



Press release
20 August 2020

Interim report January-June 2020

Strong first six months with stable order backlog looking ahead and railways in focus

Second quarter

- Consolidated net sales increased by 15.5 per cent to SEK 105.3 million (91.2).
- Operating profit (EBIT) increased by SEK 10.9 million to SEK 14.3 million (3.4).
- Earnings per share after dilution amounted to SEK 0.41 (0.05).

First six months of the year

- Consolidated net sales increased by 20.0 per cent to SEK 211.2 million (176.1).
- Operating profit (EBIT) increased by SEK 17.9 million to SEK 31.7 million (13.8).
- Earnings per share after dilution amounted to SEK 0.95 (0.36).

Significant events in the second quarter

- Railcare signs an agreement regarding iron ore transports for LKAB Malmtrafik for approximately SEK 7.8 million.
- Railcare has signed a new framework agreement with Network Rail.

CEO's comments

We achieved an operating profit (EBIT) of SEK 14.3 million for the second quarter, and sales of SEK 105.3 million, giving an operating margin of 13.5 per cent.

Second quarter growth was 15.5 per cent up on last year and our operating profit was the strongest to date for a second quarter. Combined with the record-strong first quarter, this meant that we achieved growth of 20.0 per cent in the first half of the year and an operating profit of SEK 31.7 million, corresponding to an operating margin of 15 per cent.

Although the second quarter is usually our weakest seasonally, this year we succeeded well in all of our segments. We got off to an early start for the season with good utilisation of our machines in construction works in Sweden, while also maintaining stability in all of the other segments in terms of both sales and earnings, which is great.

With a strong first half of the year behind us and a stable order book, we are now looking forward to the upcoming jobs this autumn. Planning is now in progress for next year, with machines being booked up, and the order books for Construction Sweden, Transport Scandinavia, and the operations abroad are continuously being filled up. There is also a great interest in the products we offer through Machine Sales, particularly in our latest innovation, the emission-free battery-powered Multi-Purpose Vehicle (MPV).

In the segment Construction Sweden, we have been busy with our preparations, including cable lowering, ahead of upcoming track replacements. Among other things, we conducted works on the Borås – Varberg, Borås – Herrljunga, Bankeryd – Jönköping, Gävle– Ånge and Laxå–Kil lines.

Construction Sweden had a good utilisation of machines throughout the first half of the year, and the situation also looks good for the rest of the season. Under our framework agreement, we are currently coordinating our 2021 planning with Trafikverket. We have good utilisation of machines in 2021, with many preparatory works needing to be performed. This represents exceptionally good planning for our construction operations in Sweden.



For the segment Transport Scandinavia, the second quarter was strong. Numerous orders have been received and production has progressed as planned. Looking ahead, our utilisation of machines will be good – partly in the Kaunis project, but also in all of the summer's continuing track replacements in which we are involved, as well as in the locomotive workshop. Compared with last year, we had lower repair and maintenance costs in the first half of the year.

In our regular transport operations, we received the following orders for locomotive services during the summer's various track replacements. Borås-Hillared, Gävle departure tracks, Avesta/Krylbo-Hedemora, Öxnared-Håkanstorp, Helsingborg-Teckomatorp, Bankeryd-Jönköping. The total value of the order is SEK 18 million and the work will be carried out between mid-July and early October.

On 12 June 2020, we began operating iron ore transports for LKAB Malmtrafik, in a three-month project. Transports commenced with one circulation per day and subsequently increasing to two with a total of 6,400 tonnes of iron ore per day.

The iron ore transports for Kaunis Iron are progressing according to plan and we also performed some additional iron ore circulations during the quarter. This provides a good base and stability for the segment. The agreement with Kaunis Iron is for five years and we have now completed the second year of the agreement. The border between Sweden and Norway was open for iron ore transports to Narvik during the Norwegian lock-down necessitated by COVID-19. Railcare's train drivers have been granted permission to be in Norway to be able to perform their jobs.

During the second quarter, we had stable levels of utilisation in the Construction Abroad segment, and sales and planning for the rest of 2020 and 2021 are in progress. With sales in full swing, new orders are continuously being received.

During the quarter, we conducted work for Network Rail in the following routes, London North West, London North East & Midlands and South East.

We have not suffered any project cancellations as a consequence of COVID-19. The railways perform a critical function that must continue to transport people and goods. In the UK, the railways have been listed as a critical function for society and projects there continued as planned despite the lock-down, with our operators being permitted to travel from their homes to the work sites.

In the second quarter, the Machine Sales segment focused fully on developing and completing the first prototype of our emission-free battery-powered Multi-Purpose Vehicle (MPV), Railcare's latest innovation. In other regards, aftermarket management is in progress, as are sales and marketing. Recently acquired company Elpro is delivering according to plan and, looking ahead, has good utilisation of machines.

Trafikverket has announced major future investments in railway maintenance, with a focus on planned maintenance, such as track replacements, switch replacements, and ballast exchanges, i.e. jobs entirely in line with what our fleet can offer. Trafikverket's national plan extends for ten years, with railway maintenance volumes increasing further in the future. On 19 May 2020, the Government decided to allocate an additional SEK 720 million to Trafikverket for its expanded maintenance work due to the COVID-19 pandemic¹.

To date, the COVID-19 pandemic has not impacted Railcare with any projects being cancelled. In the various countries in which we work, the focus is on the railways being considered a critical function for the society that must continue to function in a crisis. Accordingly, we at Railcare continue working to maintain the railways in a robust state. During the second quarter, we also continued our internal charity project to support the community in fighting COVID-19 and assisting businesses and healthcare in the areas in which we operate. The project was highly appreciated by many and is now complete.

To continue developing the Company, we will be making new investments in machinery and new technologies where we seek to be at the forefront.

A record-strong first half of the year, with a stable order book looking ahead and high pressure on both sales and production. Our customers are presenting substantial plans to invest in the railways for many years to come and governments in various countries are currently investing additionally in railway

¹ <https://www.regeringen.se/pressmeddelanden/2020/05/storsatsning-pa-jarnvags--och-vagunderhall-i-hela-landet/>



maintenance to kick-start the economy following the pandemic, but also because railways play a critical function, bringing further increased focus on the railways.

With innovative solutions for the railways and with our staff as our primary resource, we are building the Railcare of the future.

Daniel Öholm
CEO

This information is such that Railcare Group AB (publ) is required to disclose under the EU Market Abuse Regulation and in accordance with the Securities Market Act. The information was submitted for publication, through the agency of the contact persons set out below, for publication on August 20, 2020 at 7:30 a.m. CEST.

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About Railcare Group

Rail specialist Railcare Group AB offers products and services that strengthen customer reliability, punctuality and profitability, mainly in the Nordic countries and the United Kingdom. The rail industry is growing and developing well, with increasing traffic volumes and extensive investment programs, along with a rapid development of cost-effective freight and passenger transport and increasing environmental awareness. Railcare has unique opportunities to deliver efficient solutions that contribute to the railways increasing their share of the total transport market. Railcare Group AB (publ)'s share is listed on the Nasdaq Stockholm Small Cap since April 2018. The Group has approximately 140 employees and annual sales amounting to approximately 400 MSEK. The Company's registered office is domiciled in Skelleftehamn, Sweden.