



Press release

7 November 2019

Interim report January-September 2019

Strong earnings and continued high sales growth in the third quarter

Third quarter¹

- Consolidated net sales increased by 62.1 per cent to SEK 101.0 million (62.3).
- Operating profit (EBIT) increased by SEK 21.4 million to SEK 16.8 million (loss 4.6).
- Earnings per share after dilution amounted to SEK 0.50 (loss 0.21).

First nine months of the year¹

- Consolidated net sales increased by 44.7 per cent to SEK 277.1 million (191.5).
- Operating profit (EBIT) increased by SEK 31.1 million to SEK 30.5 million (loss 0.6).
- Earnings per share after dilution amounted to SEK 0.86 (loss 0.08).

Significant events in the third quarter

- The first test run of the innovative new MPV, an emissions-free, battery-powered Multi Purpose Vehicle, was successfully conducted during the quarter.

CEO's comments

During the third quarter, we have achieved a pre-tax profit (EBIT) of SEK 16.8 million and a turnover of SEK 101 million, which gives a margin of 16.6 percent. We have continued to have good sales and earnings in the Construction Sweden, Transport Scandinavia and Construction Abroad segments.

Compared to the previous year's third quarter, we have significantly higher volume and earnings. Volume growth of 62 per cent and an operating profit of SEK 21.4M million are largely due to increased volumes in Construction Sweden, Transport Scandinavia, with the project to transport iron ore for Kaunis Iron, and the increased utilisation in the UK, Construction Abroad.

In general, the Group now has good growth and profitability in our home markets in Sweden and the UK, and despite the fact that Trafikverket has announced some cancelled projects², this is not something that has affected us as these projects are for completely different types of products. Since we mostly work with planned maintenance and a great focus is there, we also have a good and stable order portfolio ahead. Trafikverket has announced major investments in rail maintenance ahead with a focus on planned maintenance such as track replacements, switches, and ballast changes, projects that are completely in line with what our machines can offer. Trafikverket's national plan continues for 10 years and volumes for rail maintenance will increase further in the future.

In the Construction Sweden segment, we have had a high utilisation rate on all machines and the focus is on production, safety, and quality. The work we have done is largely cable handling and ballast changes for upcoming track replacements around the country. For the future, we have a lot of preparatory work on the construction segment before the track replacements begin on 15 November. From 15 November to 15

¹ The Group applies IFRS 16 effective 1 January 2019, and all figures for 2019 are inclusive of this change. Comparison figures have not been recalculated. For disclosures regarding the effects of the introduction of IFRS 16, see Note 5.

² <https://www.trafikverket.se/om-oss/nyheter/Nationellt/2019-09/trafikverket-senarelagger-vissa-underhallsupphandlingar/>



March, we will be fully engaged in the snow removal with the agreement we have with Trafikverket. After that we start again with preparatory work for the upcoming track replacement projects, we have received six call-offs in the Trafikverket agreement, which means that we have a good utilisation until July 2020. This is an exceptionally good prospect for our operations on the construction segment in Sweden.

A good quarter for the Transport Scandinavia segment with increased growth and earnings compared to the previous year's third quarter. The transport of iron ore to Kaunis Iron goes according to plan and we also ran some extra transports of iron ore during the quarter. This creates a good foundation and stability for the segment. The agreement with Kaunis Iron is for five years and we have now completed the first year of the agreement. For the other transport operations, we have delivered locomotive services and contracted transport in the form of construction machinery and sleepers to contractor companies that carry out track replacements. The workshop has had normal occupancy for the quarter. Following the reorganization, we have now refined our operations by starting a new company in the workshop in Långsele, Railcare Lokverkstad AB, which is structurally located under Railcare T AB.

In the Construction Abroad segment, the third quarter within the UK was better than last year's third quarter. Generally, there are slightly lower volumes during the hottest months of July and August, when the customer Network Rail does not plan as much work during that period as they want to avoid track curves, known as buckling.

During the quarter, we worked on the following routes London North East and East Midlands, London North West and the South East. During the quarter, we trained more operators for operations in the UK. Both Swedish and English operators are now trained and working on projects to learn how to operate the machines in reality. We have done this to meet the announced number of jobs coming during CP6, ie from 1 April 2019 and five years on. Many calls-offs have already been made against the framework agreement during the period 2019 and 2020 and for the future.

In the Machine Sales segment, the restructuring has now been completed and as of 1 October, new Railcare Machine AB with a workshop in Skelleftehamn, and a department for Innovation and Design and Sales, is in full swing.

The main focus right now is to build the five generator wagons ordered by Infranord³. Two wagons will be delivered to the customer during November. The other three generator wagons will be delivered during the first half of 2020.

There is also a full focus on the development and completion of the new innovation MPV, an emission-free battery-powered Multi-Purpose Vehicle. In early October, the first tests were carried out in the workshop in Skelleftehamn. During the first test run, we found, among other things, that the noise level drops by 15-20 dB compared to diesel engines, which is very pleasing.

A third quarter with strong earnings and continued strong sales growth. It is satisfying that the volumes of jobs are increasing in our home markets in Sweden and the UK and that we are performing the jobs with the same high productivity, quality, and safety and that we see a long-term commitment to rail maintenance from our customers for many years to come. There is a great demand for our products around the world and not least the emission-free Multi-Purpose Vehicle that we are developing right now, where we are the first in the world to build a battery vehicle on the rail of this size.

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

Daniel Öholm
CEO

³Se picture on page 1.



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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 130 employees and annual sales amounting to approximately 300 MSEK. The Company's registered office is domiciled in Skelleftehamn, Sweden.