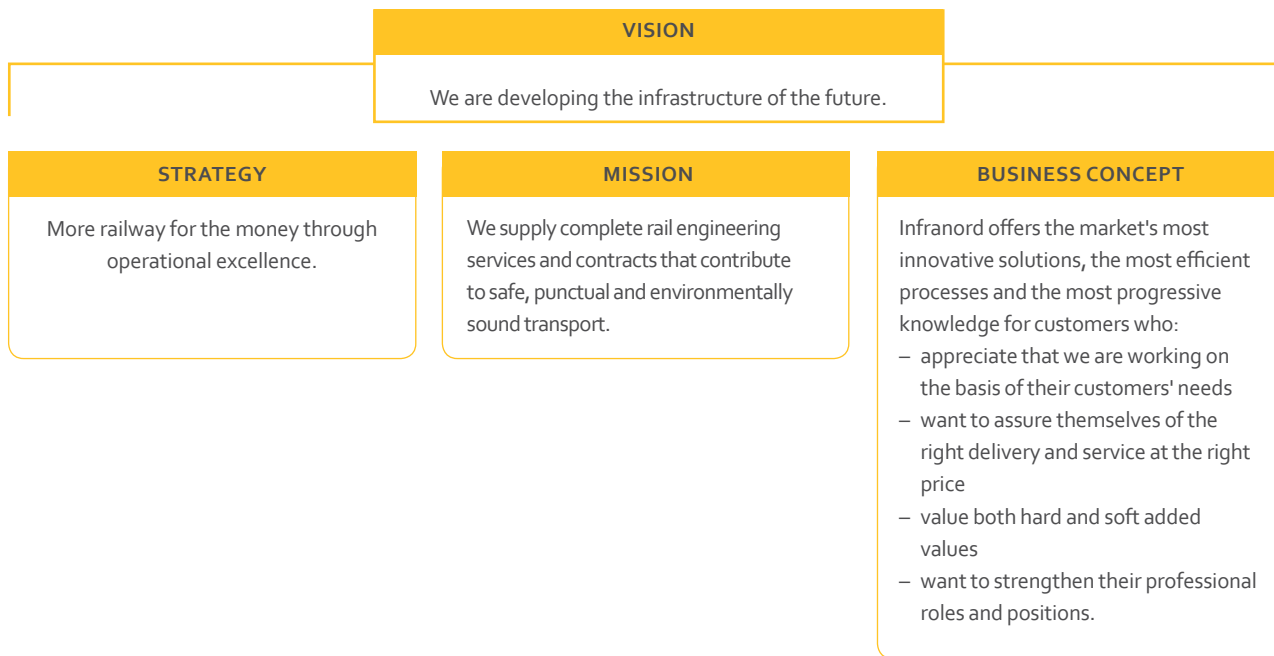
Infranord is the most experienced player on the Swedish market, and we share our knowledge with each other and our customers. We will also continue to offer the highest level of expertise in the industry. We supply high quality and good service. During 2011 we have established the internal training initiative Infranord Academy, which will further strengthen the expertise in the company.

## **Efficiency**

Efficiency is a matter of offering the most rapid deliveries and the best value for money. Infranord will be the best problem solver, and our customers will perceive that we provide them with rapid assistance and good service. We will offer the most efficient processes on the market, focusing on productivity, safety and quality. Through standardised processes and methods, the company's resources are being used in an efficient manner, at the same time as ensuring that our customers receive the same quality and are treated equally, regardless of where the work is carried out.

## **The best processes in the industry**

During 2011 we have intensified our work aimed at achieving the best processes in the industry. We are employing the same process-oriented working method as that used by industrial companies when they implement Lean Manufacturing. Two important work processes – track and sleeper replacement – have been standardised and streamlined during the year, and more projects have started up. The next step is to review the replacement of points and overhead lines.



Infranord's strategy is to achieve the most efficient processes in the industry, in order thereby to be able to offer our customers more railway for their money.

Infranord aims to develop and supply operationally superior quality solutions that produce results and ensure that our customers feel confidence and perceive that they are getting added value for their money.

**Development of methods, services and brand**

During 2010, Infranord implemented a common organisation and common roles in all the regions. Administration was centralised at the head office in Solna, and a common overall working method was introduced in production. We continued our rationalisation work in 2011, with the focus on method development.

When we develop new services, the needs of the customer are always central. An example of this is the SpårEffekt package, which has been developed to enable our customers to prepare their facilities ahead of the winter through preventive maintenance.

In order to clarify Infranord's position on the market, we are working to develop our brand.

The aim is to be at the forefront of developments within the company's area of operations and continually to communicate the results that have been achieved.

**Sustainable development**

All activities within Infranord must contribute to long-term sustainable development.

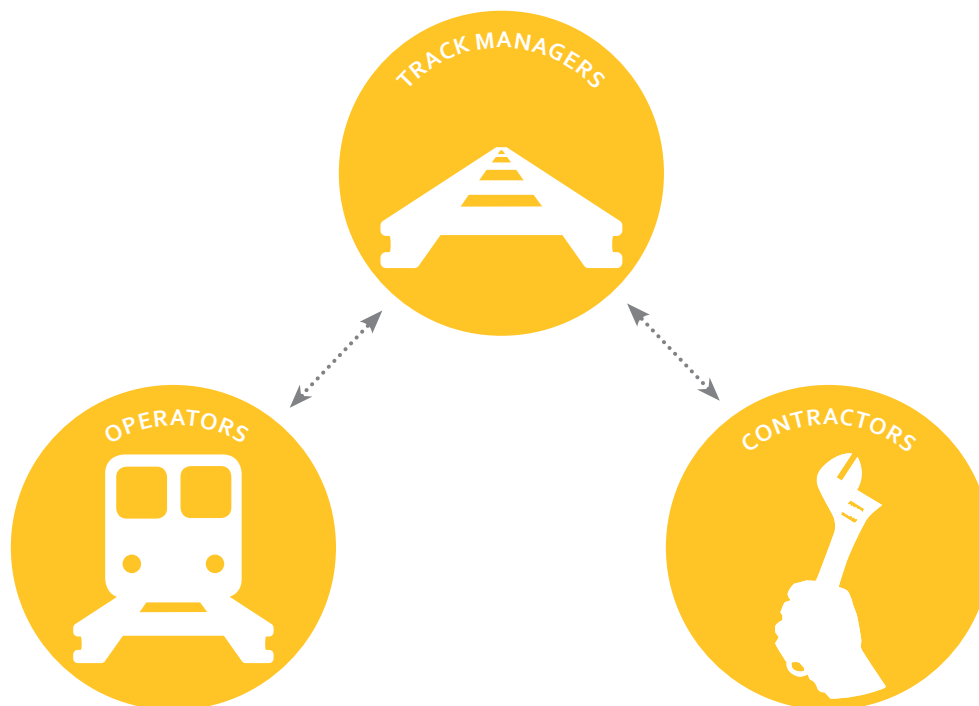
Infranord is striving to reduce emissions and discharges to the air, land and water, to reduce consumption of resources, in particular fuel consumption, and to co-operate actively with customers, suppliers and other stakeholders on environmental issues.

We will always act with consideration for the world around us. We will be known for our extensive knowledge as regards safety, and will offer a workplace where safety and working environment issues are taken extremely seriously.

The working environment will be characterised by safety, job satisfaction and participation. Infranord should be a company where the experiences of all the employees are utilised, and where diversity is an asset for the business.

You can read more about our sustainability work on page 24.

# Infranord's arena



After more than a decade of deregulation, the railways in Sweden are among the most competitive rail markets in Europe. The Swedish Transport Administration is still the dominant track owner, although competition is gradually increasing both between different operators and different contractors.

## OPERATORS

# 40

The number of operators in the Nordic region is steadily increasing, standing at around 40 by the end of 2011.

A-Train	Hector Rail	Tågab
CargoNet	SJ	Veolia Transport
DSB Sverige	Svenska	Etc.
Green Cargo	Tågkompaniet	
Göteborgs Spårvägar	TGOJ Trafik	

## TRACK MANAGERS

# 90%

The rail networks in the Nordic region are essentially State-owned. In Sweden, the Swedish Transport Administration manages more than 90 per cent.

Swedish Transport Administration	SSAB	Ports
Storstockholms Lokaltrafik (SL)	The Bothnia Line	Municipalities
LKAB	The Inland Line	Etc.
	Arlanda Line	
	The Öresund Bridge Consortium	

## CONTRACTORS

# 42%

Infranord is the Nordic region's leading rail contractor. In Sweden, our market share stands at approximately 42 per cent.

Infranord	VR-Track
Strukton Rail	Etc.
Balfour Beatty Rail	

# An industry of the future with major challenges

The market situation for rail-related services in Sweden and the rest of the Nordic region is bright, particularly looking a few years ahead. There is considerable interest in the railway, both politically and from passengers and freight carriers.

Environmental awareness and an increasing population in the metropolitan regions are two of the driving forces behind increased demand for rail transport. The deregulation of passenger transport is another factor.

Despite favourable market conditions, 2011 has been a challenging year. Postponed projects and interrupted procurements have affected the industry. Infranord has had excess capacity as regards both personnel and machinery during certain parts of the year.

## **Railway to be modernised**

Rail travel is steadily increasing. In Sweden, Denmark and Norway, large parts of the railway are being fully utilised. At the same time, demands for rapid, efficient and environmentally sound transport are increasing.

There is political consensus in the Nordic countries that the railway has to be extended and modernised in order to meet the increased demand.

## **Government earmarking funds**

Within the national plan for Sweden's transport system, known as the Transport Plan, the Government has determined that SEK 64 billion is to be invested in the operation and maintenance of the railways up to 2021. During 2011, the Government also earmarked a further SEK 3.6 billion in its autumn budget, to be used in 2012 and 2013 for the operation, maintenance and development of the railways. In December 2011, the Government also decided to offer the Swedish Transport Administration an interest-free loan of SEK 558 million in order to bring forward railway projects in southern Sweden.

In Denmark, rail investments are expected to amount to approximately DKK 70 billion over the next ten years.

There is also a clear political ambition in Norway to invest in the railways. For example, Norska Jernbaneverket has published a brochure describing a large number of projects that are to be carried out over the next 15 years.

## **European railway investments**

It is becoming increasingly important to transport freight quickly and efficiently within and between different European countries. One political objective emanating from Europe is to transfer transport from the roads to the railways.

The EU is investing in the 'freight corridors' – a prioritised network for freight on the railways through Europe – which will ensure efficient flows of goods. The corridor that affects Sweden is the Central North–South Corridor, on the Stockholm–Palermo section. The corridor will be in operation by 2015 at the latest.

The EU is also investing in new railway technology. One example is the introduction of the new ERTMS system (European Rail Traffic Management System), a joint traffic control system for rail traffic in Europe. The Bothnia Line is the first section of railway in Sweden to have been equipped with the ERTMS system.

## **Increased competition**

As the market is growing, competition is also increasing. The previously regulated rail market is now fully deregulated, and a number of foreign players are now established in Sweden. These have been able to compete with Infranord for services

within refurbishment and new construction projects for over ten years. Since 2011, the procurement of all operation and maintenance contracts has also been subject to competition.

Infranord's largest client, the Swedish Transport Administration, has been encouraging foreign contractors to submit tenders in recent years, a situation that Infranord welcomes.

Competition from overseas players is mostly witnessed within Construction on deals of up to SEK 50 million. Significantly fewer players have the resources to be able to deliver larger assignments. Infranord is one of the leading suppliers of assignments worth more than SEK 50 million, thanks to our resources in the form of experienced personnel and mechanical equipment.

The increasing level of competition means that we have to prioritise profitability and efficient processes in order to remain competitive. The demands for efficiency, innovation, expertise and customer focus are increasing within the business, and at the same time we have to work to expand our client base. During 2011, our largest customer, the Swedish Transport Administration, was responsible for 80 per cent of Infranord's sales.

#### Lower market share

Infranord's market in Sweden amounted to approximately SEK 10 billion in 2011, with around 80 per cent of assignments coming from the Swedish Transport Administration, 15 per cent from Storstockholms Lokaltrafik (SL) and the remainder from other track owners.

Infranord's market share in Sweden stood at 43 per cent in 2011. This share has gradually fallen in line with the deregulation of the market. Infranord's market share within Service stood at

45 per cent during 2011, while the share within Construction stood at 35 per cent.

#### Significant opportunities in Denmark and Norway

Infranord won strategically important assignments in Denmark and Norway during 2011. The market share in these countries is similar to the share in Sweden. However, the market for operations and maintenance is not deregulated in Denmark. When these services are subjected to competition, the potential for business in the country will increase significantly. Infranord's resources and expertise in Sweden are an important competitive factor when it comes to winning business in Denmark and Norway.

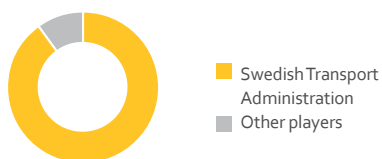
#### Solutions for coping with severe winter weather

The harsh winter weather in 2010 and 2011 caused major problems for rail transport in Sweden. As a result, political demands have been stipulated requiring the Swedish Transport Administration to climate-proof the rail infrastructure. The work of developing new methods for snow management has been given a high priority in the industry. For example, Infranord has developed the "Snöfritt" service, which means that, if necessary, the Swedish Transport Administration can call for additional resources in the form of both manpower and machinery.

#### Brand under development

In order to clarify Infranord's position on the market, work is being conducted to develop the brand. Our ambition is to lead developments within the Nordic rail market and clearly to communicate the results that are achieved.

#### DISTRIBUTION TRACK OWNERS



The Swedish Transport Administration owns and manages approximately 90 per cent of Sweden's railways.

#### INFRANORD'S MARKET SHARE



Infranord's market share stands at approximately 43 per cent.



## *Maintenance in the border region*

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Section: **Sweden – Denmark**

Type: **Service**

Client: **The Öresund Bridge Consortium**

Complete: **Autumn 2012**

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High above the sea between Sweden and Denmark, Infranord's engineers from the two countries are working to maintain the railway that links them.

Infranord has been working on the railway on the Öresund Bridge since 2005. The maintenance contract was extended in 2010, which means that Infranord will be carrying out operation and maintenance up to 2013.

Working in the border region between Sweden and Denmark represents a special challenge, as different rules apply in the two countries.

For this reason, Infranord's already well trained Sweden engineers have to undergo training in order to carry out the work on the Danish side of the bridge.

Infranord has been established in Denmark since 2010, and the Öresund Bridge is one of the first projects on which the Danish and Swedish teams have been working together. The client for the work on the bridge is the Öresund Bridge Consortium, which is jointly owned by the Swedish and Danish States.

# Groundbreaking expertise within rail infrastructure

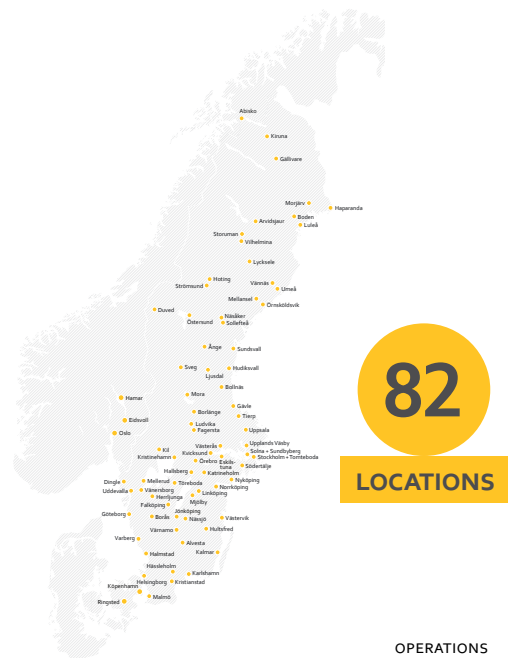


## Construction


Infranord is planning for and implementing all kinds of refurbishment and new construction projects on the railways in the Nordic region, from small-scale assignments to turnkey undertakings. We are specialists in the rail, electrical, signalling and telecom engineering sectors. Our assignments include rail yard refurbishments, track replacement, new construction and refurbishment of signalling systems and signal boxes, overhead line work, sleeper and point replacement as well as complex signalling installations. We assume total responsibility for everything from planning and quality to safety and the working environment.

## Sweden, Denmark and Norway

Infranord's activities are based in Sweden. We operate from 82 different locations around the country, and possess unique knowledge about the whole of Sweden's rail network. In recent years, the business has started to expand into neighbouring Denmark and Norway.







Infranord is the Nordic region's leading rail contractor, possessing unique expertise within rail, electrical, signalling and telecom engineering. We offer maintenance and modernisation of railways in Sweden, Norway and Denmark. Using the market's most innovative solutions, efficient processes and industry-leading expertise, we are contributing towards a safe, punctual and environmentally sound rail transport system. Infranord offers a complete range of services and possesses unique knowledge about Sweden's rail infrastructure.

### Service

Infranord offers contracts within the operation and maintenance of rail infrastructure. Our strongest competitive advantages are extensive technical expertise and a well-equipped machine park with good geographic coverage. Our largest customer is the Swedish Transport Administration, although we also have assignments for Storstockholms Lokaltrafik (SL), Göteborgs Spårvägar, the Öresund Bridge and for various local authorities, ports and other industrial track owners.

### Other activities

**Machinery** Infranord sells all kinds of machinery services for construction projects and for maintenance of the rail network. These services focus primarily on track and point alignment, track replacement and mechanical vegetation control. We also hire out machinery for ballast cleaning, track replacement, point installation and transport.

**Mechanical measurement services** Infranord conducts mechanical measurement services in Sweden, Denmark and Norway. Using technically advanced recording vehicles, we perform measurements of tracks and overhead lines. We also carry out non-destructive testing (NDT) of rails using ultrasound.

**Workshops** Infranord builds equipment for signal engineering and manufactures prefabricated rail products in its own workshop in Nässjö. Our customers can be found for example in the power industry. The company's rail vehicles and machinery are also maintained in our own workshop.



## *Important track assignments for Kiruna's future*

LKAB has been mining ore in Kiruna since 1890. Ever since then, the State mining company has played an important role in the development of the city. The co-operation between Kiruna and LKAB still continues today. LKAB is now set to establish a new main level in the mine, and this means that a large portion of Kiruna's city centre will find itself in an area at risk of landslides – and therefore has to be moved.

Infranord has won two assignments in Kiruna during 2011, both above and below ground.

At the request of the Swedish Transport Administration, Infranord is constructing a new section of railway west of Kiruna, approximately 17 km in length. The new track is

replacing the old track south of the city, which is now in the landslide risk zone.

Infranord is also building track down in the mine on LKAB's behalf, 1,365 metres below ground. Planning and logistics are particularly important in the work below ground, as several vital work processes take place in small, confined areas.

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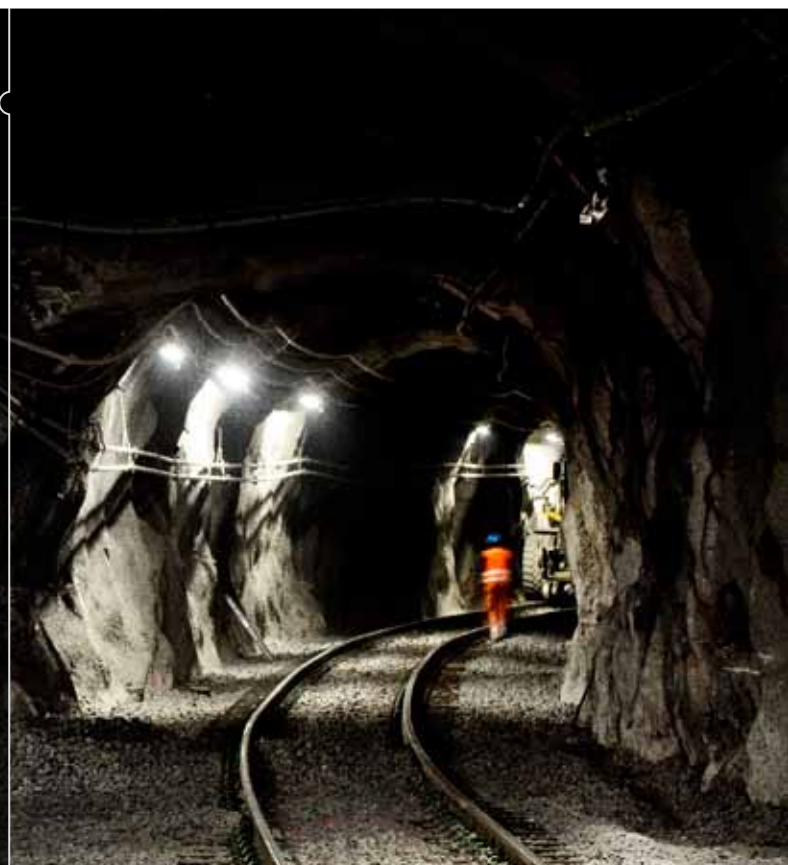
**Section: Kiruna City – new location west of the city.**

**Type: Track construction**

**Client: Swedish Transport Administration and LKAB**

**Complete: Winter 2012**

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# Construction

Infranord is the Nordic region's leading construction company in the railway sector, possessing unique expertise and experience. We plan and carry out all kinds of new construction and refurbishment projects within the railways in the Nordic region.

We are specialists in the fields of rail, electrical, signalling and telecom engineering, and we assume total responsibility for everything from planning and quality to safety and the working environment. Operations within the Construction business area are conducted in a special division for contracting and in five operational regions. Major construction projects are principally conducted within the Contracting division, while smaller projects are conducted in the regions.

#### Our assignments include:

- Rail yard refurbishments
- Track replacement
- New construction and refurbishment of signalling systems
- New construction and refurbishment of signal boxes
- Overhead line work
- Sleeper replacement
- Point replacement
- Complex signalling installations

Sweden is our domestic market, and we also have a dominant position here historically. The market is now deregulated and subject to competition, which means that we need to extend our client base and grow overseas. Since 2010 we have therefore had operations in Denmark and Norway.

The Swedish rail infrastructure is owned almost exclusively by the State and managed by the Swedish Transport Administration. For this reason, approximately 84 per cent of the sales for the year of SEK 4,495 million comprised assignments from the Swedish Transport Administration. Other customers include Storstockholms Lokaltrafik (SL), Göteborgs Spårvägar, the Öresund Bridge Consortium, SSAB and LKAB.

#### Operations 2011

Infranord's share of construction, infrastructure and contract projects within the Swedish rail sector amounted to almost SEK 2,053 million in 2011. Infranord's market share stood at approximately 35 per cent.

As several European rail contractors have been established for some time in Sweden with the aim of expanding, the competitive situation has been razor-sharp during 2011. Infranord competes both with major Swedish construction companies and other rail contractors, such as Strukton Rail, Balfour Beatty Rail and VRTrack.

Infranord has won a number of contracts within Construction in 2011, including two projects in Kiruna. We were commissioned by the Swedish Transport Administration to build a railway west of the city, which will replace the section of railway to the south that now finds itself in an area at risk

2011

2,053

Net sales, SEK million

2011

35%

Market share, %

of landslides in conjunction with the mining operations below the community. During the year, we also won a contract from LKAB covering construction work down in the mine involving very specific conditions.

In Stockholm, Infranord was commissioned by General Electric (GE) to install a new signalling system for the Tvärbanan high-speed track, which links together SL's bus, underground and commuter train lines around central Stockholm. The assignment included installing the new signalling safety infrastructure, carrying out vehicle installations and training technical personnel.

Infranord was also commissioned by Boliden to modernise the railway at the world's largest copper smelting works at Rönnskär in Skelleftehamn. This work includes cutting away existing track and installing a new track.

Other examples of construction assignments that we won during 2011 include:

- Refurbishment of Jönköping rail yard at the request of the Swedish Transport Administration. The assignment is valued at approximately SEK 24 million.
- Construction of two parallel tracks between Copenhagen and the Öresund Bridge. Banedanmark is the client, and the contract is valued at approximately SEK 55 million.
- Overhead line work between Minnesund and Eidsvoll in Norway.

The assignments in Denmark and Norway mean that Infranord has become established on these markets, which has been a top priority during the year.

### **Innovation for efficient processes**

In line with Infranord's strategy of achieving operational excellence through efficient processes, a number of innovation projects have been implemented during the year.

The innovation projects are based on the principles of Lean Manufacturing. Lean was initially developed by the automotive industry in order to create faster, more versatile and more efficient production, at the same time as ensuring that the company is supplying what the customers want. The aim is for the work processes to be clear and

easy to follow, and for the working environment to be clean and tidy. Having everything in place contributes to efficiency and balance.

The innovation projects commence with a situation analysis. The work processes are charted and documented in detail. The working methods that the employees consider to be most effective are identified. After this, consensus is generated regarding how the work should be carried out and which processes should be included. The work is measured and followed up, and measures for achieving improvements are developed. In the next step, the standardised process is implemented. However, this is not the end of the work. Once a common basic level has been achieved for the work, the process continues with further rationalisation.

The first processes to be charted are track and sleeper replacement, in part through pilot projects in conjunction with the track replacement project in Berslagen. The results are very good and demonstrate a clear improvement in efficiency. The work of streamlining the processes for point and overhead line replacement began at the end of 2011.

### **The future**

Investments in the Nordic railways are expected to increase over the next few years. There is political consensus that the railways have to be expanded and modernised. In Sweden, the Government allocated a further appropriation of SEK 3.6 billion in its autumn budget, to be used in 2012 and 2013 for operation, maintenance, reinvestments and fine-tuning the railways. The Transport Plan states that a further SEK 6.4 billion will be invested in the operation and maintenance of the railways up until 2021. Similar plans are in existence in Denmark and Norway.

In order for Infranord to succeed on this growing, yet increasingly competitive market, the company has to continue working to standardise and rationalise the processes, develop customer offers and our unique expertise in the best possible way. We will offer our customers groundbreaking expertise, good service and high quality at a competitive price, i.e. giving them more railway for their money.



## Key skills in Göteborg

Section: **Göteborg Central**

Type: **Construction**

Client: **Swedish Transport Administration**

Complete: **Autumn 2012**

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When Göteborg Central Station changes its signal boxes to reduce disruptions to services and to increase capacity on the railway in the region, Infranord will be participating with several different key skills. The company is taking part in the work by offering services in the fields of rail, electrical, signalling, telecom and measurements.

Infranord had previously been commissioned to complete the new signal boxes at Göteborg Central Station. The

company has subsequently won additional assignments, which must be carried out in two stages and which will continue until autumn 2012.

During 2011, Infranord has worked to adapt track and signalling infrastructure between the Skandia rail yard and the Sävenäs marshalling yard. Examples of work that Infranord conducts include setting up signals, routing cables, install cabinets and sheds, as well as replacing points and adjusting overhead lines.

# Service

Infranord is the leading player in Sweden within the operation and maintenance of rail infrastructure. Our strongest competitive advantages are our unique knowledge about Sweden's rail infrastructure, a high level of technical expertise, a strong focus on safety issues and well equipped machine park with good geographic coverage.

Operations within the Service business area are conducted in five operational regions.

Customers principally comprise track owners in Sweden. The Swedish Transport Administration, which owns and manages all the State railways in Sweden, is the dominant track owner. Other track owners include municipalities, ports and industries. The Swedish Transport Administration is Infranord's largest customer, with other major customers including Storstockholms Lokaltrafik (SL), Göteborgs Spårvägar, the Öresund Bridge Consortium, SSAB and LKAB. Since 2010, we have also had operations in Denmark and Norway, offering services to track owners in these countries.

The Swedish rail market is now fully exposed to competition, with Infranord competing for example with companies such as Strukton Rail, Balfour Beatty Rail and VRTrack.

## Operations 2011

Infranord's share of construction, infrastructure and contract projects within the Swedish rail sector amounted to almost SEK 2,236 million in 2011. Infranord's market share stood at approximately 45 per cent.

Competition has been tough during the year. Several European rail contractors have operations in Sweden with the aim of increasing their market share here. Infranord's work aimed at introducing common working methods in all the regions has continued in 2011. This is part of our strategy, and is intended to increase efficiency and ensure that our customers receive the same quality and service wherever in the country the work is carried out.

A common working method also entails opportunities for increased flexibility and the more rapid

implementation of improvements – it is easier for employees to move between projects in different parts of the country if the conditions are the same, and it is easier to introduce new methods throughout the entire organisation.

Infranord has won several important service and maintenance contracts during 2011.

In January, we won the assignment regarding the operation and maintenance of the railways in Malmö and southeastern Skåne, totalling around 280 km of railway and 557 points. Infranord's high level of expertise and our potential to offer efficient solutions were decisive in our favour. The contract is worth in the region of SEK 400 million, and the project is running from September 2011 until August 2014.

During the year, it also became clear that Infranord had once again been entrusted to operate and maintain the Coast-to-Coast Line. The Swedish Transport Administration was the client, and the contract sum is estimated at approximately SEK 160 million.

## Winter preparations

At the start of 2011, the railway was subjected to considerable stresses due to the severe winter weather. Ahead of the 2011/2012 winter season, Infranord participated in a number of preparatory projects alongside other representatives of the rail industry.

For example, we have upgraded our machine park and ensured that the correct resources are available. The preparations also encompass a number of measures in and around the points, which are very sensitive to snow and ice.

Infranord has developed a new package of

measures aimed at preventing train disruptions. The SpårEffekt package solution has been tailored with a view to preventive measures that can help to reduce disruptions during the winter. By means of even more meticulous inspections, we can provide the track owner with information about what measures need to be taken in a facility. This may include replacing points and tracks, track alignment or rail and sleeper replacement – measures that Infranord can help to perform.

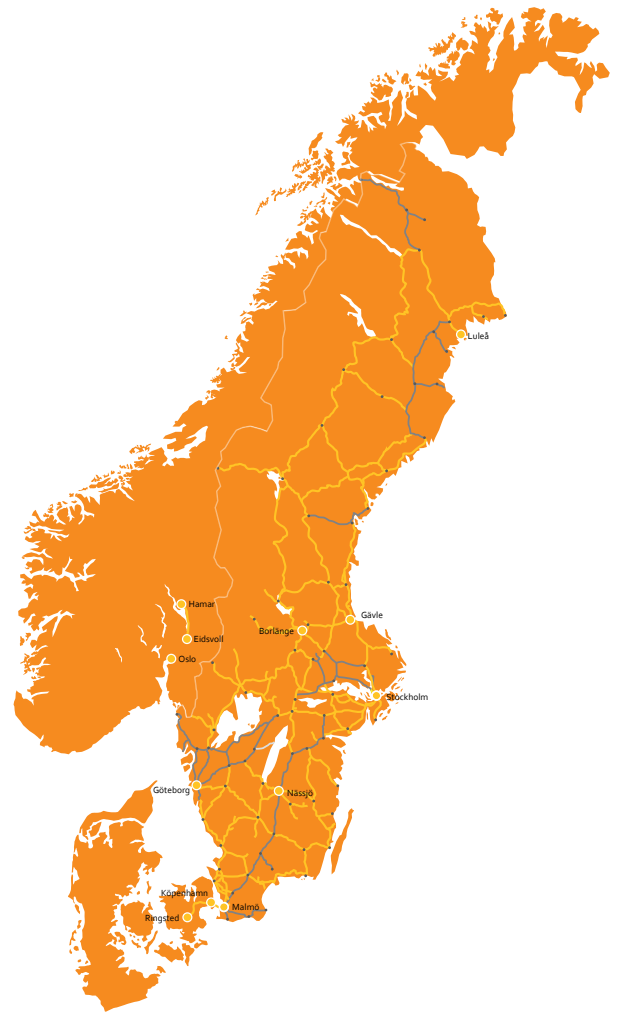
Since the 2010/2011 winter, we have been offering our "Snöfritt" service, which is not covered by existing maintenance contracts. Snöfritt involves us sharing our resources in order to assist customers with machinery and manpower in areas experiencing extreme weather.

#### The future

Demand for advanced operation and maintenance services within the Swedish rail network is expected to increase in coming years. There is political consensus regarding investment in increased accessibility. There is considerable demand for high-quality rail transport, both from the business sector and from private individuals.

As the largest player on the supplier side, Infranord is well prepared for new assignments. Infranord has the necessary resources at its disposal, possesses a good knowledge of the rail infrastructure throughout the country, as is working proactively to define future needs.

#### CONTRACT AS AT 31 DECEMBER 2011



#### CONTRACT, GEOGRAPHICAL

- Infranord
- Other contractors

2011

2,236

Net sales, SEK million

2011

45%

Market share, %



## *Innovation through co-operation*

In recent winters, rail transport in Sweden has been affected by major disruptions, in part due to points freezing solid in the event of cold weather and heavy snowfall. In order to deal with this problem, Infranord, in co-operation with the Swedish Transport Administration, is conducting an innovation project to test a new technique that prevents the points from freezing.

The old technique, which involves heating points with electricity, leads to snow and ice melting and then freezing again under the point, down in the macadam. Since 2010, Infranord has been testing a method whereby the points are heated instead using dry air. This causes the melted water to evaporate instead of running down. The climate around the point becomes dry and warm.

During the 2010/2011 winter, the technique was tested for the first time in a real environment at a point in Östersund. The tests are continuing on a further four points during the winter of 2011/2012. The new technique has demonstrated extremely good results to date.

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Section: **Östersund**

Type: **Service**

Client: **Own project**

Complete: **Winter 2012**

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# Other activities

Infranord has an extensive machine park that is adapted for the railways. With our technically advanced recording vehicles, we can carry out various measurement services on our customers' behalf. We also have six workshops, which are involved for example in building equipment for electrical and signalling engineering.

## Machinery

Infranord's machine park comprises various rail vehicles and other technical equipment adapted for rail assignments. For example, we have machinery for track and point alignment, mechanical vegetation control and transport, as well as specialist machines for tasks such as ballast cleaning, track replacement and point installation. The machine park is an important element in Infranord's overall range of services. During the year, the Logistics division, alongside the Marketing department and the regions, has worked to develop a new machinery strategy in order to streamline and adapt the machinery services to the production needs of the future.

We offer all kinds of machinery services for construction projects and for maintenance of the rail network.

## Mechanical measurement services and NDT

Infranord has a separate division for mechanical measurement services and non-destructive testing (NDT) in Sweden, Denmark and Norway. Using technically advanced recording vehicles, we perform measurements of tracks and overhead lines. We also have technically skilled personnel who carry out non-destructive testing of rails using ultrasound.

Our customers are offered well developed technology, skilled personnel, as well as machines and instruments that are specialised for their tasks.

Continual track measurement is important from a safety perspective, and offers major advantages in terms of optimising investments in the operation and maintenance of the railways. Performing measurements on rail sections makes it easier to prioritise the efforts that are required to keep the tracks in the best possible condition.

Since 2010, the division for mechanical track condition measurement and NDT has been an independent division within Infranord, since independence is important for future procurements.

Infranord has won a number of small assignments in 2011, although no major contracts have been up for procurement during the year. The division has therefore focused largely on existing assignments during the year.

## Workshops

Infranord builds equipment for signal engineering and manufactures prefabricated rail products in its own workshop in Nässjö. Our customers can be found for example in the power industry. The company's rail vehicles and machinery are also maintained in our own workshop.

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2011

206

Net sales, SEK million

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## *Infranord paving the way in Norway*

One of Norway's largest road and rail projects is taking place on one of the country's busiest sections, between Oslo and Hamar. In 2011, preparations were initiated to straighten out the railway and build a 60 km double track that will provide space for passenger trains, freight trains and future high-speed trains.

Infranord Norge has been involved in carrying out preparatory work, such as drilling for foundations and moving overhead line poles.

The construction of the tracks will be procured during 2012, and Infranord Norge preparing to submit a tender. Infranord can offer its Norwegian customers a high level of expertise and extensive mechanical and personnel resources at a very competitive price.

Demand for capacity on the railways is high in Norway, just as in Sweden, and the infrastructure is in need of refurbishment in many areas. The Norwegian State has tripled its investments in rail projects for the years ahead.

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**Section: Oslo–Hamar**

**Type: Track infrastructure**

**Client: Jernbaneverket**

**Complete: Autumn 2012**

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# Sustainability on track

Infranord is the Nordic region's leading supplier of complete rail engineering services and contracts. This is achieved through innovation, efficiency and skills – and with considerable focus on sustainable development. Issues with the highest priority include the health and safety of employees and subcontractors, as well as the company's impact on the environment.



Total emissions of greenhouse gases, ktonnes

## Environmentally sustainable

Infranord is working to reduce the consumption of resources as well as emissions and discharges to air, land and water. The company will co-operate actively with customers, suppliers and other stakeholders in order jointly to reduce the impact on the environment.



## Socially sustainable

Infranord is working actively to create the conditions for safe work. For this reason, all our personnel working in the track environment receive ongoing training in cardiopulmonary resuscitation.



## Financially sustainable

Infranord is striving to achieve continual improvements. Our customers should perceive that Infranord supplies superior and cost-effective solutions, and the owner should receive long-term and significant value – more railway for the money.

# Sustainable infrastructure

Infranord builds and maintains railways. In this way, we are helping people to travel and freight to be transported quickly, safely and with limited impact on the environment. The company's customers, employees and owners stipulate demands for operations to be conducted with regard to people and the environment.

## Customers

Infranord's customers are dependent on us delivering the right services at the right time, at the right price and with a high level of quality. Our customers primarily make demands regarding safety and the environment through procurements. For several years, Infranord has been investigating our customers' attitudes towards the company. Measurements indicate that our customers appreciate Infranord's extensive knowledge within railways as well as our technical expertise. Many customers also emphasise Infranord's focus on safety. The next customer survey is being conducted at the start of 2012.

## Employees

In order to retain and attract existing and future employees, it is vital for Infranord to be an attractive employer. At a basic level, this entails creating the conditions for safe work. The culture must also be characterised by job satisfaction, good leadership and good opportunities for development. We regularly follow up how well Infranord is living up to these ambitions in our staff survey, Infrapulsen.

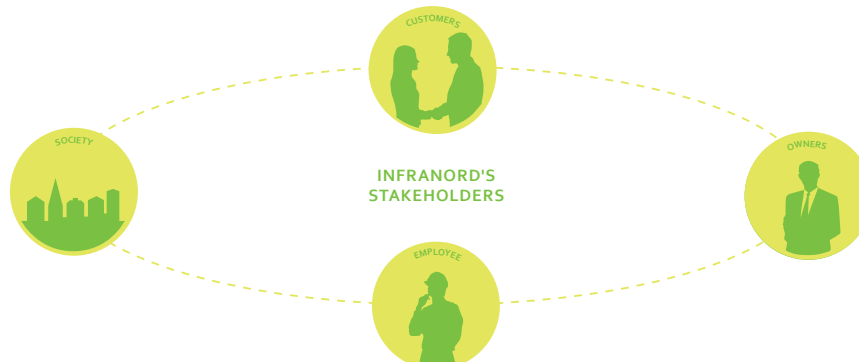
## Owners and the surrounding environment

Infranord's owner, the Swedish State, imposes demands for Infranord to create value, to give consideration to the environment and to act as a role model in relation to customers, employees and the general public. We follow this up regularly, for example through economic and sector analyses, but also through dialogue in a working group with employees and union representatives.

Our stakeholders also include the 82 locations where we have operations, the authorities that regulate our activities, the employees' representatives, suppliers, business partners and others involved in the sector.

## Infranord as a creator of value

Our stakeholders expect Infranord to supply services with consideration to people and the environment. The value that is generated in the form of income is distributed between the stakeholders through the financial flows in which Infranord is the hub: remuneration to employees and suppliers, taxes to the State and dividends to the owner.



# Management and organisation

Since Infranord was established, we have attached great importance to developing and implementing common guidelines and procedures for the entire company. By means of a common framework and a systematic approach, we are striving to implement constant improvements towards sustainable development.

## Framework for sustainable development

Infranord's most important guiding tools for our efforts within sustainable development are:

- Code of Conduct
- Environment and quality policy
- Occupational health and safety policy

The Code of Conduct is aimed at all employees and, where applicable, at customers, suppliers and business partners. The Code contains the company's business principles, as well as our undertakings and requirements regarding working conditions, environmental and social responsibility, communication and economy. The Code of Conduct is now included in introductory training, and internal follow-up takes place through employee surveys and internal audits. During the year, 34 internal audits, 14 external audits and one supplier audit were conducted.

## With the goal in our sights

Infranord's operations are characterised by preventive initiatives and constant improvements. Developing overall goals for the entire operation is a prioritised area. Infranord has a working group comprising employees and union representatives from the entire operation, which develops overall goals within the fields of safety, employees and the environment. The goals set for 2011 were to reduce fuel consumption to 6,800,000 litres, for reported near-accidents with feedback to amount to 200, for the response frequency for the employee satisfaction index to amount to 68 per cent, for sickness absence to be below 3 per cent and for there to be zero tolerance as regards accidents. The goals are broken down in a way that is relevant for the various parts of the business, and the results are followed up with the aid of the "Results-oriented management" model. The results for some of the established goals in the indicators can

be found on pages 28, 33 and 34. Infranord's management systems are certified in accordance with ISO 14001 for the environment and ISO 9001 for quality.

## Organisation

Infranord's sustainability work is co-ordinated by the Business development function. This includes health and safety, as well as quality and environmental issues. The function is in close contact with the Personnel department, particularly on training issues.

The manager of Business development has ultimate responsibility and is in charge of sustainability issues within the management. The manager for Sustainable Development is responsible for a working group in which the safety, environment, working environment, personnel, purchasing and marketing functions are represented.

## Strengthened follow-up and control

Infranord's sustainability work also covers business partners. During the year, we began the work of developing a web portal for external partners. We enjoy a close co-operation with business-critical suppliers, and we will begin systematic audits of our suppliers during 2012.

We will also carry out risk assessments ahead of new collaborations. Consideration will be given to factors such as the sector in which the supplier is operating and the country where the business is run. Our measures will be based on the outcome of the risk assessment, and may entail stipulating specific requirements and conducting audits on site.

Finally, it will become easier to report deviations from Infranord's Code of Conduct, as a whistleblower function is to be introduced during 2012. Employees who wish to make contact anonymously will be able to do so via the intranet or on a form.

# Groundbreaking expertise

We have conducted several initiatives during 2011 in order to increase skills and job satisfaction, both among employees and managers. Our aim is to create a work climate where everyone's experiences are utilised and where diversity is an asset.

## Employees driving our success

*Infranord's goal was for the response frequency for the Employee satisfaction index (NMI) to reach at least 68 per cent. The result was 72 per cent.*

Our employees are decisive in our efforts to achieve groundbreaking expertise. We feel that employees who are happy also perform well, resulting in higher quality, efficiency and customer satisfaction.

One of the most important tools in our efforts to make Infranord the most desirable workplace in the sector is Infrapulsen, a model for staff surveys that was launched during the year. We have developed the tool according to our needs, and Infrapulsen is now primarily used for assessing job satisfaction and leadership. At the same time, it provides employees with an opportunity to express their opinions anonymously. The models also facilitates comparisons within the company, in the sector and internationally. This year's survey shows that the employees are giving their managers good grades. However, we need to work intensively to increase job satisfaction, above all through even more focus on personal and professional development.

## Leadership and skills

During 2011 we focused on developing leadership and skills. The leadership within Infranord must be characterised by results, participation and trust. This involves both promoting results and providing good conditions for employees. We have therefore introduced two comprehensive training courses: a basic course and a course for experienced managers. In total, around 160 managers will attend the courses. At the end of 2011, the first groups received the training, which will be held a further four times during 2012 and four times in 2013.

In addition, an investment in Infranord's supervisors was launched. Some of their administrative duties will be moved to a different division, and in line with this they will be able to be more accessible as managers. The supervisors attended a one-day course during 2011, and they will receive additional support for their leadership skills during 2012.

We also launched a new, uniform introduction for new employees and an updated model for staff appraisals. In addition, the development of Infranord Academy was one of our most important initiatives. The aim is to carry out the major

### Employees

Number	2011	2010
Permanent employees	2,643	2,844
of whom men	2,426	2,624
of whom women	217	220
Others <sup>1</sup>	102	114
<b>Total, Infranord</b>	<b>2,745</b>	<b>2,958</b>
Hired <sup>2</sup>		121

<sup>1</sup> Relates to general temporary employment, work placements, employment on an hourly basis, probation, seasonal work and substitute work.

<sup>2</sup> Hired personnel are not followed up in the same way in the various regions. For this reason, hired personnel are not reported for 2011.

### Staff turnover in 2011<sup>3</sup>, number

Age group	Men 2011	Women 2011
<=40	100	23
41-45	42	6
46-50	39	10
51-60	101	12
61-65	68	5
>66	6	2
<b>Total</b>	<b>356</b>	<b>58</b>

<sup>3</sup> Includes individuals leaving at their own request and those given notice of termination. Infranord has been privatised since 2010, which resulted in major structural changes.

ity of the training in-house that is mandatory for our industry, in areas such as transport and electrical safety. Our hope is to achieve more flexible and efficient training, with the idea being that the training will come to our employees, instead of vice versa. Infranord Academy was launched at the beginning of 2012.

In order to increase awareness of Infranord as an exciting and progressive workplace, we have participated at labour market fairs and events such as Career Days and Nordic Rail. During the year we have increased our presence on social media, we have launched our new recruitment and ambassador concept BEST People, and we have extended our collaboration with selected vocational schools. We want to encourage more young people, women and people from different ethnic backgrounds to opt for technical training. We will also need to recruit around 150 new engineers per year for the next ten years. For this reason, we are collaborating with upper secondary schools in Nässjö and Borlänge.

### Safety at work

*Infranord's objectives are*

- for sickness absence to be below 3 per cent
- for the number of reported near-accidents with feedback to amount to 200
- zero accidents.

The background to Infranord's goal regarding near-accidents is that accurate and reliable reporting of near-accidents is an important foundation for improved safety at our workplaces. Infranord's initiatives regarding safety and the working environment are characterised by routine, preventive measures. The company's working environment and safety policy specifies the areas of focus. There

is a system for reporting, managing and analysing discrepancies. This system provides us with supporting data when we come to take decisions regarding improvements. Authorisation requirements, training and ongoing dialogue about safety also help to create the conditions for safe work and a reduced risk of accidents. Every year we devote a total of around 86,000 hours to safety training. During 2011, we have offered 7,747 places on various safety training courses.

Each individual is responsible for implementing the applicable safety rules and for using the safety equipment supplied. Since 2011, we require that everyone working on the tracks must wear a helmet. Read more on page 29.

Infranord's safety work is one area of focus, and we are investing in further strengthening this area. For example, we developed joint procedures for crisis management during the year, as well as commencing the implementation of the new working method. We conducted emergency drills in our central organisation and in one of the regions. More regional exercises are scheduled for 2012, and the experiences from these exercises will be documented and disseminated. During the autumn, our safety work was highlighted by Arbetsmiljöforum (Work Life Forum), when we were awarded second prize in the category of best working environment concept, for a sliding protection for ladders intended to prevent fall accidents.

Despite safety initiatives, accidents do still unfortunately occur. Two serious accidents occurred during the year: one electrical accident and one collision with an excavator. Both accidents led to class 1 investigations, i.e. our most comprehensive type of investigation. One has been completed, and the examination resulted in measures and improved procedures, for example with regard

#### Accidents and near-accidents

Number	2011	2010
Fatalities	0	0
Accidents <sup>1</sup>	14	24
Near-accidents	261	165

Total number of lost days in conjunction with accidents amounts to approximately 400. Infranord is working to increase the reporting of near-accidents. This constitutes an important basis for preventive safety work.

<sup>1</sup> Accidents that have generated more than 14 days of absence.

#### Sick leave

%	2011	2010
Sick leave	3.06	3.00
Long-term sick leave	0.83	0.72

Sick leave increased marginally from 2010, but remains at a relatively low level. Infranord's goal is for sick leave to be below 3 per cent. Two personnel strategists were employed in 2011, supporting the employees with both preventive care and rehabilitation.





## *Use you head – put on your helmet*

Infranord co-operates with the trade unions SEKO (Swedish Union for Service and Communication Employees), ST (Union of Civil Servants) and TJ (Traffic and Railways) regarding safety issues within the framework of the Central Safety Committee. The Committee has reviewed safety, with discussions relating to the objective over the next three years. Prioritised areas include increased safety focus in the tender stage and planning for increased risks that can influence the working environment.

One decision that has taken effect over the past year on the advice of the Safety Committee is that it is now mandatory for everyone working in the track environment to wear a helmet. Different groups have different colour helmets; for example, visitors must wear blue helmets. The reason for the helmet requirement is that tractors are now being used to a greater extent in conjunction with sleeper replacement, which increases the risk of head injuries.

to safety planning and clarification of areas of responsibility.

### Co-operation for increased safety

All players in the rail sector are responsible for creating good conditions for safe work on tracks that are in service. The industry council that was formed at Infranord's initiative now operates within Föreningen Sveriges Järnvägsentreprenörer (branch organisation of Swedish rail infrastructure companies). The purpose of this is the exchange of experiences and dialogue with the Swedish Transport Administration. During the year we discussed matters such as the importance of all parties having access to the same information about near-accidents and accidents. The purpose is to attain a common view of safety on the rails.

### Towards a diverse workforce

Having a workforce that embodies broad diversity is a major asset in our opinion. At the same time, Infranord operates in a male-dominated sector, and so diversity is therefore a major challenge for us. In order to ensure that Infranord receives potential and existing employees on equal terms, we are continuing to conduct targeted initiatives. During the year we have developed a diversity and equal opportunities plan in collaboration with the trade unions.

In Infranord's staff survey, Infrapulsen, 3 per cent stated that they feel they have been discriminated against and 6 per cent stated that they had experienced harassment. As a consequence of these results, we have increased communication regarding these issues, focusing on how discrimination and harassment can be expressed and where employees can turn for assistance.

The issues have also been raised in the company's diversity plan. The Personnel department has been notified of one case of discrimination during the year and is investigating this according to internal procedures.

### Female managers

At the end of the year, Infranord had a total of 403 managers, of whom 37 were women and 366 were men. The management team comprises 4 women and 10 men, while the corresponding figures for the Board of Directors are 3 and 6. We are working actively to bring in female employees by having women represent Infranord at trade fairs, for example, where they have the opportunity to describe what it working within Infranord is actually like.

### Employee relations

At Infranord we encourage a style of leadership that is based on participation and trust. We consider that an open dialogue and good employee relations help to move the business forwards. In addition, almost all of Infranord's employees (95 per cent) are affiliated to trade unions and all of these are covered by collective agreements.

The centralisation of Infranord's organisation has made itself felt during the year. A total of 414 people have left Infranord during 2011, mostly as a result of the restructuring process. The period of notice is based on the length of employment, and those who have been given notice as a result of the restructuring have had twice as long a period of notice as a result of Infranord's agreement with the Job Security Foundation. The period of notice is regulated in laws and collective agreements.

### Women and men in managerial positions

Role	Number of women	Number of men	Total
Infranord's Board of Directors	3	6	9
Infranord's management	4	10	14
Managers, business organisation	9	67	76
Managers, resource organisation	6	27	33
Supervisors	6	225	231
Other managers <sup>1</sup>	9	31	40
<b>Total</b>	<b>37</b>	<b>366</b>	<b>403</b>

<sup>1</sup> Other managers include managers from the finance, logistics, marketing, business development and personnel functions.

# What is it like working at Infranord?



*"At Infranord you are always developing! The best thing is all my colleagues right across Sweden – everyone has their own speciality within railways, and these skills are difficult to learn in school. It's important to make use of them!"*

**Farnoush Nayab**, contract engineer in Västberga

*"Infranord is a stable and secure company with significant development opportunities, particularly as the rail sector is growing and growing. The best thing is that you never know what a week is going to be like, because there are often rapid changes. Morale at work is very good, and you learn something new every day."*

**Bo-Inge Nilsson**, supervisor in Kil

*"My work at Infranord is one of the most enjoyable and most interesting jobs I've had. Every day you are confronted by new challenges and rapid decisions. You have to dare to feel and take responsibility. When you are curious, you can become better and better at what you do. It is never boring or monotonous here. I also appreciate working outdoors, whatever the season or the weather!"*

**Rina Thornback**, inspector in Katrineholm

*"The work is enjoyable and varied – we have a great many major projects, and it is exciting to be involved in changing and improving the railway. I have fantastic colleagues here who put themselves forward and accept help when necessary. There is also always something to learn within signal engineering, and it is a challenge to keep yourself constantly updated and to learn new things."*

**Lars Bäckström**, signalling engineer in Västberga

## *Enriching diversity*

We are convinced that having a diverse workforce makes Infranord a more creative, innovative and hence more successful company. This is also laid down in Infranord's Code of Conduct and in the company's diversity policy and equal opportunities plan.

We are improving the conditions for increased diversity by encouraging young people to opt for a technical bias in their education and to apply for work placements and employment at Infranord. We are also encouraging people from different backgrounds to apply to Infranord, which can be seen from our recruitment advertisements. Infranord's new manager development programme is also adapted to a form of leadership where everyone's differences are utilised.



# Green path to the future

Infranord plays an important role in providing the Nordic region with the conditions for safe, fast and environmentally sound transport, but it is impossible to get away from the fact that we do have an impact on the environment. This relates primarily to emissions and discharges that influence the greenhouse effect from vehicles and machinery as well as chemicals and waste.

## Environment given a high priority

Sustainable development is a part of our strategy and of the way we do business. As a result, reducing our environmental impact is a high priority. Our aim is to continue making more efficient use of resources and so reduce emissions into the air. The focus lies on reducing fuel consumption and thereby carbon dioxide emissions from machinery and vehicles.

Our environment and quality policy and our management system help us in this work. Infranord has been awarded quality certification in accordance with ISO 9001 and environmental certification in accordance with ISO 14001. Our aim is for all our employees to receive Infranord's environmental training, which is more than is required by the law and our customers. We are noticing continued focus on environmental issues on the part of our customers. During the year, Infranord has discussed new environmental requirements with our largest customer, the Swedish Transport Administration. The new environmental requirements are a collaboration between the Swedish

Transport Administration and the cities of Stockholm, Göteborg and Malmö, where extended environmental requirements are being discussed for example regarding road vehicles, rail vehicles and the choice of fuel. The final result is not complete, however.

## Focus on fuel consumption

*Infranord's goal for 2011 was to reduce the total amount of fuel consumed by our own vehicles and machinery to 6.8 million litres.*

Our task includes ensuring that railways are built and maintained with as little impact on the environment as possible. For this reason, fuel consumption and environmental impact are important areas of focus for Infranord.

The objective is to reduce the total amount of fuel consumed by our own vehicles and machinery by 3 per cent between 2010 and 2012, compared to average consumption in 2009–2010. In concrete terms, this means a target of 6.8 million litres of fuel in 2011 and 6.74 million litres in 2012. Our efforts have produced results: Infranord con-

### Direct energy use per primary energy source

GJ	2011	2010
Diesel	169,650	195,640
Petrol	29,892	32,905
E85	1,970	2,351
<b>Total</b>	<b>201,512</b>	<b>230,896</b>

The calculations are based on statistics regarding diesel, petrol and E85 consumption.

### Total emissions of greenhouse gases

ktonnes	2011	2010
Diesel	13.9	16.1
Petrol	2.5	2.7
E85	0.045	0.1
<b>Total</b>	<b>16.5</b>	<b>18.9</b>

The calculations are based on established factors for calculating carbon dioxide equivalents, for diesel (3), petrol (2.77) and E85 (0.52).

### Carbon dioxide emissions

Tonnes per SEK million of sales	2011	2010
Carbon dioxide emissions, ktonnes	16.5	18.9

Our carbon dioxide emissions continued to fall during 2011. This was due to a harsh winter which affected construction projects in southern Sweden, as well as fewer projects compared to 2010.

sumed approximately 5.64 million litres of fuel during the year, which means that we achieved the fuel goal for 2011.

Infranord's analysis shows that the best results for reduced fuel consumption are achieved by shortening transport routes through optimum planning of where and when our machines are used. Fuel-efficient driving methods also play a major role. Training combined with standardised and streamlined working methods have contributed to increased awareness, altered behaviour and reduced fuel consumption. The harsh winter and fewer projects than in 2010 naturally also affected the results.

### Reusing, recycling and disposal

Infranord endeavours, as far as possible, to reuse railway material such as rails, sleepers and points in new projects. By reusing the material, we can offer our customers a better price, increase our potential to win deals and look after the environment. If the supplier cannot take care of surplus material, we will decide whether it can be used again. Usable material is registered and then used in future projects.

Material that cannot be reused is disposed of in a responsible manner. Waste is sorted at source at

Infranord's recycling centres, where it is sorted into hazardous waste, material recycling, flammable and non-flammable/landfill/residual waste.

Waste and hazardous waste that is generated in conjunction with Infranord's activities is transported using our own vehicles to our own recycling centres, and then on to external handling facilities. Infranord has permits for the transport of waste and hazardous waste.

### Responsible chemicals handling

A chemicals task force was established during the year, comprising representatives from the working environment, environment and logistics functions, with the aim of improving Infranord's chemicals handling. The newly introduced system, Infrachem, is available to support this group. All employees can access the system via the intranet. Here they will find a list of chemicals that are approved for use by law and according to customer requirements, as well as risk assessments for each product. All consumption is registered, creating good conditions for rationalising and reducing chemical usage. Our aim is to reduce the number of chemicals, which will produce a better working environment and environment as well as reducing administrative costs.

### Waste, 2011, per waste category and handling method

Tonnes	Hazardous waste	Waste	Total
Reuse	0	2,519	2,519
Material recycling	219	17,841	18,060
Incineration	22.1	1,911.1	1,933.2
Landfill	0	207.5	207.5
<b>Total</b>	<b>241.1</b>	<b>22,478.6</b>	<b>22,719.7</b>

Hazardous waste principally includes waste oil, sludge from oil separators and batteries. It also includes residue from solvents, chemicals, paint, adhesive and lacquer, as well as cables or electronics containing hazardous components, etc. As the amounts of waste can vary depending on which types of contract Infranord is conducting, comparison figures between the years can vary significantly. For this reason, we consider that a comparison with 2010 is not relevant.

### Number and volume of spillages, 2011

Type	Number	Volume, litres	Decontamination
Hydraulic oil	16	1,024	2
Engine oil	1	3	0
Diesel	1	100	0

None of the spillages that occurred are categorised as significant, although all the incidents have been handled in accordance with Infranord's procedures for environmental accidents. Investigations have been launched in all cases, and no legal action has been brought against Infranord. Decontamination has taken place through the excavation of material, and in one case through the collection of water. In 13 out of the 16 spillages involving hydraulic oil, the oil was biodegradable.

By investing in the maintenance of machinery and vehicles, we have limited emissions and discharges, hose ruptures and other breakdowns. The business also uses biodegradable hydraulic oil in its operations, resulting in reduced environmental impact in the event of any oil discharges.



## *Innovation for a better environment*

A new division, called Innovation, has been formed in 2011 to develop the business from a Lean Manufacturing perspective. This entails measures such as minimising all unnecessary use of such resources as materials and time, with a goal-oriented, efficient and consistent working method as our objective. In practice, this can involve a decrease in transloading, fewer transports and reduced downtimes. On this basis, we consider that our environmental impact can be reduced.

# Co-operation is the key to success

Everyone agrees. Trains are good. Environmentally friendly, comfortable and efficient. When the system is working as it is supposed to. But railways do not look after themselves. They require maintenance, development, investment and clear rules. And these are achieved through co-operation.

Trains are increasingly in demand as a means of transport, despite the fact that the railways have had to put up with a great deal of criticism in recent years. Criticism that to a large extent is justified. There have been too many accidents and disruptions to services. The co-operation between operators, track owners and rail contractors has not worked as well as it should.

The criticism has not fallen on deaf ears, however. Over the past year, a great many measures have been implemented aimed at improving the railway system. The industry has jointly concentrated its efforts and achieved good results. However, we have to be aware that extreme weather can always affect services. This does not only apply to the railways, but to all forms of transport. It is not possible to eliminate all risks, no matter how much time and money are invested.

There is now a clear political will to invest in the railways. The Swedish Transport Administration has conducted a capacity investigation, which shows what needs to be rectified and forms a map for the future.

Sweden is an expansive growth country, and as such we have to have a good railway system. As a result, everyone in the industry has a shared responsibility to create a logistics system for the railways that is sustainable in the long-term. The political will is also decisive if we are to succeed. Trains are an environmentally friendly means of transport. That's why our task is now even more pressing.

The industry's players are in agreement that co-operation is the key to success. As a result, I am very positive about the future of the Swedish railway.

## Successful deregulation

The railway in Sweden is 150 years old, yet the railway market is young. Sweden's railway was not fully deregulated until December 2011, with the opening up of interregional services to competition. The rules that applied when the railway was entirely a State concern now have to be replaced with new ones.

Over the past two years, voices have been raised maintaining that the deregulation of Sweden's railways has been a failure. I do not agree. Of course there are deficiencies in the system, but these have not come about because it is wrong to have a competitive market. They are due to forms of co-operation and regulations not having been established – and because the infrastructure has not been maintained and developed sufficiently well while the railways were in State ownership. Over the past 20 years, passenger transport has increased by 70 per cent and freight transport by 23 per cent. I would not call this a failure.

## Board of Directors coaching the management

During the year, the Board of Directors of Infranord has prioritised coaching the management in their work of consistently keeping to their strategy. We have a highly skilled Board with long experience of the sector and from profit-making business activities. We have carried out an evaluation of the Board's work during the year. The results are gratifying. There is a high level of commitment in the Board and the collaboration is working well.

The Board's task is to support the company's management in their work of creating a commercial and efficient company. Infranord has a long tradition, but it has only been run commercially for





two years. This means that the entire organisation has to undergo a cultural change.

Infranord's strategy is to become the most competitive alternative on the market by having the industry's most efficient processes. During 2011 we commenced the work of standardising services and creating a best practice that will apply throughout the entire company.

Being consistent and sustainable, even in tough times, represents a major challenge. Infranord has succeeded well with this in 2011. I am convinced that this will produce results in the future. Creating sustainable profitability requires both courage and patience on the part of the owner and the Board of Directors.

I am proud to be the Chairman of Infranord and to be involved in contributing to the railway of the future in Sweden and the Nordic region. Co-operation and open competition will lead to higher quality and better freedom of choice in the railways.

Stockholm, March 2012

A handwritten signature in blue ink, which appears to read 'Jan Sundling'.

Jan Sundling  
Chairman of the Board of Directors

# Financial reporting



# Administration Report

The Board of Directors and the Managing Director of Infranord AB hereby submit the Annual Report and the consolidated accounts for the 2011 financial year.

## About Infranord

Infranord is the Nordic region's leading rail contractor. The company operates and maintains rail infrastructure and performs new construction, expansion and refurbishment projects related to the railway. Infranord conducts operations through the parent company Infranord AB in Sweden, as well as through its wholly owned subsidiaries Infranord A/S in Denmark and Infranord Norge AS in Norway.

## Significant events during the year

Infranord's second year as a limited company has finished, and 2011 was a year full of challenges. Net sales during 2011 amounted to SEK 4,495 million (4,507) and operating profit/loss amounted to SEK -71 million (30). The main reason for the poorer results is a change in the sales mix between the two years, with a move towards projects with a larger proportion of materials and a lower requirement for in-house resources in the form of personnel and machinery. The severe winter weather at

the start of the year also made some of the scheduled work more difficult, resulting in the low utilisation of personnel and machinery resources. Infranord has also written down profits in ongoing projects during the year.

The market situation for rail-related services in the Nordic region is still bright, particularly looking a few years ahead. Politicians, the business sector and consumers are all showing considerable interest in the railways, and investments worth almost SEK 70 billion are planned in Sweden alone over the next ten years.

For Infranord, the past year has seen us starting to implement our major improvement projects. We have streamlined and standardised our processes for track and sleeper replacement during the year, with very good results. Several more processes are due for revision next year, including the replacement of points and overhead lines. Furthermore, measures aimed at improved optimisation of resources and increased flexibility have been implemented. Measures targeting better project management and increased machinery quality will be conducted during 2012.

Infranord won its first contracts in Denmark and Norway in 2011, entirely according to plan. These two markets represent significant potential

KEY FIGURES, GROUP MSEK	2011	2010
<b>Group</b>		
Net sales	4,495	4,507
Operating profit/loss	-71	30
Operating margin (%)	neg.	0.67
Net profit/loss for the year	-62	19
Earnings per share (SEK)	-0.46	0.14
Return on equity (%)	neg.	3.8
Return on capital employed (%)	neg.	3
Equity/assets ratio (%)	30.6	35.9
Equity per share (SEK)	4.67	5.12
Incoming orders	3,981	4,992
Orderbook	4,615	5,129

for the future for Infranord. In Denmark, Infranord has built tracks between Copenhagen and the Öresund Bridge during the year, and in Norway we have carried out work on overhead lines in Minnesund.

Other important contracts that Infranord has won during the year include the maintenance of the Coast-to-Coast Line in southern Sweden and the construction of track in Kiruna. The local authority in Kiruna is moving an entire town, and Infranord has been commissioned to move the railway. Also in Kiruna, Infranord has been entrusted to build a railway in the mine's new main level, 1,365 metres below ground.

Infranord is anticipating an improved market situation in 2012, but also stiffer competition.

### Incoming orders and orderbook for the Group

The orderbook at the end of the year amounted to SEK 4,615 million (5,129). Of the total orderbook of SEK 4,615 million, approximately SEK 2,550 million will be delivered during 2012.

Incoming orders during the year amounted to SEK 3,981 million (4,992), a reduction compared to the previous year primarily attributable to the fact that the Swedish Transport Administration procured lower volumes in 2011. Of incoming orders, SEK 2,608 million related to new orders and SEK 1,373 million to amendments and additional work.

Of the new orders, Infranord has won four large deals during the first three quarters: the commission to manage the operation and maintenance of the railway in Malmö and southeastern Skåne (order value SEK 330 million), the construction contract to build a new railway west of the community and the mine in Kiruna (order value SEK 200 million), the operation and maintenance of 240 km of railway for the west-

ern part of the Coast-to-Coast Line (order value SEK 165 million), as well as foundation setting and track placement on the Hässleholm-Åstorp section of the Skåne Line (order value SEK 230 million).

Infranord has also won the strategically important initial contracting contracts in both Denmark (order value SEK 50 million) and Norway (order value SEK 15 million). The Danish assignment entails Infranord as the construction contractor building two parallel tracks from Copenhagen's main rail yard to the Öresund Line. In Norway, Infranord will construct a hundred overhead line foundations and install overhead line poles along the Minnesund-Eidsvoll section.

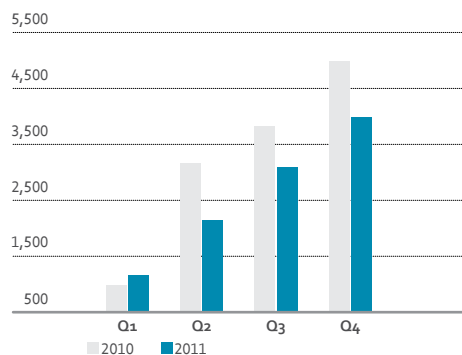
### Net sales and results for the Group

Accumulated net sales during the year amounted to SEK 4,495 million (4,507), which is on a par with the previous year.

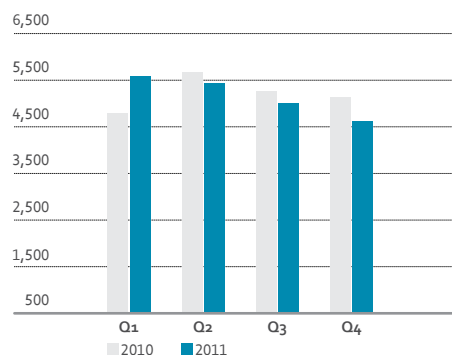
Accumulated operating profit/loss during the year amounted to SEK -71 million (30), which is SEK 101 million lower than the previous year. One of the reasons for this is a change in the sales mix between the years, with a move towards more material-intensive projects with a lower requirement for personnel and machinery during 2011. The harsh winter weather at the start of the year also had a negative impact on results, making some of the scheduled work more difficult, resulting in the low utilisation of personnel and machinery resources.

During the year, Infranord has also written down profits in ongoing projects due to incorrect pricing, as well as insufficient control and management of the projects. In addition to this, certain one-off costs relating to pensions have impacted on the profit figures for the year.

Incoming orders, accumulated, SEK million



Orderbook, SEK million



Over the past year, Infranord has begun implementing major improvement projects. This work includes the streamlining and standardisation of the processes for rail and sleeper replacement. During 2012, Infranord will also be commencing the improvement projects for point and overhead line replacement. In addition, measures aimed at achieving improved resource optimisation and increased flexibility have been implemented, and measures targeting better project management and improved machinery quality will be conducted during 2012.

### Seasonal variations

Operations within Infranord are affected by major seasonal variations, including as a result of the weather. As a result, the first two quarters are normally weaker than the rest of the year. This means that the profits are not generated linearly, but that the majority of profits are generated during the second half of the year.

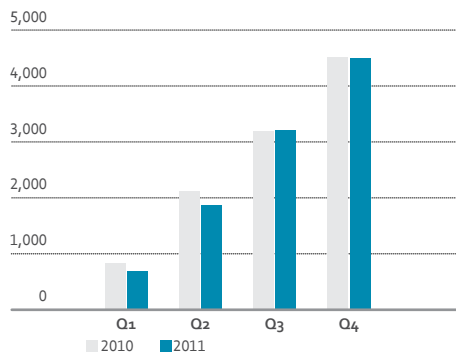
### Market

Infranord had sales of SEK 4,495 million during 2011, making it the leading rail contractor on the Nordic market. Infranord's objective is to deliver more railway for the money, and the company's overall market strategy is to deliver the right quality at the lowest price.

### Sweden

The total potential volume within Infranord's business concept in Sweden is estimated at just over SEK 10.7 billion. The Swedish Transport Administration makes up 81 per cent of the volume, SL makes up 14 per cent and other track owners make up the remaining 5 per cent. Infranord's sales in 2011 correspond to a total market share of 41 per cent.

### Net sales, accumulated, SEK million



### Denmark

In 2011 Infranord achieved sales of DKK 35 million on the Danish market. The Danish market is anticipated to achieve sales totalling between DKK 4–4.5 billion during the period 2012–2014, of which approximately DKK 2 billion (51 per cent of the investment volume) falls within Infranord's business concept. New investments have been procured in competition since 2005, although maintenance is not subject to competition.

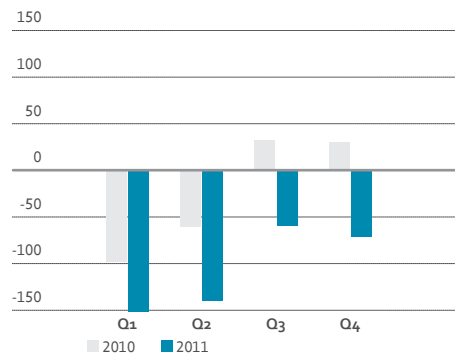
### Norway

In 2011 Infranord achieved sales of NOK 19 million on the Norwegian market. The Norwegian market is anticipated to have sales totalling approximately NOK 10 billion in 2012. According to the National Transport Plan (NTP), sales of NOK 8.8 billion are anticipated for 2013 and NOK 9.5 billion for 2014. Of the total volume, 21 per cent falls within Infranord's business concept, totalling approximately NOK 2 billion per year during the period 2012–2014.

### Cash flow

The cash flow from ongoing activities during the year amounted to SEK -133 million (-105). The negative cash flow from changes in working capital for the year relates to tied-up capital in a few major, material-intensive projects that have bought in material into stock before payment has been received from customers. The financing of the cash flow for the year has taken place through an increased overdraft facility, totalling SEK 233 million, and the net figure from raised/repaid loans, totalling SEK 40 million. The cash flow for the year amounted to SEK 17 million (1). Liquidity is also affected by seasonal variations, which has been a prioritised issue during 2011. The entire invoicing process is currently being reviewed. As a result, Infranord anti-

### Operating profit/loss, accumulated, SEK million



pates minimising the use of the overdraft facility during the first quarter of 2012.

#### **Financial standing and liquidity**

SEK 278 million out of granted bank overdraft facilities totalling SEK 500 million have been used. Interest-bearing loans excluding overdraft facility amounted to SEK 340 million (300), of which short-term loans amounted to SEK 67 million (50). This includes the Group's financial leasing of SEK 85 million, of which short-term financial leasing amounted to SEK 7 million. The Group's equity amounted to SEK 631 million (693), and the equity/assets ratio stood at 30.6 per cent (35.9). The balance sheet total amounted to SEK 2,059 million (1,932).

#### **Investments, divestments and acquisitions**

Investments including current investments amounted to SEK 123 million (43). Of this amount, SEK 21 million (32) relates to investments in new construction in progress in respect of production resources, and SEK 89 million (0) relates to financial leasing in the Group.

#### **Personnel**

The number of employees in the Group at the end of the year amounted to 2,758 (2,964). The number of employees at the end of the period included 58 employees who are being outplaced and have been offered a solution for early retirement.

#### **Significant risks and uncertainty factors**

The risks that have been identified are primarily related to Infranord's operational activities. The fact that Infranord's business projects are managed and steered effectively, and that delivery takes place in accordance with the demands of the company's customers, has a significant impact on Infranord's profitability. Infranord will safeguard the transfer of skills and recruitment in conjunction with the large-scale retirements due over the next few years. Infranord is conducting expert safety work on the zero vision regarding deaths or serious injuries.

The financial risks are principally linked to liquidity planning and currency handling. Infranord's business experiences significant seasonal variations, with sales per month fluctuating between SEK 200–600 million, which impacts on the potential for stable liquidity planning. The primary causes of these fluctuations are the wishes of our customers, periods of unfavour-

able weather, as well as altered planning for major projects. Currency handling is primarily related to Infranord's expansion into Denmark and Norway, and associated contracts with long terms.

Market risks consist in the first instance of the market being made up of a limited number of customers with a dominant position, controlled by political decisions.

Within Infranord, the assessment and handling of risks form part of the ongoing work. This takes place for example when working on tenders, implementing business projects, in conjunction with organisational changes and in the event of investments. Infranord's risk map is continually being updated to ensure that we implement preventive measures successfully.

#### **Environmental information**

Reducing the environmental impact of operations has a high priority. The objective is to reduce emissions and discharges into the air, land and water, as well as constantly to rationalise the use of resources. The focus lies on reducing fuel consumption and thereby carbon dioxide emissions from machinery and vehicles.

The company does not conduct any activities requiring a licence.

#### **Parent company**

Infranord AB conducts activities within rail infrastructure, manages shares in the subsidiaries, and is responsible for Group-wide funding and investment. Net sales during the year amounted to SEK 4,446 million (4,507) and operating profit/loss for the year amounted to SEK -69 million (33).

#### **Board activities**

The Board of Directors comprises seven members elected by the Annual General Meeting, as well as two employee representatives and their deputies. The Managing Director does not sit on the Board, but is regularly present at these meetings, normally as a submitter. The deputies are also entitled to attend and express an opinion at the Board meetings.

During the 2011 business year, the Board of Directors has held nine meetings in addition to the statutory meeting in conjunction with the AGM.

The Board has three committees: the audit committee, the remuneration committee and the project committee. The main task for the Board's commit-

tees is to prepare matters for decisions by the Board. Guidelines for the work of the committees are laid down in the Board's agenda. The audit committee comprises three members elected by the AGM, the remuneration committee comprises three members elected by the AGM, and the project committee comprises four members elected by the AGM. The audit committee held five minuted meetings during 2011, at which it examined the scope and performance of the work of the external audit, the financial reporting and the internal checks. The remuneration committee held one minuted meeting during the year, as well as a number of informal contacts in conjunction with the establishment of guidelines and principles for remuneration and other employment terms for senior executives. Before the 2012 AGM, the remuneration committee will prepare a proposal regarding principles for remuneration and other employment terms for the company management, to be approved by the AGM. The project committee held nine minuted meetings during 2011, at which they examined and assessed major contracting projects and other projects with a tender sum of between SEK 100–500 million, before the submission of binding tenders. The Board of Directors' fees and remuneration for work in the special Board committees are presented in Note 4. Further information about the company's management can be seen from Infranord's corporate governance report.

#### **Guidelines for remuneration to senior executives**

Infranord follows the State's guidelines regarding remuneration to senior executives. Senior executives within Infranord only receive a fixed salary, with no bonus or incentive programmes.

#### **Financial goals and capital management**

The Government has been commissioned by Parliament actively to manage the State's assets, to ensure the best possible long-term growth in value. The goal of creating value entails demands for a long-term approach, efficiency, profitability, the capacity to develop and a sustainable environmental and social assumption of responsibility.

Financial targets for Infranord were established at the AGM in April 2011. A long-term, ambitious goal for return on equity was set at 16 per cent, and an equity/assets goal of 33 per cent was laid down. The goals are long-term in nature, and deviations may occur in par-

ticular years. The dividend policy was established for a regular annual dividend of 50–75 per cent of the profit for the year after tax. Within the framework of the dividend policy – in the event of a proposed dividend in the case in question – consideration will be given to the company's future capital requirements and any investment and acquisition plans. Dividends are only issued if the equity/assets goal has been achieved.

#### **The shares**

Infranord AB has issued 135,226,547 shares, comprising only one share type, and all the shares carry equal rights in the company. All the shares are owned by the Swedish State. The shares have a quota value of one krona.

#### **Events after the balance sheet date and anticipated future developments**

There are no significant events after the balance sheet date to report.

Infranord is looking towards the future with confidence, and the order situation is favourable with a total orderbook of SEK 4,615 million, of which SEK 2,550 million refers to deliveries in 2012.

#### **Proposed allocation of profits**

The Board of Directors proposes that the funds available (SEK):

Profit brought forward	538,893,787
Net profit/loss for the year	-37,916,978
	<b>500,976,809</b>
Be allocated so that the following amount is carried forward	500,976,809

Infranord AB's annual general meeting will take place on 26 April 2012 at Svetsarvägen 8, Solna.

The Group's and the parent company's profits and financial position otherwise can be seen from the following Income and expenditure accounts, as well as from cash flow statements and supplementary information.

Unless otherwise indicated, amounts are presented in SEK million.

# Corporate Governance Report 2011

Infranord is a limited company with the Swedish State as the sole owner. State-owned companies are subject to the same laws as privately-owned companies, and the State-owned companies' external reporting must be just as transparent as companies quoted on the stock exchange.

This corporate governance report has been adopted by Infranord's Board of Directors and Managing Director.

The Swedish Companies Act, the Annual Accounts Act, the company's Articles of Association (<http://www.infranord.se/Om-foretaget/Bolagsstyrning/>), the Swedish Corporate Governance Code and the Swedish State's ownership policy form the basis for the governance of Infranord. Corporate governance is exercised primarily at annual general meetings, through a professional and structured Board nomination process, active Board work and through dialogue with the Chairman of the Board.

On issues of decisive importance, such as major strategic changes in the company's operations and major acquisitions, mergers or divestments, as well as decisions that entail a significant change to the company's risk profile or balance sheet, the Board of Directors, through the Chairman of the Board, should co-ordinate with representatives of the owner.

## Swedish Corporate Governance Code

Infranord applies the Swedish Corporate Governance Code (the Code), but in accordance with the State's ownership policy and guidelines for companies with State ownership, has deviated from the Code when it comes to:

- The publication of information about shareholders' right of initiative (Code rule 1.1). The purpose of this rule is for shareholders to have the opportunity to prepare themselves in plenty of time before the AGM, and to have the matter included in the notice to attend. In companies that are wholly owned by the State, there is no reason to follow this Code rule.

- Preparation of decisions regarding nomination of the Board of Directors and auditors (Code rule 2). The reason for this deviation is that the preparation of nomination issues in State-owned companies is performed by the Government in accordance with that described in the State's ownership policy.
- Reporting of the Board members' independence in relation to the State as the major owner (Code rule 10.2). This Code rule is primarily intended to protect minority owners in companies with spread ownership, and there is therefore no reason to report such independence in a wholly State-owned company.

## Annual General Meeting

In accordance with the State's ownership policy and the Articles of Association, Members of Parliament are entitled to attend Infranord's annual general meetings.

The 2011 Annual General Meeting was held on 28 April 2011. The Meeting took decisions regarding:

- Approving the principles for remuneration and other employment terms.
- The Board must comprise seven (7) Board members and no deputy members.
- Adopting new Articles of Association with an amendment of § 7 (Notice to attend AGM).
- The 2012 Annual General Meeting will take place in Solna on 26 April 2012.

The owner was represented by Jenny Lahrin at the 2011 AGM.

## Nominating committee

For companies that are wholly owned by the



State, common, uniform principles are applied for a structured Board nomination process. This process is co-ordinated by the Division for State Ownership within the Ministry of Finance. The skills requirement based on the company's activities, situation and future challenges constitutes the starting point for each nomination. The aim is also to achieve an even gender distribution in the Board of Directors. Representation from each gender must therefore be at least 40 per cent. Nominations to the Board of Directors must, in accordance with the Code's guidelines, be presented in the notice to attend the AGM and on the company's website.

#### **Auditors**

Responsibility for the choice of auditors lies with the owner, and the choice of auditors is determined at the AGM. At the extraordinary general meeting on 27 November 2009, an auditing company was elected for a period of four years, up to the AGM to be held in 2014. The authorised auditing company Deloitte AB was elected, with authorised public accountant Tommy Mårtensson having primary responsibility. The remuneration to the auditors can be seen from Note 5 on page 66.

#### **Board of Directors**

The Board of Directors has overall responsibility for the company's organisation and the administration of the company's concerns.

Infranord's Board of Directors comprises seven members elected at the AGM, with no deputies. There are also two Board members appointed by the employees, as well as deputies for these members.

During 2011, the Board of Directors has had the following composition: Chairman of the Board Jan Sundling and Board members Agneta Kores, Sven Landelius, Gunilla Spongh, Ann-Christine Svård, Michael Thorén (owner's representative) and Inge- mar Ziegler. The Board also includes two employee representatives, Håkan Englund and Jörgen Lund-

ström, as well as two deputies, Dennis Lövgren and Lena Odén. More detailed information about the members and deputies is provided on pages 50–51. The Managing Director does not sit on the Board, but participates as a submitter at all the Board meetings. The company's Deputy Managing Director and the CFO regularly attend the Board meetings for this purpose. The company's Chief Legal Officer is the secretary for the Board of Directors.

#### *The Board's work and forms of work*

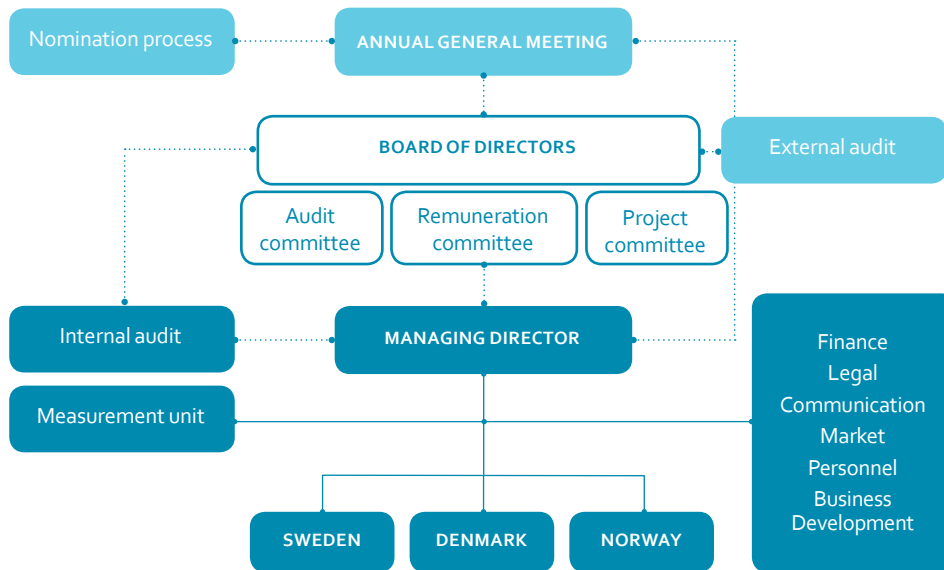
According to the Board of Directors' agenda, the Chairman of the Board, in addition to leading the work of the Board, must monitor the company's focus and development through regular contacts with the Managing Director, as well as checking that the Board's decisions are implemented. In addition, the Chairman must continually consult with the Managing Director on strategic issues, as well as represent the company in issues relating to the ownership structure. Furthermore, it is the task of the Chairman to issue notices to attend extraordinary general meetings when these are convened with consideration to developments in the company, or when these are otherwise requested according to the Swedish Companies Act.

According to the agenda, the Board of Directors, in addition to the statutory meeting in conjunction with the AGM, will normally hold six regular meetings per year. The agenda specifies which matters are to be dealt with at each regular meeting, and each meeting follows an established agenda.

The Board evaluates the agenda annually. A decision on the assumption of a revised agenda has been made during the year.

During the 2011 business year, the Board of Directors has held nine meetings in addition to the statutory meeting. The subjects to which additional attention has been devoted are safety, profitability and the provision of skills, as well as the company's general process strategy. In conjunc-

## STEERING MODEL



tion with the extended strategy meeting in the autumn, specific issues were discussed relating to the market strategy on the basis of our customers' procurement forecasts, resource optimisation (machinery and personnel resources), the strategy for establishing operations in Norway and Denmark, financial management, as well as safety and the environment. During the year, the Board has decided to adopt the owner's proposal regarding financial targets and to put this before the AGM, at which these targets were established.

The Board has decided on a purchasing policy during the year, as well as deciding on revised finance and credit policies.

The work of the Board is evaluated annually through a process intended in part to create a good foundation for the Board's development work. The Government Offices are notified of the results via the State's owner representative on the Board, as well as via the Chairman of the Board.

### *The Board's committees*

The Board has three committees: the audit committee, the remuneration committee and the project committee. Guidelines for the work of the committees are laid down in the Board's agenda.

For this purpose, the project committee has adopted a separate agenda for the work of the committee during the year.

**The audit committee:** The Board of Directors is responsible for ensuring that the company's accounts and reporting conform to determined guidelines for reporting. The audit committee is responsible for the preparation of the Board's work on quality-assuring the financial reporting, for ensuring compliance with the internal checks and for maintaining appropriate relations with the company's auditors. The committee will continually submit reports to the Board. These reports cover the committee's observations, recommendations and proposals regarding actions and decisions. The committee will comprise a minimum of three and a maximum of five members. During 2011, the committee comprised Gunilla Spongh (chair of the committee) as well as Ann-Christine Svård and Jan Sundling. The audit committee has held five meetings during 2011.

**The remuneration committee:** Matters concerning remuneration and other terms for the Managing Director and other members of the company management are prepared by the remuneration committee and decided on by the Board

of Directors. The committee will comprise the Chairman of the Board and two other members. In 2011, the committee comprised Jan Sundling (chair of the committee) as well as Michael Thorén and Ingemar Ziegler. The remuneration committee has held one meeting during 2011.

**The project committee:** This committee has the mandate and is tasked with taking decisions regarding involvement in individual contract projects and other projects with a tender sum of between SEK 100–500 million. Projects with a tender sum exceeding SEK 500 million must be prepared in the committee before being referred to the Board for a final decision. Projects involving a new form of co-operation (partnership etc.), a new market and new customers must be referred to the Board, assuming the tender sum is in excess of SEK 100 million. Important matters regarding business principles must also be referred to the Board. The committee is entitled to delegate its executive powers to the Managing Director regarding business deals where the contract terms are similar to those that have already been examined by the committee during the same season. The committee will comprise at least three members, and the Managing Director will be present at the committee's meetings in his capacity as a submitter. During 2011, the committee comprised Ingemar Ziegler (chair of the committee) as well as Jan Sundling, Agneta Kores and Sven Landelius. The project committee has held nine meetings during 2011.

### Remuneration to the Board of Directors

The Board of Directors' fees, including fees for committee work, are determined by the Annual General Meeting. During 2011, total fees amounting to SEK 1,560 million have been paid to the Board of Directors in remuneration. Decisions regarding the Board's fees were taken at the Annual General Meeting on 28 April 2011. The distribution of fees can be seen from the table below and from Note 4 on page 64. The Board of Directors' fees and fees for committee work are not payable to members who are employees in the Government Offices. Nor are fees payable to employees' representatives for Board work. In addition, no fees are payable for work in the remuneration committee.

### Company management

Infranord's business activities are conducted in three geographic areas: Sweden, Denmark and Norway. Infranord is led by the Managing Director in accordance with the instructions determined by the Board of Directors. According to the State's ownership policy, the Managing Director is not a Board member, but is a submitter who provides the Board of Directors with information and supporting data for its work. The Managing Director will lead the operational activities, ensure that the company has updated decision-making and authorisation procedures and that accounting takes place according to the law, ensure that the administration of the company's funds is managed

### Board members' attendance 2011

	Board meetings	Audit committee	Remuneration committee	Project committee
Jan Sundling	9(9)	3(5)	1(1)	8(9)
Agneta Kores	9(9)			8(9)
Sven Landelius	8(9)			9(9)
Gunilla Spongh	8(9)	5(5)		
Ann-Christine Svård	9(9)	5(5)		
Michael Thorén	9(9)	2(5)	1(1)	
Ingemar Ziegler	7(9)		1(1)	8(9)
<b>Employee representatives</b>				
Håkan Englund	7(9)			
Jörgen Lundström	7(9)			
Dennis Lövgren (deputy)	9(9)			
Lena Odén (deputy)	9(9)			

in a satisfactory manner, and implement decisions reached by the Board of Directors. Furthermore, the Managing Director will keep the Board notified of the company's development, work alongside the Chairman to prepare issues to be dealt with by the Board, as well as be responsible for information from the Board being disseminated out into the company.

#### *Managing Director*

Niclas F. Reinikainen has been the Managing Director of Infranord since the company was formed through the privatisation of Banverket Production. Niclas F. Reinikainen was previously Head of Banverket Production (2007–2009) and a district manager within Banverket Production (2003–2006). Reinikainen is a technical college graduate and has completed the Military Academy's higher course. Before joining Banverket Production he was production manager and factory manager at Ericsson (1995–2003) and an officer in the army (1988–1994).

#### *Other senior executives*

In addition to the Managing Director, the company management comprises five regional managers (South, West, East, Central and North), a Contracting Manager and a CFO, a Communications Manager, a Marketing Manager, a Personnel Manager, a Chief Legal Officer, a Logistics Manager and a Business Development Manager, a total of 14 individuals.

#### *Remuneration to senior executives*

Infranord follows the State's guidelines regarding remuneration to senior executives. Senior executives within Infranord only receive a fixed salary, with no bonus or incentive programmes. Severance pay may be paid up to the equivalent of a maximum of twelve months' salary. Remuneration to the Managing Director and other senior executives can be seen from Note 4 on page 65.

### **BOARD OF DIRECTORS' REPORT ON INTERNAL INSPECTIONS OF FINANCIAL REPORTING**

The Board of Directors is responsible for internal inspections in accordance with the Swedish Com-

panies Act, the Annual Accounts Act and the Corporate Governance Code. The Annual Accounts Act includes requirements to describe annually the company's systems for internal inspections and risk management in respect of financial reporting. This description has been prepared in accordance with the Corporate Governance Code and is limited to internal inspections regarding financial reporting.

#### **Inspection environment**

The Board of Directors' agenda and instructions for the Managing Director and the Board's committees ensure a clear division of roles and responsibilities for the effective management of the business. The Board has also adopted a number of fundamental policies aimed at creating the conditions for a good inspection environment. With the same purpose, the Managing Director has issued a series of guidelines, including the company's authorisation and delegation procedures.

The corporate management has also drawn up detailed instructions regarding the Group's financial reporting, as well as instructions relating to a number of processes, with the aim of influencing the content and quality of the reporting.

Steering documents, such as policies, guidelines and procedures, are available in the company's management system (Our Working Method). New and amended documents are notified automatically by e-mail to those who are affected. During the management reviews, which are conducted twice a year, decisions are taken regarding proposed changes to the management system based for example on audits and customer reactions.

The company has introduced a new organisation during the year aimed at meeting the increased demands following privatisation, i.e. the change from belonging to a State authority to becoming a limited company with clear demands from the owners.

#### **Risk assessment**

Prior to the privatisation of Banverket Production, a comprehensive analysis was conducted in respect of a number of central processes that affect the new company's financial reporting. This

analysis, which was performed with the support of external consultants, has led to a number of measures aimed at rationalising and/or raising the quality within areas such as the profit and economy model, the budgeting model, the report package, key figures, external risks, market risks, operational risks and financial risks. During autumn 2010, in conjunction with drawing up a budget and business plan, the corporate management has also conducted an overall risk analysis and a risk analysis regarding financial reporting in order jointly to define and evaluate overall risks in the business.

#### **Control activities**

Infranord is organised into three geographic areas – Sweden, Denmark and Norway – with the parent company in Sweden having five regions and two nationwide units, Contracting and Logistics.

In addition to a manager and other senior executives, each unit's management group in Sweden also includes a business controller. The company's Managing Director, CFO and Head of Business Control carry out regular analyses regarding financial results with the management and finance function in each unit.

All controller functions have a central role involving analysing and following up the units' financial reporting, as well as ensuring compliance with the policies, guidelines and other instructions that influence financial reporting.

The company's business process includes financial controls relating to the approval and reporting of transactions. For example, the year-end and reporting process includes controls for projects with deviating balances.

As part of Infranord's ongoing work aimed at systematising the company's work on risk management and internal inspections, policies and processes/instructions are continually evaluated. Key controls must be identified and systematic following up of the controls' efficiency must be determined.

#### **Information and communication**

Information about the Group's policies, instructions, guidelines and manuals can be found on Infranord's intranet, Insidan, which is available to all employees in the Group. Updates and changes

to accounting and reporting principles are communicated continually at the regular meetings held by the Group's finance and controller functions.

Necessary information systems exist for ensuring that reliable, up-to-date information is available for the management, so that it can carry out its duties correctly and effectively.

#### **Following up**

Every month, the Board evaluates the business's development, profit, position and cash flow through a report package that contains results, forecasts and comments regarding certain key factors. The audit committee, which regularly reports to the Board, has a supervisory role as regards the company's financial reporting, risk management, management and control. The audit committee also maintains ongoing contact with the company's auditors with the aim of checking that the company's accounts satisfy the applicable requirements.

At Group level there are functions, including controller and accounts units, for the ongoing analysis and following up of both the Group and the units within the Group that report to the Board of Directors and the corporate management.

In conjunction with regular reviews, all business unit managers present results and annual forecasts to the company's Managing Director and CFO.

#### **Internal audit**

The Finance Department is responsible for conducting an inventory of the risks and operating risk management processes. The operational responsibility lies in the relevant business process. The Board has decided during 2011 to appoint an internal auditor. This will take place in 2012.

# Board of Directors



**1 Jan Sundling**  
Chairman of the Board of Directors since 27 November 2009.  
**Born:** 1947.  
**Experience:** Consultant, previously e.g. Managing Director of Green Cargo AB.  
**Education:** Bachelor of Science in Nautical Science, higher commercial education at Frans Schartau.  
**Other directorships:** Chairman of the Board of SJ AB, the Swedish Maritime Administration, Sveriges Tågoperatörer, as well as Jan Sundling i Ytterkvarn AB. Director of CoremProperty Group AB and CER Management Committee in Brussels.

**2 Ingemar Ziegler**  
Board member since 27 November 2009.  
**Born:** 1947.  
**Experience:** Business consultant through own company. Formerly Managing Director of Storstockholms Lokaltrafik and Locum AB.  
**Education:** Bachelor of Arts.  
**Other directorships:** Director of Akademiska Hus AB.

**3 Sven Landelius**  
Board member since 27 November 2009.  
**Born:** 1946.  
**Experience:** Consultant, previously e.g. Managing Director of the Öresund Bridge Consortium  
**Education:** Graduate engineer, SVR, Dr.Tech.h.c.  
**Other directorships:** Chairman of the Board of Specialfastigheter Sverige AB and European Spallation Source ESS AB.

**4 Ann-Christine Svärd**  
Board member since 27 November 2009.  
**Born:** 1955.  
**Experience:** Runs own consulting company, RALT AB. Previously e.g. Divisional Manager at Grontmij AB, Head of Banverket Consulting and Managing Director of Fastighetsägarna AB.  
**Education:** Graduate engineer, management training and studies in business economics.

**5 Agneta Kores**  
Board member since 27 November 2009.  
**Born:** 1960.  
**Experience:** Deputy County Governor in Västra Götaland county, formerly Managing Director of Familjebostäder i Göteborg AB, Regional manager at Banverket and property director at the University of Gothenburg.  
**Education:** Graduate engineer.  
**Other directorships:** Director of Vasallen AB.



**6** **Gunilla Spongh**  
 Board member since 27 November 2009.  
*Born:* 1966.  
*Experience:* CFO, Mekonomen AB.  
*Education:* Graduate in industrial economics.

**7** **Michael Thorén**  
 Board member since 27 November 2009.  
*Born:* 1969.  
*Experience:* Deputy director, Ministry of Finance.  
*Education:* MSc in business administration and economics.  
*Other directorships:* Director of AB Svenska Spel and Samhall AB.

#### Board of Directors' employee representatives

**8** **Lena Odén**  
 Deputy since 16 September 2010.  
*Born:* 1958.  
*Education:* Measurement engineer.  
*Profession:* Responsible for tenders and calculations, as well as staff representative for Traffic and Railways (TJ).

**9** **Jörgen Lundström**  
 Member since 29 January 2010.  
*Born:* 1958.  
*Education:* Electrical engineering and railway training.  
*Profession:* Track welder and staff representative for SEKO (Swedish Union for Service and Communication Employees).

**10** **Dennis Lövgren**  
 Deputy since 29 January 2010.  
*Born:* 1957.  
*Education:* Natural sciences and railway training  
*Profession:* Rail engineer and staff representative for SEKO.

**11** **Håkan Englund**  
 Member since 29 January 2010.  
*Born:* 1970.  
*Education:* Telecom engineering and railway training.  
*Profession:* Electrical engineer and staff representative for SEKO.

# Management

**1 Ulf Andersson**

Regional Manager South  
Born 1961  
Employed by Infranord (Banverket)  
since 1988.

**2 Johanna Singvall**

Chief Legal Officer  
Born 1972  
Employed by Infranord  
since March 2010.

**3 Christer Färegård**

Regional Manager East  
Born 1960  
Employed by Infranord (Banverket)  
since 2004.

**4 Thomas Pilo**

Marketing Manager  
Born 1973  
Employed by Infranord since  
October 2010.

**5 Charlotta Gallon**

Logistics Manager  
Born 1966  
Employed by Infranord (Banverket)  
since 2007.

**6 Torgny Johnsson**

Personnel Manager  
Born 1957  
Employed by Infranord since  
August 2010.

**7 Lena Holmestig**

Communications Manager  
Born 1964  
Employed by Infranord  
since August 2011.

**8 Gunnar Andersson**

CFO and Deputy Managing Director  
Born 1952  
Employed by Infranord since  
February 2010.

**9 Niclas Filipson Reinikainen**

Managing Director  
Born 1965  
Employed by Infranord (Banverket)  
since 2003.

**10 Fredrik Anheim**

Contract Manager  
Born 1968  
Employed by Infranord (Banverket)  
since 2009.

**11 Per-Erik Bodin**

Regional Manager Central  
Born 1956  
Employed by Infranord (Banverket/SJ)  
since 1975.

**12 Ulf Johansson**

Regional Manager West  
Born 1956  
Employed by Infranord (Banverket)  
since 2007.

**13 Kerstin Nyström Hedvall**

Business Development Manager  
Born 1953  
Employed by Infranord (Banverket)  
since 2001.

**14 Anders Edin**

Regional Manager North  
Born 1961  
Employed by Infranord (Banverket/SJ)  
since 1980.





# Income and expenditure accounts

SEK MILLION	NOTE	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
Net sales	3	4,495	4,507	4,446	4,507
Other operating income		30	2	30	2
<b>Total operating income</b>		<b>4,525</b>	<b>4,509</b>	<b>4,476</b>	<b>4,509</b>
<b>Operating expenses</b>					
Operating costs		-1,905	-1,740	-1,864	-1,740
Staff costs	4	-1,892	-1,936	-1,885	-1,934
Other costs	5, 18	-698	-701	-699	-700
Depreciation of tangible and intangible fixed assets	6, 7, 8	-101	-102	-97	-102
<b>Total operating expenses</b>		<b>-4,596</b>	<b>-4,479</b>	<b>-4,545</b>	<b>-4,476</b>
<b>Operating profit/loss</b>		<b>-71</b>	<b>30</b>	<b>-69</b>	<b>33</b>
<b>Profit/loss from financial items</b>					
Interest income and similar profit items		2	1	2	1
Interest expense and similar profit items		-15	-5	-12	-5
<b>Total profit/loss from financial items</b>		<b>-13</b>	<b>-4</b>	<b>-10</b>	<b>-4</b>
<b>Profit/loss after financial items</b>		<b>-84</b>	<b>26</b>	<b>-79</b>	<b>29</b>
Appropriations	19	-	-	28	-29
<b>Profit/loss before tax</b>		<b>-84</b>	<b>26</b>	<b>-51</b>	<b>0</b>
Tax on profit/loss for the year	10	22	-7	13	0
<b>Net profit/loss for the year</b>		<b>-62</b>	<b>19</b>	<b>-38</b>	<b>0</b>
Of which the parent company's shareholders' share, %		100	100	100	100
Earnings per share, SEK		-0.46	0.14	0.07	0.14

The number of shares for all the reported periods is 135,226,547.

# Balance sheets

SEK MILLION	NOTE	GROUP		PARENT COMPANY	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
<b>ASSETS</b>					
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>					
Goodwill	6	24	27	24	27
<i>Tangible fixed assets</i>					
Buildings and land	7	21	22	21	22
Machinery and equipment	8	572	543	486	543
Construction in progress and advances for tangible fixed assets	9	59	66	59	66
<b>Total tangible fixed assets</b>		<b>652</b>	<b>631</b>	<b>566</b>	<b>631</b>
<i>Financial fixed assets</i>					
Shares in Group companies	20	–	–	7	4
Deferred tax receivables	10	15	–	13	0
Other long-term receivables		1	1	2	1
<b>Total financial assets</b>		<b>16</b>	<b>1</b>	<b>22</b>	<b>5</b>
<b>Total fixed assets</b>		<b>692</b>	<b>659</b>	<b>612</b>	<b>663</b>
<b>Current assets</b>					
Stocks	11	37	49	37	49
<i>Current receivables</i>					
Income generated but not invoiced	16	254	146	242	146
Accounts receivable		928	941	907	941
Receivables from Group companies	21	–	–	44	0
Tax receivables		40	19	40	19
Other receivables		40	32	39	32
Prepaid expenses and accrued income	12	50	85	50	85
<b>Total current receivables</b>		<b>1,312</b>	<b>1,223</b>	<b>1,322</b>	<b>1,223</b>
<i>Cash and cash equivalents</i>		<b>18</b>	<b>1</b>	<b>–</b>	<b>–</b>
<b>Total current assets</b>		<b>1,367</b>	<b>1,273</b>	<b>1,359</b>	<b>1,272</b>
<b>TOTAL ASSETS</b>		<b>2,059</b>	<b>1,932</b>	<b>1,971</b>	<b>1,935</b>

# Balance sheets (contd.)

SEK MILLION	NOTE	GROUP		PARENT COMPANY	
		2011-12-31	2010-12-31	2011-12-31	2010-12-31
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital		135	135	135	135
Restricted reserves		–	21	–	–
Profit brought forward		558	518	539	539
Net profit/loss for the year		–62	19	–38	–
<b>Total equity</b>		<b>631</b>	<b>693</b>	<b>636</b>	<b>674</b>
<b>Untaxed reserves</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>29</b>
<b>Provisions</b>					
Provisions for deferred tax	10	–	6	–	–
Other provisions	13	44	38	44	38
<b>Total provisions</b>		<b>44</b>	<b>44</b>	<b>44</b>	<b>38</b>
<b>Long-term liabilities</b>					
Liabilities to credit institutes	14	273	250	195	250
<b>Current liabilities</b>					
Overdraft facilities	15	278	45	278	45
Income invoiced but not generated	16	148	237	148	237
Accounts payable		217	341	211	341
Liabilities to credit institutes	14	67	50	60	50
Other liabilities		212	65	211	65
Accrued expenses and prepaid income	17	189	207	188	206
<b>Total current liabilities</b>		<b>1,111</b>	<b>945</b>	<b>1,096</b>	<b>944</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,059</b>	<b>1,932</b>	<b>1,971</b>	<b>1,935</b>
<b>Pledged securities</b>		None	None	None	None
<b>Contingent liabilities</b>		None	None	None	None

# Change in equity

Group, SEK MILLION	Share capital	Restricted reserves	Unrestricted reserves	Net profit/loss for the year	Total capital
<b>Balance brought forward</b>	<b>135</b>	<b>21</b>	<b>518</b>	<b>19</b>	<b>693</b>
Allocation of previous year's profit			19	-19	
Displacement between restricted and unrestricted reserves	-	-21	21	-	-
Net profit/loss for the year	-	-	-	-62	-62
<b>Balance carried forward</b>	<b>135</b>	<b>-</b>	<b>558</b>	<b>-62</b>	<b>631</b>

Parent company, SEK MILLION	Share capital	Restricted equity	Unrestricted equity	Net profit/loss for the year	Total equity
<b>Balance brought forward</b>	<b>135</b>	<b>-</b>	<b>539</b>	<b>0</b>	<b>674</b>
Net profit/loss for the year	-	-	-	-38	-38
<b>Balance carried forward</b>	<b>135</b>	<b>-</b>	<b>539</b>	<b>-38</b>	<b>636</b>

# Cash flow statements

SEK MILLION	NOTE	GROUP		PARENT COMPANY	
		2011	2010	2011	2010
<b>Operating activities</b>					
Profit/loss after financial items		-84	26	-79	29
Adjustment for items not included in the cash flow etc.	6, 7, 8	111	79	106	79
Paid tax		-21	-18	-21	-18
<b>Cash flow from operating activities before changes in working capital</b>		<b>6</b>	<b>87</b>	<b>6</b>	<b>90</b>
Change in stock		12	41	12	41
Change in receivables		-70	-197	-79	-197
Change in liabilities		-81	-36	-90	-40
<b>Cash flow from operating activities</b>		<b>-133</b>	<b>-105</b>	<b>-151</b>	<b>-106</b>
<b>Investing activities</b>					
Investments in tangible fixed assets	8, 9	-123	-43	-33	-43
Acquisition of assets		-	-870	-	-870
Changes in financial fixed assets		-	-	-4	-
<b>Cash flow from investing activities</b>		<b>-123</b>	<b>-913</b>	<b>-37</b>	<b>-913</b>
<b>Financing activities</b>					
New share issue		-	674	-	674
Loans raised		89	300	-	300
Repaid loans		-49	-	-45	-
Overdraft facilities repaid -/utilised +		233	45	233	45
<b>Cash flow from financing activities</b>		<b>273</b>	<b>1 019</b>	<b>188</b>	<b>1 019</b>
<b>Cash flow for the year</b>		<b>17</b>	<b>1</b>	<b>0</b>	<b>0</b>
Cash and cash equivalents, beginning of year		1	0	0	0
<b>Cash and cash equivalents, end of year</b>		<b>18</b>	<b>1</b>	<b>0</b>	<b>0</b>

# Notes

## NOTE 1 COMPANY INFORMATION AND COMPARATIVE ACCOUNTING INFORMATION

Infranord AB, corp. reg. no. 556793-3089, with its registered offices in Solna, Sweden. The address of the company's head office is: Svetsarvägen 8, Solna Business Park, and the postal address is: Box 1803, SE-171 21 Solna, Sweden, tel. +46 (0)10-121 10 00. The company's business entails conducting contract, operational, maintenance and hiring activities, as well as production within the fields of traffic, land, buildings, infrastructure and telecom. Infranord AB is wholly owned by the Swedish State.

In this report, Infranord AB is indicated either with its full name or as the parent company, and the Infranord Group is referred to as Infranord, the company or the Group. The company's reporting takes place in millions of Swedish kronor (SEK million) unless otherwise indicated. Rounding differences may occur.

The parent company's Annual Report and consolidated accounts have been approved for issue by the Board of Directors on 22 March 2012. The parent company's and the Group's income and expenditure accounts and balance sheets will be submitted to the Annual General Meeting on 26 April 2012 for adoption.

## NOTE 2 ACCOUNTING PRINCIPLES

### General

The company prepares its accounts in accordance with the Annual Accounts Act and the recommendations of the Swedish Financial Accounting Standards Council.

### Consolidated accounts

The consolidated accounts cover Infranord AB and its wholly-owned subsidiaries, Infranord A/S and Infranord Norge AS, and have been prepared in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 1:00. Receivables and liabilities within the Group are eliminated in their entirety in the preparation of the consolidated accounts. Profits that arise through internal Group transactions, and that are unrealised from a Group perspective on the balance sheet date, are eliminated in their entirety. Unrealised losses from internal Group transactions are also eliminated in the same way as unrealised profits, provided the loss corresponds to a write-down.

### Corporate acquisitions and mergers

The acquisition of operations is presented according to the acquisition method. The acquisition value of the acquisition is calculated as

the sum of the actual values on the transaction date for assets that have been paid for, liabilities that have arisen or are taken over, as well as for the equity instruments that are issued in exchange for the controlling influence over the acquired unit, plus all costs that are directly attributable to the acquisition of the operation. Acquired identifiable assets, liabilities and contingent liabilities are valued at their actual value on the acquisition date. The surplus/deficit that is made up of the difference between the acquisition value for the acquired participations and the sum of the actual values of acquired identifiable net assets is reported as goodwill/negative goodwill.

### Segment reporting

As from 2011, Infranord performs segment reporting in accordance with RR 25, Segment reporting – Business segments and geographic areas. Comparison figures for 2010 have been recalculated.

Infranord's segment information is presented from the perspective of the company management, and business segments are identified based on the internal reporting to the company's most senior executive decision-maker. Infranord's business segments comprise three geographic areas: Sweden, Denmark and Norway. Individuals with operational responsibility for these segments are included in the Group management team, and the segments' results are followed up monthly. The Group management constitutes Infranord's senior executive decision-making body, led by the Managing Director.

### Income recognition

Project revenue is reported in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 10 Contracts and similar assignments, as well as the Swedish Construction Federation's sector recommendation regarding gradual income recognition of contract assignments. This means that the results of a contract project are presented in line with the project's generation. The degree of generation is determined primarily on the basis of incurred project costs in relation to estimated incurred projects costs on completion. If the outcome cannot be calculated satisfactorily, an income figure is presented that corresponds to incurred costs on the balance sheet date (settling to zero). Anticipated losses are immediately entered as costs. Project income includes the original agreed contract sum as well as additional work, demands for separate compensation and incentive payments, although normally only to the extent these are approved by the client. The difference between generated project income and amounts that have not yet been invoiced is reported as an asset (income generated but not invoiced) in accordance with the method for successive income recognition. Correspondingly, the

difference between invoiced amount and project income that has not yet been generated is reported as a liability (income invoiced but not generated).

Income other than project income is reported in accordance with the Swedish Financial Accounting Standards Council's Recommendation RR 11 Income. Remuneration for completed services, such as repair and maintenance services, is reported as income after the service has been performed and supplied to the purchaser. Goods deliveries are reported as income when significant risks and benefits that are associated with ownership of the goods have been transferred to the purchaser. Rental income is accrued and reported as income linearly over the duration of the agreement.

Income is only reported if it is probable that the economic benefit will fall to the company. If there is subsequently uncertainty as regards the potential to receive payment for amounts that have already been reported as income, the amount for which payment is no longer probable is reported as a cost instead of as an adjustment to the income amount originally reported.

#### **Costs for pension benefits**

The company has both defined contribution and defined benefit pension plans. The plans are normally financed through payments to insurance companies or funds under management. A defined contribution pension plan is a pension plan according to which a company pays fixed contributions to a separate legal unit. Thereafter the company has no legal or informal obligations to pay additional fees relating to the employee's earned pensions. All of Infranord's defined benefit pension plans are included in State pension insurance systems, and payments to State pension insurance systems are generally reported as defined contribution plans, as these commitments are considered to be a defined contribution pension plan.

#### **Severance payments**

Severance payments are paid when an employment is terminated before the employee reaches retirement age, or when an employee leaves employment voluntarily in return for a severance payment. The company reports severance pay when it is clear that it is a case of either a termination of employment in accordance with a formal plan drawn up in detail, without the potential for revocation; or a severance offer that has been provided to encourage voluntary departures, which is accepted by the person who has received the offer. Benefits that fall due for payment more than 12 months after the balance sheet date are discounted to their current value, if they are significant.

#### **Loan costs**

All loan costs are reported during the period in which they arise.

#### **Tax**

Reported income tax corresponds to the sum of current and deferred tax. Current tax is calculated on the basis of the taxable profit for the year. Taxable profit differs from the profit that is reported in the income and expenditure account. The difference refers both to income that is taxable and costs that are deductible during other years (temporary differences) as well as to items that are never taxable or deductible (permanent differences). The company's current tax liability is calculated according to the tax rate that has been decided or that is decided in practice as per the balance sheet date. Deferred tax is calculated on temporary differences between the reported values of assets and liabilities in the annual accounts and corresponding tax bases that have been used when calculating taxable profit. This calculation takes place according to the balance sheet method. Deferred tax liabilities are normally reported for all taxable temporary differences, and deferred tax receivables are reported to the extent it is likely that taxable profit will arise against which deductible temporary differences can be used. Such receivables and liabilities are not reported if the temporary difference derives from goodwill or from the first reporting (other than when acquiring an operation) of other receivables and liabilities in a transaction that does not affect either taxable profit or reported profit.

Reported values for deferred tax receivables are presented for each balance sheet date, and are reduced to such an extent that it is no longer likely that sufficient taxable profits are available in order for all or part of the receivable to be able to be collected. Deferred tax is calculated in accordance with the tax rates that are expected to apply for the period during which the liability is regulated or the asset realised. Deferred tax is reported as a debit or credit entry in the income and expenditure account, except when it is attributable to items that are debited or credited directly against equity. Deferred tax receivables and tax liabilities are offset against each other when there is a legal offsetting entitlement for current tax receivables and tax liabilities, and when they refer to income tax that has been imposed by the same tax authority, and the company intends to regulate its current tax receivables and tax liabilities on a net basis.

#### **Intangible fixed assets**

Other than goodwill, there are no intangible fixed assets. Acquired goodwill has a useful life of ten years. This useful period reflects the company's estimate of the period during which future economic benefits represented by the goodwill entry will benefit the company. The orderbook that existed at the time of the goodwill acquisition, as well as the expertise of the staff and the company's good reputation, are anticipated to persist for a ten-year period.

#### **Tangible fixed assets**

Tangible fixed assets are reported at their acquisition value following deductions for accumulated depreciation and any accumulated

write-downs. The acquisition value includes the purchase price, costs that can be directly attributed to the acquisition, and expenditure for preparing the asset up until it is ready to be put into use. Subsequent costs are only included in equipment, tools and installations, or are reported as a separate asset, when it is probable that future economic benefits that can be attributed to the item will benefit the company and that the acquisition cost for this can be calculated reliably. All other costs for repairs and maintenance, as well as additional expenditure, are reported in the income and expenditure account for the period in which they arise.

Depreciation is reported on the basis of the anticipated and estimated useful life, with the application of the straight-line depreciation method. For those cases when parts of the company's equipment, tools and installations comprise various components, where each part has an anticipated useful life that differs markedly from the asset as a whole, depreciation of such components takes place on an individual basis against the background of each component's estimated useful life. Depreciation commences when the assets are ready for their intended use. The useful period and the residual value are revised annually. Estimated useful periods are:

Buildings	25 years
Land infrastructure	20 years
Machinery, equipment and tools	3-15 years
Locomotives	25 years

There is no depreciation of land.

### Writing down tangible and intangible assets

On each balance sheet date, the company analyses reported values for tangible and intangible assets in order to determine whether there is anything to indicate that these assets have decreased in value. If there is any indication of this, the asset's recovery value is calculated in order to determine the value of any write-down. Where it is not possible to calculate the recovery value for an individual asset, the company calculates the recovery value of the cash-generating unit to which the asset belongs. The recovery value is the actual value minus the sale cost or the value in use, whichever is the highest. When calculating the value in use, the estimated future cash flow is discounted to the current value with a discount rate before tax that reflects the current market assessment of the money's extrinsic value and the risks that are associated with the asset. If the asset's (or the cash-generating unit's) recovery value is estimated to be lower than its reported value, the asset's (or the cash-generating unit's) reported value is reduced to its recovery value. A write-down is reported directly in the income and expenditure account. If a write-down is subsequently added back, the asset's (the cash-generating unit's) reported value increases to the revalued recovery value, although the raised reported value may not exceed the reported value that would have been adopted if the asset (the cash-generating unit) had not been written down in previous years.

The adding back of a write-down is reported directly in the income and expenditure account.

### Leasing agreements

A financial leasing agreement is an agreement according to which the financial risks and benefits associated with the ownership of an object are essentially transferred from the lessor to the lessee. Other leasing agreements are classified as operational leasing agreements. Infranord has both operational and financial leasing agreements.

### The Group as lessee

Assets that are held according to financial leasing agreements are reported as fixed assets in the Group's balance sheet at their actual value at the start of the leasing period, or at the current value of the minimum leasing fees, if this is lower. The liability that the lessee has in relation to the lessor is included in the balance sheet under the headings Liabilities to credit institutes, long-term and current. The leasing payments are divided between interest and amortisation of the liability. The interest is distributed over the leasing period, so that an amount is charged to each accounting period corresponding to a fixed interest rate on the liability reported during the period in question. Interest expenses are reported directly in the income and expenditure account if they are not directly attributable to the acquisition of an asset that necessarily takes a considerable amount of time to complete for its intended use or for sale.

Leasing fees that are paid under the operational leasing agreement are entered as costs systematically over the leasing period.

### Stocks

Stocks are reported item by item at the acquisition or the net sales value, whichever is the lowest. The acquisition value includes direct materials and, where applicable, direct salary costs and such overheads that have arisen as a result of the stock being transferred to the current location and put in its current condition. The acquisition value is normally determined according to the first-in first-out principle. The net sales value corresponds to the calculated sales price minus all calculated costs for completion and costs that are attributable to marketing, sales and distribution.

### Financial instruments

A financial asset or financial liability is reported in the balance sheet when an asset or liability arises in accordance with the instrument's contractual terms. A financial asset is removed from the balance sheet when the entitlements in the agreement are realised, fall due or when the company loses control of it. A financial liability is removed from the balance sheet when the obligation in the agreement is fulfilled or otherwise ceases. Financial instruments that are reported in the balance sheet include liquid assets, accounts receivable and loan receivables on the asset side. Liabilities and equity



include liabilities to credit institutes, accounts payable and other loan liabilities.

Financial instruments are initially reported at their actual value, corresponding to the acquisition value of the instrument. Any transaction costs are reported as a prepaid expense.

Financial assets and liabilities are offset and reported with a net amount in the balance sheet when there is a legal entitlement to offset and when it is the intention to regulate the items with a net amount or simultaneously to realise the asset and regulate the liability.

### **Reporting financial instruments**

#### ***Liquid assets, short-term investments and other long-term securities***

Liquid assets include cash and bank balances as well as other short-term liquid investments that can easily be converted into cash, as well as being subject to an insignificant risk of changes in value. In order to be classified as liquid assets, the duration must not exceed three months from the time of the acquisition. Short-term investments include investments that have a duration of between 3–12 months from the time of acquisition.

Other long-term securities holdings are reported at their acquisition value.

#### ***Accounts receivable and accounts payable***

Accounts receivable and accounts payable are reported at their nominal value, which is deemed to be a good approximation of the accrued acquisition value, based on these balance sheet items' short maturity period and low risk profile.

#### ***Loan receivables***

Loan receivables are reported at their accrued acquisition value.

#### ***Liabilities to credit institutes and other loan liabilities***

Interest-bearing bank loans, overdraft facilities and other loans are reported at their accrued acquisition value.

### **Receivables and liabilities in foreign currency**

Receivables and liabilities in foreign currencies have been valued at the exchange rate on the balance sheet date. Currency gains and currency losses are included in operating profit/loss, except for those that relate to currency hedging. The latter are entered directly against equity.

### **Provisions**

A provision is reported in the balance sheet when the company has a legal or informal obligation as a consequence of an incident that has occurred, and it is probable that an outflow of financial resources will be required in order to regulate the obligation, and a reliable estimate of the amount may be carried out. Provisions are made for future costs on the basis of guarantee commitments according to a contracting contract, which entails an obligation for the contractor to rectify faults and deficiencies that are discovered

within a certain period following the handing over of the contract to the client. Provisions are made for disputes relating to completed projects, if it is deemed likely that the dispute will entail an outflow of resources from the company. Disputes relating to ongoing projects are taken into account in the valuation of the project, and are consequently not included in reported provisions. Provisions for restructuring costs are reported when a detailed restructuring plan has been determined and the restructuring has either commenced or been publically announced.

### **Critical estimates and assessments**

The company's financial reports are partially based on estimates and assessments in conjunction with the preparation of the company's accounts. Estimates and assessments are based on past experiences and a large number of other assumptions, which result in a decision regarding the value of the asset or liability that cannot be determined in any other way. The actual outcome may deviate from these estimates and assessments. Below are the most significant estimates and assessments that have been used in the preparation of the company's financial reports.

### **Gradual income recognition**

Infranord applies gradual income recognition, i.e. on the basis of a final position forecast for the outcome of the project, the results are reported successively during the duration of the project based on the project's degree of completion. This requires the extent of project income and project expenses to be able to be determined reliably. The precondition for this is for effective and co-ordinated systems for calculating, forecasting and reporting of income/costs to be present in the company. The system also requires a consistent assessment (forecast) of the project's final outcome, including an analysis of deviations in relation to previous assessments. This critical assessment is performed at least once per quarter by means of the immediate superior going through the project in a number of reviews at higher and higher organisational levels. Principles for income recognition are described above.

### **Disputes**

The management's best assessment has been taken into account when reporting disputed amounts, although the actual future outcome may differ from the estimated figure.

### **Parent company's accounting principles**

The parent company applies the same accounting principles as the Group, with the exception of untaxed reserves and leasing. In the parent company, all leasing agreements are reported according to the rules for operational leasing.

The amounts that are set aside for untaxed reserves constitute taxable temporary differences. In the parent company, the deferred tax liability is reported as part of the untaxed reserves due to the link between reporting and taxation.

## NOTE 3 SEGMENT REPORTING

### PRIMARY SEGMENTS – GEOGRAPHIC AREAS

The business activities are conducted in three geographic areas: Sweden, Denmark and Norway. This subdivision reflects the company's internal organisation and reporting system. In Sweden, resources are co-ordinated on a nationwide basis, and the company has common processes right across the coun-

try. Both the subsidiaries are currently in the start-up phase, as Denmark was launched in autumn 2010 and Norway at the beginning of 2011. Internal pricing takes place on market terms. Profit within the Group is eliminated.

Income and expenditure account	Sweden		Denmark		Norway		Eliminations etc <sup>1</sup>		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
Jan – Dec										
Net sales, external	4,431	4,507	42	0	22	0	0	0	4,495	4,507
Net sales, internal	15	0	0	0	0	0	-15	0	0	0
<b>Net sales, total</b>	<b>4,446</b>	<b>4,507</b>	<b>42</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>-15</b>	<b>0</b>	<b>4,495</b>	<b>4,507</b>
Other operating income	30	2	0	0	0	0	0	0	30	2
<b>Operating income</b>	<b>4,476</b>	<b>4,509</b>	<b>42</b>	<b>0</b>	<b>22</b>	<b>0</b>	<b>-15</b>	<b>0</b>	<b>4,525</b>	<b>4,509</b>
Operating costs	-1,864	-1,740	-40	0	-17	0	16	0	-1,905	-1,740
Staff costs	-1,885	-1,934	-3	-2	-3	0	-1	0	-1,892	-1,936
Other costs	-699	-700	-3	-1	-1	0	5	0	-698	-701
Depreciation	-97	-102	0	0	0	0	-4	0	-101	-102
<b>Total operating expenses</b>	<b>-4,545</b>	<b>-4,476</b>	<b>-46</b>	<b>-3</b>	<b>-21</b>	<b>0</b>	<b>16</b>	<b>0</b>	<b>-4,596</b>	<b>-4,479</b>
<b>Operating profit/loss</b>	<b>-69</b>	<b>33</b>	<b>-4</b>	<b>-3</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>-71</b>	<b>30</b>
Financial income									2	1
Financial expenses									-15	-5
<b>Profit/loss after financial items</b>									<b>-84</b>	<b>26</b>

<sup>1</sup> In addition to Group eliminations, the column Eliminations etc. also includes the Group's financial leasing.

Balance sheet	Sweden		Denmark		Norway		Eliminations etc <sup>1</sup>		Total	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
as at 31 Dec										
Distributed assets	1,971	1,935	42	2	13	0	33	-5	2,059	1,932
<b>Total assets</b>	<b>1,971</b>	<b>1,935</b>	<b>42</b>	<b>2</b>	<b>13</b>	<b>0</b>	<b>33</b>	<b>-5</b>	<b>2,059</b>	<b>1,932</b>
Distributed liabilities	1,335	1,261	42	1	11	0	40	-23	1,428	1,239
<b>Total liabilities</b>	<b>1,335</b>	<b>1,261</b>	<b>42</b>	<b>1</b>	<b>11</b>	<b>0</b>	<b>40</b>	<b>-23</b>	<b>1,428</b>	<b>1,239</b>
Investments in tangible fixed assets	33	43	0	0	1	0	89	0	123	43
Depreciation	-97	-102	0	0	0	0	-4	0	-101	-102

<sup>1</sup> In addition to Group eliminations, the column Eliminations etc. also includes the Group's financial leasing.

Note 3 contd.

## SECONDARY SEGMENTS – BUSINESS SEGMENTS

Business products can be divided up into the business areas Service, Construction or Other activities.

Service: Infranord has the skills required to perform operation and maintenance on all types of rail infrastructure. The work comprises both maintenance and fault corrections. For example, the company performs maintenance on overhead line and signalling infrastructure, inspects tracks and points, and clears tracks and platforms of snow. Infranord also has an emergency on-call service for more urgent situations. In extreme weather conditions that impact on the infrastructure, Infranord plays a crucial role in the clear-up work. The same also applies in the event of train derailments and accidents.

Construction: Infranord plans and implements new construction, expansion and refurbishment projects within the railway sector. The work includes extensive rail yard refurbishments, track replacement as well as the new construction and refurbishment of signalling systems and signal boxes. The work also includes overhead line replacement, sleeper replacement, point replacement and complex signalling installations. Infranord accepts full responsibility for traffic, planning, quality, co-ordinating safety, the working environment and the environment, both for smaller and larger assignments.

### Other activities

Machinery: Infranord has machinery, including for track and

point alignment, for track replacement and point installation work, as well as mechanical vegetation control. The machinery is an important element in Infranord's overall range of services.

Workshops: Infranord builds equipment for signal engineering and manufactures prefabricated rail products in its own workshop in Nässjö.

Mechanical measurement services: Infranord conducts mechanical measurement services in e.g. Sweden and Denmark. Using technically advanced recording vehicles, measurements of tracks and overhead lines are performed, as well as non-destructive testing of rails using ultrasound.

### Group

SEK million	2011	2010
<b>Net sales per business area</b>		
Service	2,236	2,469
Construction	2,053	1,793
Other activities	206	245
	<b>4,495</b>	<b>4,507</b>

### Parent company

SEK million	2011	2010
<b>Net sales per business area</b>		
Service	2,236	2,469
Construction	2,005	1,793
Other activities	205	245
	<b>4,446</b>	<b>4,507</b>

## NOTE 4 EMPLOYEES

GROUP	2011	2010
<b>Average number of employees</b>		
Women	252	244
Men	2,625	2,814
	<b>2,877</b>	<b>3,058</b>
<b>Salaries and other remuneration</b>		
Board of Directors and Managing Director	4	4
Other employees	1,269	1,304
	<b>1,273</b>	<b>1,308</b>
<b>Social security contributions</b>		
Pension costs, Board of Directors and Managing Director	1	1
Pension costs, other employees	162	141
Other legal and contractual social security contributions	413	437
	<b>576</b>	<b>579</b>
<b>Total salaries, remunerations, social security contributions and pension costs</b>	<b>1,849</b>	<b>1,887</b>

PARENT COMPANY	2011	2010
<b>Average number of employees</b>		
Women	252	244
Men	2,620	2,811
	<b>2,872</b>	<b>3,055</b>
<b>Salaries and other remuneration</b>		
Board of Directors and Managing Director	4	4
Other employees	1,261	1,302
	<b>1,265</b>	<b>1,306</b>
<b>Social security contributions</b>		
Pension costs, Board of Directors and Managing Director	1	1
Pension costs, other employees	162	141
Other legal and contractual social security contributions	413	437
	<b>576</b>	<b>579</b>
<b>Total salaries, remunerations, social security contributions and pension costs</b>	<b>1,841</b>	<b>1,885</b>

Note 4 contd.

PARENT COMPANY	2011	2010
<b>Gender distribution among senior executives, %</b>		
Proportion of women on the Board of Directors	43	43
Proportion of men on the Board of Directors	57	57
Proportion of women among other senior executives	29	29
Proportion of men among other senior executives	71	71

#### Remuneration to the Board of Directors, 2011 Group and parent company

SEK thousand	Board fees	Committee work	Total
Jan Sundling, Chairman of the Board <sup>1</sup>	380	80	460
Agneta Kores, Director	190	30	220
Sven Landelius, Director	190	30	220
Gunilla Spongh, Director	190	30	220
Ann-Christine Svård, Director	190	20	210
Michael Thorén, Director	–	–	–
Ingemar Ziegler, Director	190	40	230
<b>Total, Board of Directors</b>	<b>1,330</b>	<b>230</b>	<b>1,560</b>

<sup>1</sup> Remuneration for committee work for Jan Sundling includes remuneration for the project committee in 2010.

#### Remuneration to the Board of Directors, 2010 Group and parent company

SEK thousand	Board fees	Committee work	Total
Jan Sundling, Chairman of the Board of Directors	416	–	416
Agneta Kores, Director	208	30	238
Sven Landelius, Director	208	30	238
Gunilla Spongh, Director	208	30	238
Ann-Christine Svård, Director	208	20	228
Michael Thorén, Director	56	–	56
Ingemar Ziegler, Director	208	40	248
<b>Total, Board of Directors</b>	<b>1,512</b>	<b>150</b>	<b>1,662</b>

#### Remuneration committee's work

The remuneration committee prepares and the Board reaches decisions on remuneration and other terms for the Managing Director and other members of the corporate management. The committee will comprise the Chairman of the Board and two other members.

#### Guidelines for remuneration to the Board of Directors

Infranord follows the State's guidelines as regards remuneration to the Board. The Chairman of the Board and Board members receive fees according to a decision by the AGM.

No pension payments or other benefits are paid to the Board. Expenditure is compensated on production of a receipt. Staff representatives do not receive Board fees. No other remuneration has been paid.

#### Guidelines for remuneration to senior executives

Infranord follows the State's guidelines regarding remuneration to senior executives. Senior executives within Infranord only receive a fixed salary, with no bonus or incentive programmes.

Note 4 contd.

#### Remuneration to senior executives, 2011

Group and parent company SEK thousand	Salary	Other benefits	Pension costs	Total
Niclas F. Reinikainen, Managing Director	2,637	132	741	3,510
Gunnar Andersson, CFO and Deputy Managing Director	2,101	96	550	2,747
Ulf Andersson, Regional Manager South	1,139	59	128	1,326
Fredrik Anheim, Contract Manager	1,195	51	133	1,379
Per-Erik Bodin, Regional Manager Central	1,134	57	127	1,318
Anders Edin, Regional Manager North	1,098	60	126	1,284
Christer Färegård, Regional Manager East	1,214	–	130	1,344
Charlotta Gallon, Logistics Manager	1,169	1	120	1,290
Ulf Johansson, Regional Manager West	1,134	44	126	1,304
Torgny Johnsson, Personnel Manager	1,344	55	413	1,812
Kerstin Nyström Hedvall, Business Development Manager	883	42	99	1,024
Thomas Pilo, Marketing Manager	1,177	–	356	1,533
Madelene Sandgren, Communications Manager <sup>1</sup>	959	–	87	1,046
Lena Holmestig, Communications Manager <sup>1</sup>	303	–	64	367
Johanna Singvall, Chief Legal Officer	980	1	222	1,203
<b>Total</b>	<b>18,467</b>	<b>598</b>	<b>3,422</b>	<b>22,487</b>

<sup>1</sup> Madelene Sandgren left her position on 15 May 2011, and Lena Holmestig succeeded her on 22 August 2011.

#### Remuneration to senior executives, 2010

Group and parent company SEK thousand	Salary	Other benefits	Pension costs	Total
Niclas F. Reinikainen, Managing Director	2,433	83	733	3,249
Gunnar Andersson, CFO and Deputy Managing Director <sup>2</sup>	1,733	52	527	2,312
Ulf Andersson, Regional Manager South	1,022	11	118	1,151
Fredrik Anheim, Contract Manager	1,110	41	131	1,282
Per-Erik Bodin, Regional Manager Central	1,005	27	116	1,148
Anders Edin, Regional Manager North	992	15	115	1,122
Christer Färegård, Regional Manager East	1,034	–	118	1,152
Charlotta Gallon, Logistics Manager	996	–	112	1,108
Ulf Johansson, Regional Manager West	1,030	14	120	1,164
Torgny Johnsson, Personnel Manager <sup>2</sup>	465	13	77	555
Kerstin Nyström Hedvall, Business Development Manager	827	–	65	892
Thomas Pilo, Marketing Manager <sup>2</sup>	386	–	67	453
Madelene Sandgren, Communications Manager	866	–	98	964
Johanna Singvall, Chief Legal Officer <sup>2</sup>	722	–	155	877
<b>Total</b>	<b>14,621</b>	<b>256</b>	<b>2,552</b>	<b>17,429</b>

<sup>2</sup> Gunnar Andersson joined on 1 February, Torgny Johnsson on 17 August, Thomas Pilo on 1 September and Johanna Singvall on 15 March.

Note 4 contd.

#### Terms of agreements on pensions and severance pay

The Managing Director (MD) has a period of notice of six months in the event of notice given by the company and twelve months when the MD himself gives notice of termination. During the period of notice, the MD is entitled to all employment benefits. In the event of notice of termination given by the company, the MD, in addition to salary and other employment benefits during the period of notice, is also entitled to severance pay corresponding to the monthly salary for a maximum of twelve months. During the MD's period of service, the company sets aside funds annually for the MD's pension plan in the form of pension insurance corresponding to 30 per cent of salary. The MD must retire with no special compensation at the start of the month in which he reaches the age of 65.

The Deputy Managing Director (Deputy MD) has a mutual period of notice of six months' salary. During the period of notice, the Deputy MD is entitled to all employment benefits. In the event of notice of termination given by the company, the Deputy MD, in addition to salary and other employment benefits during the period of notice, is also entitled to severance pay corresponding to the monthly salary for a maximum of twelve months. During the Deputy MD's period of service, the company sets aside funds annually for the Deputy MD's pension plan in the form of pension insurance corresponding to 28 per cent of salary. The Deputy MD must retire with no special compensation at the start of the month in which he reaches the age of 65.

Other members of the management have a mutual period of notice of six months. In the event of notice of termination given by the company, severance pay may also be paid corresponding to a maximum of 12 months' salary.

## NOTE 5 FEESTO AUDITORS

### Group and parent company

SEK MILLION	2011	2010
<b>Deloitte AB</b>		
Audit assignments	1	1
Audit activities in addition to the audit assignment	1	1
	2	2

The audit assignment refers to examination of the annual report and the accounts and the administration by the Board of Directors and the Managing Director, other tasks that are the business of the company's auditor, as well as advice or other assistance occasioned by observations during this examination or the performance of other such tasks. Everything else constitutes audit activities in addition to the audit assignment.

## NOTE 6 GOODWILL

### Group and parent company

SEK million	2011-12-31	2010-12-31
<b>Opening accumulated acquisition value</b>	30	30
Investments during the year	–	–
<b>Closing accumulated acquisition value</b>	30	30
<b>Opening accumulated depreciation</b>	-3	–
Depreciation for the year	-3	-3
<b>Closing accumulated depreciation</b>	-6	-3
<b>Closing reported value</b>	24	27

## NOTE 7 BUILDINGS AND LAND

### Group and parent company

SEK million	2011-12-31	2010-12-31
<b>Opening accumulated acquisition value</b>	<b>23</b>	<b>23</b>
Investments during the year	–	–
Sales/Disposals	–	–
<b>Closing accumulated acquisition value</b>	<b>23</b>	<b>23</b>
<b>Opening accumulated depreciation</b>	<b>-1</b>	<b>–</b>
Depreciation for the year	-1	-1
<b>Closing accumulated depreciation</b>	<b>-2</b>	<b>-1</b>
<b>Closing reported value</b>	<b>21</b>	<b>22</b>

The property is classified as a special unit, a communication building, and consequently has no tax assessment value.

## NOTE 8 MACHINERY AND EQUIPMENT

### Group

SEK million	2011-12-31	2010-12-31
<b>Opening accumulated acquisition value</b>	<b>641</b>	<b>627</b>
Investments during the year	102	11
Sales/Disposals	-5	-1
Reclassifications	27	4
<b>Closing accumulated acquisition value</b>	<b>765</b>	<b>641</b>
<b>Opening accumulated depreciation</b>	<b>-98</b>	<b>–</b>
Sales/Disposals	2	0
Depreciation for the year	-97	-98
<b>Closing accumulated depreciation</b>	<b>-193</b>	<b>-98</b>
<b>Closing reported value</b>	<b>572</b>	<b>543</b>

Machinery and equipment for the Group includes leasing objects that Infranord possesses according to financial leasing agreements with a closing reported value of SEK 85 million (0).

### Parent company

SEK million	2011-12-31	2010-12-31
<b>Opening accumulated acquisition value</b>	<b>641</b>	<b>627</b>
Investments during the year	12	11
Sales/Disposals	-5	-1
Reclassifications	27	4
<b>Closing accumulated acquisition value</b>	<b>675</b>	<b>641</b>
<b>Opening accumulated depreciation</b>	<b>-98</b>	<b>–</b>
Sales/Disposals	2	0
Depreciation for the year	-93	-98
<b>Closing accumulated depreciation</b>	<b>-189</b>	<b>-98</b>
<b>Closing reported value</b>	<b>486</b>	<b>543</b>

## NOTE 9 NEW CONSTRUCTION IN PROGRESS AND ADVANCES FOR TANGIBLE FIXED ASSETS

### Group and parent company

SEK million	2011-12-31	2010-12-31
<b>Opening accumulated acquisition value</b>	<b>66</b>	<b>38</b>
Investments during the year	21	32
Reclassification	-28	-4
<b>Closing accumulated acquisition value</b>	<b>59</b>	<b>66</b>

## NOTE 10 TAX ON PROFIT/LOSS FOR THE YEAR AND DEFERRED TAX RECEIVABLES/LIABILITIES

SEK million	Group		Parent company	
	2011	2010	2011	2010
<b>Current tax</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>0</b>
Deferred tax relating to temporary differences	8	-7	–	–
Deferred tax income in tax value in loss carryforwards capitalised during the year	14	1	13	–
<b>Deferred tax</b>	<b>22</b>	<b>-6</b>	<b>13</b>	<b>0</b>
<b>Total reported tax</b>	<b>22</b>	<b>-7</b>	<b>13</b>	<b>0</b>

Note 10 contd.

SEK million	Group				Parent company			
	2011		2010		2011		2010	
Reconciliation of effective tax	%	Amount	%	Amount	%	Amount	2010 %	Amount
Profit/loss before tax		-84		26		-51		0
Tax according to applicable tax rate for the parent company	26.3	22	26.3	-7	26.3	13	26.3	0
Tax, temporary differences	0	0	0	0	-2	1	0	0
Tax effect of non-deductible expenses, non-taxable income	0	0	0	0	2	-1	0	0
<b>Reported effective tax</b>	<b>26.2</b>	<b>22</b>	<b>26.9</b>	<b>-7</b>	<b>25.5</b>	<b>13</b>	<b>0</b>	<b>0</b>

SEK million	Opening balance	Deferred tax in income and expenditure account	Reported directly against equity	Closing balance
Deferred tax receivables/liabilities, Group				
Deferred tax receivables	1	14	0	15
Deferred tax liabilities	-8	8	-	-
<b>Net, Group</b>	<b>6</b>	<b>22</b>	<b>0</b>	<b>15</b>

## NOTE 11 STOCKS

Group	2011-12-31		2010-12-31	
SEK million				
Finished goods	32		41	
Products in work	5		8	
	<b>37</b>		<b>49</b>	
<b>Parent company</b>				
SEK million	2011-12-31	2010-12-31		
Finished goods	32	41		
Products in work	5	8		
	<b>37</b>	<b>49</b>		

## NOTE 12 PREPAID EXPENSES AND ACCRUED INCOME

Group	2011-12-31		2010-12-31	
SEK million				
Prepaid expenses, projects	24		55	
Prepaid rent	16		16	
Accrued income	7		2	
Other	3		12	
	<b>50</b>		<b>85</b>	
<b>Parent company</b>				
SEK million	2011-12-31	2010-12-31		
Prepaid expenses, projects	24	55		
Prepaid rent	16	16		
Accrued income	7	2		
Other	3	12		
	<b>50</b>	<b>85</b>		

## NOTE 13 OTHER PROVISIONS

2011

Group and parent company	Guaranties	Other provisions for pensions	Remuneration for offered early retirement	Other provisions	Total
SEK million					
Reported value at the start of the year	21	1	9	7	38
Provision made during the year	-	16	6	-	22
Amounts utilised	-	-3	-9	-4	-16
<b>Reported value at the end of the year</b>	<b>21</b>	<b>14</b>	<b>6</b>	<b>3</b>	<b>44</b>
Undertakings for provisions expected to be regulated within:					
Within 1 year	-	1	2	3	6
1-5 years	21	12	4	-	37
In 5 years or more	-	1	-	-	1



## NOTE 14 LIABILITIES TO CREDIT INSTITUTES

Group		
SEK million	2011-12-31	2010-12-31
Falls due later than one year and earlier than five years after the balance sheet date	223	240
Falls due later than five years after the balance sheet date	50	10
<b>Total long-term liabilities to credit institutes</b>	<b>273</b>	<b>250</b>

Current liabilities to credit institutes of SEK 67 million (50) are a short-term element of the total loan of SEK 340 million (300).

Parent company		
SEK million	2011-12-31	2010-12-31
Falls due later than one year and earlier than five years after the balance sheet date	195	240
Falls due later than five years after the balance sheet date	–	10
<b>Total long-term liabilities to credit institutes</b>	<b>195</b>	<b>250</b>

Current liabilities to credit institutes of SEK 60 million (50) are a short-term element of the total loan of SEK 255 million (300).

## NOTE 15 OVERDRAFT FACILITY

Group and parent company		
SEK million	2011-12-31	2010-12-31
Granted overdraft facility amounts to	500	500
Utilised credit amounts to	278	45

## NOTE 16 CONTRACT INCOME

Group		
SEK million	2011-12-31	2010-12-31
Income generated but not invoiced	254	146
Income invoiced but not generated	-148	-237
<b>Total income generated but not invoiced (+) /Income invoiced but not generated (-)</b>	<b>106</b>	<b>-91</b>

## Parent company

SEK million	2011-12-31	2010-12-31
Income generated but not invoiced	242	146
Income invoiced but not generated	-148	-237
<b>Total income generated but not invoiced (+) /Income invoiced but not generated (-)</b>	<b>94</b>	<b>-91</b>

## NOTE 17 ACCRUED EXPENSES AND PREPAID INCOME

### Group and parent company

SEK million	2011-12-31	2010-12-31
Accrued salaries including holiday pay	116	123
Calculated accrued statutory social security contributions	53	56
Other accrued expenses	20	28
	<b>189</b>	<b>207</b>

## NOTE 18 LEASING

### Group

Infranord's financial leasing relates to vehicles as well as rail machinery.

The costs during the year for financial leasing contracts in the Group amount to SEK 5.5 million.

Future leasing fees for leasing agreements that cannot be terminated fall due for payment as follows:

SEK million	2011-12-31	2010-12-31
Within one year	7	1
Later than one year but within five years	28	1
Later than 5 years	50	0
	<b>85</b>	<b>2</b>

Note 18 contd.

#### Parent company

Infranord's operational leasing relates to vehicles as well as rail machinery.

The costs during the year for operational leasing contracts in the parent company amount to SEK 5 million.

Future leasing fees for leasing agreements that cannot be terminated fall due for payment as follows:

SEK million	2011-12-31	2010-12-31
Within one year	7	1
Later than one year but within five years	27	1
Later than 5 years	50	0
	<b>84</b>	<b>2</b>

## NOTE 19 APPROPRIATIONS AND UNTAXED RESERVES

#### Group

SEK million	2011-12-31	2010-12-31
Accumulated excess depreciation	0	0
	<b>0</b>	<b>0</b>

#### Parent company

SEK million	2011-12-31	2010-12-31
Accumulated excess depreciation	0	29
	<b>0</b>	<b>29</b>

## NOTE 20 SPECIFICATION OF PARTICIPATIONS IN GROUP COMPANIES

Parent company	Share of capital, %	Share of voting rights, %	Book value, SEK million
Infranord A/S	100	100	6
Infranord Norge AS	100	100	1
			<b>7</b>

	Corp. reg. no.:	Registered office	Equity, SEK million	Profit/loss, SEK million
Infranord A/S	32 94 40 27	Copenhagen	0	-3
Infranord Norge AS	996 230 007	Oslo	2	1

No write-down requirement relating to the shareholding in Denmark has been identified, as the operation is expected to produce a positive contribution in 2012.

## NOTE 21 TRANSACTIONS WITH ASSOCIATED PARTIES

#### Group and parent company

Transactions with associated parties take place on market terms, and all activities are subject to competition.

Associated parties refer to companies where Infranord can exert a controlling influence over operational and financial decisions. Associated parties also cover companies and people who have the potential to exert a controlling or significant influence over Infranord's operational and financial decisions.

Infranord is a wholly State-owned company. All transactions with the State, such as taxes, social security contributions, etc., have been exempted in this note.

Infranord's products and services are offered to the State, government authorities and State-owned companies in com-

petition with other equivalent suppliers on commercial terms. Correspondingly, Infranord acquires products and services from State-owned companies and government authorities.

Of Infranord's total sales in 2011, 84 per cent relate to the Swedish Transport Administration, which is the company's largest customer.

No securities or contingent liabilities have been issued.

The parent company conducts transactions with subsidiaries, although to date in 2011 these have not amounted to any significant sums.

There have been no transactions or receivables/liabilities with senior executives or the Board of Directors. For information regarding remuneration to the Board of Directors, the Managing Director, the Deputy Managing Director and other senior executives, please refer to Note 4.

## NOT 22 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Through its activities, the Group is exposed to various financial risks. Financial risks refer to fluctuations in the company's profit/loss and cash flow as a result of liquidity, interest, currency, raw material, counterparty and financing risks.

The Group's financial policy for handling financial risks is decided annually by the Board and creates guidelines and rules in the form of a risk management mandate and limits for financial activities.

The responsibility for the Group's financial transactions and risks is managed centrally by the parent company's Finance Department. All borrowing and all investments of surplus liquidity, as well as currency and raw material hedging and currency trading, are handled by the Finance Department according to the adopted financial policy.

### Liquidity risk

Liquidity risk is the risk of the Group not being sufficiently prepared to pay for foreseen and unforeseen expenditure. Preparedness to pay refers to liquid assets or the potential to convert invested funds in plenty of time in order to meet payment commitments. In order to safeguard against the liquidity risk alongside the seasonal variation's need for liquidity, the Group provides a liquidity buffer and continually prepares liquidity forecasts to safeguard this. The granted overdraft facility amounts to SEK 500 million, of which SEK 278 million has been utilised.

### Interest risk

Interest risk is defined as the risk of the Group incurring increased costs or reduced income as a result of altered interest rate levels. Exposure to interest risk is primarily associated with interest-bearing assets/liabilities. A susceptibility analysis of the Group's interest-bearing assets and liabilities shows that an increase in the market interest rate of 1 percentage point would entail a decrease of SEK 6 million in the Group's profits. A reduction in the market interest rate of 1 percentage point would entail an increase of SEK 6 million in profits.

### Currency risk

Infranord has currency exposure to both transaction risks and balance sheet exposure risks.

Transaction risks refer to the effect of exchange rate changes on the Group's income and expenditure account, i.e. the effect of exchange rates on anticipated future cash flows.

Balance sheet exposure risks refer to the risk of fluctuations in exchange rates affecting the value of the Group's assets and liabilities in foreign currencies. Balance sheet exposure is reduced by financing assets and liabilities in the same currency, where this is financially beneficial and feasible.

The Group's operations are primarily conducted in Sweden, and Infranord consequently has limited currency exposure, although this is expected to increase in line with our growth in Denmark and Norway. Currency exposure is currently handled with a Group currency account (SEK, NOK, DKK, EUR) and currency hedges (no holding at the year-end).

### Raw materials risk

Raw materials risk refers to the effect of changes in the price of raw materials that affect the Group's income and expenditure account. For Infranord, this exposure relates primarily to diesel. To minimise volatility, 'natural hedging' is desirable, i.e. primarily linking earnings from projects to related costs via the agreements through indexing.

### Counterparty risk

Counterparty risk or credit risk refers to the risk of the Group's financial counterparties not being able to fulfil their obligations, which can have a negative impact on the Group's profits. Counterparty risks are limited by conducting transactions with companies and financial institutions with a good credit rating, according to guidelines in a credit policy established by the Board of Directors.

### Financing risk/Project financing

Financing risk is the risk of difficulties in financing employed capital with external funding at a given point in time. Within Infranord, this is satisfied through external borrowing and the payment flows in the projects.

The consolidated accounts and the Annual Report have been prepared in accordance with the Swedish Annual Accounts Act and the Swedish Financial Accounting Standards Council's recommendations (RR), and provide a true and fair picture of the results and position of the Group and the parent company. The Administration Report for the Group and the parent com-

pany provides a true and fair picture of the activities, results and position of the Group and the parent company, as well as describing significant risks and uncertainty factors for which the parent company and the companies included in the Group are responsible.

Solna, 22 March 2012

**Jan Sundling**  
Chairman

**Agneta Kores**  
Board member

**Sven Landelius**  
Board member

**Gunilla Spongh**  
Board member

**Ann-Christine Svärd**  
Board member

**Michael Thorén**  
Board member

**Ingemar Ziegler**  
Board member

**Håkan Englund**  
Board member, staff  
representative

**Jörgen Lundström**  
Board member, staff  
representative

**Niclas F. Reinikainen**  
Managing Director

Our Auditor's Report was submitted on 22 March 2012.

Deloitte AB

**Tommy Mårtensson**  
Authorised Public Accountant

# Auditors' Report

To the Annual General Meeting of Infranord AB  
Corp. reg. no. 556793-3089

## Report on the Annual Report and the consolidated accounts

We have audited the Annual Report and the consolidated accounts of Infranord AB for the financial year 1 January 2011 – 31 December 2011, with the exception of the corporate governance report on pages 44–49. The company's Annual Report and consolidated accounts are included in the printed version of this document on pages 39–43 and 54–72.

### *The Board of Directors' and the Managing Director's responsibility for the Annual Report and consolidated accounts*

The Board of Directors and the Managing Director are responsible for preparing an Annual Report and consolidated accounts that give a true and fair view in accordance with the Swedish Annual Accounts Act, as well as for the internal checks that the Board of Directors and the Managing Director deem necessary to prepare an Annual Report and consolidated accounts that are free from material misstatement, irrespective of whether this is due to irregularities or errors.

### *The auditor's responsibility*

Our responsibility is to express an opinion on the Annual Report and the consolidated accounts, based on our audit. We have conducted the audit in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with demands for professional conduct, and that we plan and carry out the audit in order to achieve reasonable assurance that the Annual Report and consolidated accounts are free from material misstatement.

An audit entails obtaining audit evidence through various measures regarding amounts and other information in the Annual Report and consolidated accounts. The auditor selects which measures are to be carried out, for example by assessing the risks of material misstatement in the Annual Report and consolidated accounts, irrespective of whether this is due to irregularities or errors. During this risk assessment, the auditor gives consideration to those aspects of the internal checks that are of relevance to the way the company prepares the Annual Report and consolidated accounts, in order to give a true and fair view with the aim of formulating auditing measures that are appropriate bearing in mind the circumstances, although not with the aim of making a pronouncement on the effectiveness of the company's internal checks. An audit also includes an evaluation of the appropriateness of the accounting principles that have been used, and of the reasonableness of the Board of Directors' and the Managing Director's estimates in the accounts, as well as an evaluation of the overall presentation of the Annual Report and consolidated accounts.

We consider that the audit evidence we have gathered is sufficient and appropriate to provide grounds for our opinion.

### *Opinion*

In our opinion, the Annual Report and the consolidated accounts have been prepared in accordance with the Swedish Annual Accounts Act, and in all essential respects they provide a true and fair view of the parent company's and the Group's financial position as at 31 December 2011 and of their financial results and cash flows for the year according to the Swedish Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 44–49. The Administration Report is consistent with the other parts of the Annual Report and the consolidated accounts.

We therefore recommend to the Annual General Meeting that the income and expenditure account and the balance sheet for both the parent company and the Group be adopted.

## Report on other requirements according to laws and other statutes

In addition to our audit of the Annual Report and the consolidated accounts, we have also audited the proposed allocation of the company's profit or loss, as well as the Board of Directors' and the Managing Director's administration of Infranord AB for the financial year 1 January 2011 – 31 December 2011. We have also carried out a statutory review of the Corporate governance report.

### *The Board of Directors' and the Managing Director's responsibility*

The Board of Directors is responsible for the proposed allocation of the company's profit or loss, and the Board of Directors and the Managing Director are responsible for the administration of the company in accordance with the Swedish Companies Act, and for the Corporate governance report on pages 44–49 being prepared in accordance with the Annual Accounts Act.

### *The auditor's responsibility*

Our responsibility is, with reasonable assurance, to express our opinion on the proposed allocation of the company's profit or loss, as well as on the administration of the company, based on our audit. We have carried out the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion concerning the Board of Directors' proposed allocation of the company's profit or loss, we have examined whether the proposal is in agreement with the Swedish Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the Annual Report, we have examined significant decisions, actions and conditions in the company in order to determine whether any Board member or the Managing Director is liable to pay compensation to the company. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We consider that the audit evidence we have gathered as described above is sufficient and appropriate to provide grounds for our opinion.

We have also read the Corporate governance report and, based on this and our knowledge of the company and the Group, we consider that we have sufficient grounds for our opinion. This means that our statutory review of the Corporate governance report has a different focus and a significantly reduced scope compared to the focus and scope of an audit carried out in accordance with the International Standards on Auditing and generally accepted auditing standards in Sweden.

### *Opinion*

We recommend to the Annual General Meeting that the profit be dealt with in accordance with the proposal in the administration report and that the Members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance report has been prepared, and its statutory information is compatible with the other parts of the Annual Report and the consolidated accounts.

Stockholm, 22 March 2012  
Deloitte AB

Tommy Mårtensson  
Authorised Public Accountant

# Auditor's Report of the general examination of Infranord AB's sustainability report

## To readers of Infranord AB's sustainability report

### Introduction

We have been commissioned by the Board of Directors of Infranord AB to conduct a general examination of the content of Infranord AB's sustainability report for 2011. Our examination covers the sustainability report on pages 24–35 and 76–77 in Infranord AB's 2011 Annual Report. The Board of Directors and the company management are responsible for the ongoing work regarding the environment, working environment, quality, social responsibility and sustainable development, as well as for preparing and presenting the sustainability report in accordance with applicable criteria. Our responsibility is express our conclusion regarding the sustainability report based on our general examination.

### Focus and scope of the general examination

We have conducted our general examination in accordance with RevR 6 "Assurance of sustainability reports" issued by FAR. A general examination consists of making enquiries, in the first instance to people who are responsible for the preparation of the sustainability report, conducting an analytical review and implementing other general examination measures. A general examination has a different focus and a significantly smaller scope compared to the focus and scope of an audit according to the IAASB's standards for auditing and quality control and good auditing practice in general. The examination measures that are implemented in a general examination do not enable us to obtain a sufficient level of certainty that we are aware of all important circumstances that could have been identified had an audit been performed. The stated conclusion based on a general examination therefore does not have the same level of certainty as a stated conclusion based on an audit.

The criteria on which our examination is based are those parts of the Sustainability Reporting Guidelines G<sub>3</sub>, issued by The Global Reporting Initiative (GRI), that are applicable to sustainability reporting, as well as the accounting and calculation principles that the company has specifically developed. We consider that these criteria are suitable for the preparation of the sustainability report.

Our general examination, based on an assessment of significance and risk, has included the following areas:

- a. updating our knowledge and understanding of Infranord AB's organisation and activities
- b. assessing the suitability and application of the criteria in respect of the stakeholders' need for information
- c. assessing the results of the company's dialogue with stakeholders
- d. interviews with responsible managers, at Group level and in selected divisions, with the aim of assessing whether the qualitative and quantitative information in the sustainability report is complete, accurate and sufficient
- e. studying the internal and external documents in order to assess whether the reported information is complete, accurate and sufficient
- f. analytical examination of reported information
- g. assessing the company's stated level of application in respect of GRI's guidelines
- h. considering the overall impression of the sustainability report, as well as its format, including considering the information's internal concordance with applied criteria
- i. checking the examined information against the sustainability information in the company's 2011 Annual Report.

### Conclusion

Based on our general examination, no circumstances have arisen that give us reason to consider that Infranord AB's sustainability report has not essentially been prepared in accordance with criteria specified above.

Stockholm, 22 March 2012

Deloitte AB

**Tommy Mårtensson**  
Authorised Public Accountant

**Sofie Wadstein**  
Specialist member of FAR

# Table of contents according to GRI

Infranord reports in accordance with the Global Reporting Initiative's (GRI) guidelines for sustainability reporting, and the report covers pages 24–35 and 76–77 of the Annual Report. This reporting covers incidents and results within the operation during the calendar year. The table of contents below specifies all standard disclosures as well as the selected indicators that have been identified as most relevant. The indicators and other content in the report have been prioritised and established on the basis of Infranord's responsibility in relation to the company's key stakeholders, dialogue with the stakeholders, as well as the company's strategy and goals. In its sustainability work and sustainability reporting, Infranord's focus is on employees, safety and the environment.

All the indicators apart from PR5 are core indicators. Infranord's own assessment is that the sustainability report satisfies the requirements for level C+. Deloitte AB has certified Infranord's sustainability report 2011 and confirms that it satisfies applicability level C+. In the long term, Infranord intends to further develop reporting within those areas that have been prioritised for the business.

Level of reporting: ● No report ● Partially reported ● Fully reported

PROFILE	PAGE	DEGREE		
<b>1. STRATEGY AND ANALYSIS</b>				
1.1 Managing Director's comments	2–4	○	○	●
1.2 Description of impact, risks and opportunities	33	○	●	○
<b>2. THE ORGANISATION</b>				
2.1 Name of the organisation	1	○	○	●
2.2 Main brands, products and services	12–13	○	○	●
2.3 Organisational structure	10, 12–13, 26, 41	○	○	●
2.4 Location of Head Office	Inside back cover	○	○	●
2.5 Countries in which the organisation has operations	Inside back cover	○	○	●
2.6 Ownership structure and corporate form	44	○	○	●
2.7 Markets	8–10	○	○	●
2.8 Size of the company	1	○	○	●
2.9 Major changes during the accounting period	1	○	○	●
2.10 Distinctions received during the financial year	28	○	○	●
<b>3. ACCOUNTING PARAMETERS</b>				
3.1 Accounting period	73	○	○	●
3.2 Most recent accounts	Inside front cover	○	○	●
3.3 Accounting cycle	Flap	○	○	●
3.4 Contact person for the report	Inside back cover	○	○	●
3.5 Process for defining the content of the accounts	Inside front cover, 25, 76	○	○	●
3.6 Accounts' limitations	Inside front cover	○	○	●
3.7 Restrictions to the scope or limitations	Inside front cover	○	○	●
3.8 Accounting principles for co-owned companies, subsidiaries, etc.	58, 62	○	○	●
3.9 Measurement methods and grounds for calculations	Inside front cover	○	○	●
3.10 Explanation of corrections from previous reports	No corrections have been made	○	○	●
3.11 Significant changes to the scope, limits or measurement methods	No changes compared to the 2010 accounts	○	○	●
3.12 Table of contents according to GRI	76–77	○	○	●
3.13 Policy and practice for external auditing	Inside front cover, 76	○	○	●

Level of reporting: ● No report ● Partially reported ● Fully reported

PROFILE		PAGE	DEGREE		
<b>4. MANAGEMENT, UNDERTAKINGS AND COMMITMENTS</b>					
4.1	Management structure	44–47	○	○	●
4.2	Role of the Chairman of the Board	45	○	○	●
4.3	Independent or non-executive Board members	44	○	○	●
4.4	Potential for shareholders and employees to submit proposals etc. to the Board	44	○	○	●
4.5	Remuneration to senior executives	47–48	○	○	●
4.6	Avoiding conflicts of interest in the Board	40, 43–44, 48–49	○	○	●
4.7	Process for demands regarding the Board members' qualifications	44–45	○	○	●
4.8	Mission, values, code of conduct, etc.	26	○	○	●
4.9	The Board's supervision of the sustainability work	47–49	○	○	●
4.10	Evaluation of the work of the Board	47–49	○	○	●
4.13	Membership of organisations	30	○	○	●
4.14	Stakeholder groups	25	○	○	●
4.15	Identification and selection of stakeholders	25	○	○	●
4.16	Methods for collaboration with stakeholders	25	○	○	●
4.17	Important issues that have emerged in dialogue with stakeholders	25	○	○	●
<b>RESULT INDICATORS</b>					
<b>Finance</b>					
EC 1	Generated and delivered direct economic value, including income, operating expenses, remuneration to employees, gifts and other social investments, profit brought forward as well as payments to financiers and the public sector	54	○	○	●
EC 2	Financial impact as well as other risks and opportunities for the organisation's activities that are attributable to climate change	33	○	●	○
<b>Environment</b>					
EN 3	Direct energy use per primary energy source	33	○	○	●
EN 16	Total direct and indirect emissions of greenhouse gases, by weight	33	○	●	○
EN 22	Total weight of waste, per type and handling method	34	○	○	●
EN 23	Total number and volume of significant spillages	34	○	○	●
<b>Social impact</b>					
LA 1	Total workforce, divided by form of employment, employment terms and region	27	○	○	●
LA 2	Number of employees who have left and staff turnover, per age group, gender and region	27	○	○	●
LA 4	Share of the workforce covered by collective agreements	30	○	○	●
LA 5	Minimum notice period regarding changes to operations, including information as to whether this is specified in collective agreements	30	○	○	●
LA 7	Extent of injuries, work-related illnesses, lost days, absence and the total number of work-related fatal accidents	28	○	○	●
LA 10	Average number of training hours per employee per year, divided by staff category	28	○	●	○
LA 13	Composition of the Board of Directors and the management, as well as subdivision of other employees, broken down by gender, age group, minority group allegiance and other diversity indicators	30, 63–66	○	○	●
HR 4	Number of cases of discrimination, as well as actions taken	30	○	○	●
PR 5	Procedures for customer satisfaction, including results from customer surveys	25	○	○	●



# Addresses

## HEAD OFFICE

### Infranord AB

Visiting address: Svetsarvägen 8  
Box 1803  
SE-171 21 Solna  
Tel.: +46 (0)10-121 10 00

### Infranord, Region North

Visiting address: Hertsövägen 2  
Box 827  
SE-971 25 Luleå  
Tel.: +46 (0)10-121 10 00

### Infranord, Region Central

Visiting address: Ruddammsgatan 2  
Box 648  
SE-801 27 Gävle  
Tel.: +46 (0)10-121 10 00

### Infranord, Region East

Visiting address: Svetsarvägen 6  
Box 1127  
SE-172 23 Sundbyberg  
Tel.: +46 (0)10-121 10 00

### Infranord, Region West

Visiting address: Anders Personsgatan 14  
Box 1034  
SE-416 22 Göteborg  
Tel.: +46 (0)10-121 10 00

### Infranord, Region South

Visiting address: Rundelsgatan 16  
Box 4444  
SE-203 15 Malmö  
Tel.: +46 (0)10-121 10 00

### Infranord, Contracting

Visiting address: Svetsarvägen 6  
Box 1127  
SE-172 23 Sundbyberg  
Tel.: +46 (0)10-121 10 00

### Infranord A/S

Visiting address: Gl. Køge Landevej 55  
DK-2500 Valby  
Denmark  
Tel.: +45 72 11 80 95

### Infranord Norge AS

Visiting address: Storgata 32  
NO-0183 Oslo  
Norway  
Tel.: +47 900 44 607

## CONTACT

Questions regarding the content of Infranord's Annual Report can be submitted to Caroline Liedgren, responsible for external information, tel. +46 (0)10-121 17 16 or e-mail: [caroline.liedgren@infranord.se](mailto:caroline.liedgren@infranord.se)

## INFRANORD ANNUAL REPORT 2011

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