

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.

Financial summary²

Amounts in SEK million, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Net sales	101.0	62.3	277.1	191.5	270.1
Operating profit/loss (EBIT)	16.8	-4.6	30.5	-0.6	1.5
Operating margin, %	16.6	-7.4	11.0	-0.3	0.6
Net profit/loss for the period	12.0	-4.7	20.6	-1.8	-1.4
Equity/assets ratio, %	33.4	31.6	33.4	31.6	32.3
Earnings per share after dilution, SEK	0.50	-0.21	0.86	-0.08	-0.06

For definitions, see page 29.

This report is also available in Swedish at www.railcare.se.

¹The 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.

²All key financial ratios and figures for 2019 have been calculated inclusive of the effects of introducing IFRS 16. For disclosures regarding the effects of the introduction of IFRS 16, see Note 5. The comparison figures for 2018 have not been recalculated to take IFRS 16 into account.

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 projects¹, 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 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.



¹ <https://www.trafikverket.se/om-oss/nyheter/Nationellt/2019-09/trafikverket-senarelagger-vissa-underhallsupphandlingar/>

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 Infranord¹. 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

¹ Se picture on page 1.

Financial summary – Railcare Group

Effective 1 January 2019, the Company applies IFRS 16 regarding the Group's leases, and all figures for 2019 are inclusive of this change. The conversion has had a marginal impact on both operating profit/loss and net profit/loss for the period. The equity/assets ratio has decreased by 2.7 percentage points due to total assets having increased. The effects of the introduction of IFRS 16 are described in Note 5.

Net sales

Net sales for the third quarter of 2019 increased by 62.1 per cent to SEK 101.0 million, compared with SEK 62.3 million in the third quarter of 2018. The increase in net sales is mainly due to increased utilisation in the Transport Scandinavia and Construction Sweden segments and, to a certain extent, within Construction Abroad. In these segments, a greater number of transports and additional preparations for upcoming track replacements were conducted compared with the third quarter of 2018.

Net sales for January-September 2019 increased by 44.7 per cent to SEK 277.1 million, compared with SEK 191.5 million in January-September 2018.

Operating expenses

Operating expenses in the third quarter of 2019 amounted to SEK 86.7 million, an increase of SEK 18.0 million, or 26.1 per cent, compared with the third quarter of 2018 when operating expenses amounted to SEK 68.7 million. The increase in operating expenses is directly attributable to the higher utilisation within the company, which has affected expenses for subcontractors, among other things. The introduction of IFRS 16 has led to a reduction in expenses for operating leases by SEK 6.4 million, included in *Other external costs*, an increase in *Depreciation and impairment of tangible and intangible assets* by SEK 6.2 million, attributable to depreciation in rights-of-use assets, and an increase in Financial expenses of SEK 0.2 million, attributable to interest expenses associated with lease liabilities.

Operating expenses for January-September 2019 amounted to SEK 254.1 million compared with January-September 2018 when operating expenses amounted to SEK 197.3 million.

Operating profit

Operating profit (EBIT) increased by SEK 21.4 million to SEK 16.8 million in the third quarter of 2019, compared with a loss of SEK 4.6 million for the corresponding period in 2018. The operating margin amounted to 16.6 per cent (negative 7.4) of which 0.2 percentage points were a positive effect of IFRS 16. The increase in profit is mainly due to the Construction Sweden, Transport Scandinavia and Construction Abroad segments having experienced higher sales, which has contributed to the improved profit.

Operating profit (EBIT) increased by SEK 31.1 million to SEK 30.5 million in January-September 2019, compared with the negative outcome of SEK 0.6 million for the corresponding period in 2018. The operating margin increased from a negative 0.3 per cent in January-September 2018 to 11.0 per cent, of which 0.2 percentage points were a positive effect of IFRS 16.

Net profit/loss for the period

Profit for the third quarter of 2019 amounted to SEK 12.0 million (loss 4.7), corresponding to an increase of SEK 16.7 million. The increase in profit is mainly due to the company experiencing higher sales, contributing to improved profit.

The profit for January-September 2019 amounted to SEK 20.6 million (loss 1.8), corresponding to an increase in earnings of SEK 22.4 million.

Cash flow

Cash flow in the third quarter of the year amounted to an outflow of SEK 8.3 million, compared with an outflow of SEK 1.2 million in the corresponding period in the preceding year. The increased outflow is mainly due to lower borrowing and higher amortisation, which is partly offset by an increased inflow from the operating activities.

The Group's investments in non-current assets during the quarter amounted to SEK 4.8 million (6.3) and related mainly to the building of two Ballast Feeder vehicles and an MPV (Multi Purpose Vehicle) for the Company's own production operations. In the preceding year, investments were primarily made in existing machines.

The Group did not raise any bank loans during the quarter, unlike the corresponding quarter in 2018 when loans of SEK 5.2 million were raised.

In the third quarter of the year, the introduction of IFRS 16 meant that cash flow from operating activities improved by SEK 6.1 million as a result of lease expenses being eliminated from operating profit/loss and interest on the lease liability being added to interest paid. The corresponding amount for the period January-September 2019 amounts to SEK 17.8 million. In the third quarter of the year, cash flow from financing activities was affected negatively by the amortisation of lease liabilities of SEK 6.1 million. The corresponding amount for the period January-September 2019 amounts to SEK 17.8 million.

Cash flow in January-September 2019 amounted to an outflow of SEK 18.7 million compared with an outflow of SEK 30.0 million in the corresponding period last year. The reduced outflow is mainly attributable to improved profit. During 2019, the Company has had a net outflow of SEK 21.9 million from its investment activities, of which SEK 6.0 million was financed through bank loans and the remainder through the Company's own funds.

Equity/assets ratio

According to Railcare's financial targets, the equity/assets ratio should amount to at least 25 per cent. At the end of the period, the equity/assets ratio was 33.4 per cent (36.1 per cent excluding the effects of IFRS 16), compared with 32.3 per cent on 31 December 2018.

Employees

The number of employees in Railcare as of 30 September 2019 was 138, compared with 135 on 30 September 2018.

Financial summary – business segments

The segment's net sales also include internal sales between the segments.

Construction Sweden

Net sales within the Construction Sweden segment increased by 56.5 per cent in the third quarter of 2019, compared with the corresponding period last year, and amounted to SEK 47.7 million (30.5). Profit after financial items increased compared with the previous year and amounted to SEK 9.1 million (0.5). The improvement in profit is primarily an effect of the increased sales, since expenses have not increased to the same extent.

During the quarter, the segment experienced a high level of occupancy, including cable management and ballast replacement ahead of upcoming track replacements.

Net sales increased by 21.0 per cent in January-September compared with the corresponding period last year and amounted to SEK 129.5 million (107.1). Profit after financial items decreased compared with the preceding year and amounted to SEK 17.9 million (18.1).

Key financial ratios and figures – Construction Sweden

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Net sales	47,699	30,478	17,221	129,502	107,061	22,441
Profit/loss after financial items	9,128	542	8,586	17,863	18,095	-232
Net margin, %	19.1	1.8	17.4	13.8	16.9	-3.1

Construction Abroad

Net sales within the Construction Sweden segment increased by 34.8 per cent in the third quarter of 2019, compared with the corresponding quarter last year and amounted to SEK 15.5 million (11.5). Profit after financial items amounted to SEK 0.5 million (loss 3.4). The increase in net sales and profit are due to increased utilisation of machines in the UK operations. During the quarter, the segment performed work on the London North East and Midlands, London North West and South East railway areas.

Net sales increased by 43.1 per cent in January-September 2019 compared with the corresponding period last year and amounted to SEK 50.4 million (35.2). Profit after financial items increased compared with the preceding year and amounted to SEK 1.8 million (loss 10.5).

Key financial ratios and figures – Construction Abroad

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Net sales	15,479	11,480	3,999	50,367	35,192	15,175
Profit/loss after financial items	471	-3,353	3,824	1,810	-10,507	12,317
Net margin, %	3.0	-29.2	32.2	3.6	-29.9	33.5

Transport Scandinavia

Net sales within the Transport Scandinavia segment increased by 61.9 per cent in the third quarter of 2019, compared with the corresponding quarter last year and amounted to SEK 45.1 million (27.9). Profit after financial items amounted to SEK 4.6 million (loss 2.3). The higher sales derive partly from the transport assignment for Kaunis Iron. The improvement in profit is primarily an effect of the increased sales, since expenses have not increased to the same extent.

During the quarter, track replacement projects engaged a number of locomotives, utilisation in the locomotive workshop was normal and the transport assignment for Kaunis Iron progressed according to plan.

Net sales increased by 57.7 per cent in January-September 2019 compared with the corresponding period last year and amounted to SEK 123.4 million (78.2). Profit after financial items increased compared with the preceding year and amounted to SEK 7.1 million (loss 6.1).

Key financial ratios and figures – Transport Scandinavia

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Net sales	45,088	27,854	17,234	123,379	78,235	45,144
Profit/loss after financial items	4,638	-2,281	6,919	7,110	-6,068	13,178
Net margin, %	10.3	-8.2	18.5	5.8	-7.8	13.5

Machine Sales

Net sales in Machine Sales segment for the third quarter of 2019 amounted to SEK 0.8 million (2.0). The loss after financial items amounted to SEK 0.2 million (profit 0.1).

Within the segment, construction is in progress of five generator wagons ordered by Infranord, for delivery in the fourth quarter of 2019 and in the first half of 2020. In addition, development and building is in progress of the innovative MPV (Multi-Purpose Vehicle) – an emission-free battery-powered unit with several areas of application. The MPV is being reported under Construction in progress until ready for use.

During January-September 2019, net sales amounted to SEK 3.1 million (5.9). The loss after financial items amounted to SEK 0.9 million (0.7).

Key financial ratios and figures – Machine Sales

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Change	Jan-Sep 2019	Jan-Sep 2018	Change
Net sales	790	2,047	-1,257	3,117	5,923	-2,806
Profit/loss after financial items	-183	81	-264	-899	-672	-227
Net margin, %	-23.2	4.0	-27.1	-28.8	-11.3	-17.5

Parent Company

Railcare Group AB (publ), Reg. No. 556730–7813 is a Parent Company registered in Sweden and domiciled in Skellefteå. Railcare Group AB is listed on Nasdaq Stockholm Small Cap under the ticker RAIL.

The Parent Company's net sales for January-September 2019 amounted to SEK 19.8 million (18.1) and consisted mainly of Group common services. Operating profit amounted to SEK 0.2 million (loss 5.1). During the first quarter of 2018, the Company incurred expenses of SEK 2.3 million related to the change of listing.

Financial targets

- Sales SEK 500 million
- EBIT 10 per cent
- Equity/assets ratio > 25 per cent after dividends

Railcare's objective is to achieve these goals in the medium term. The Company strives to be the leading specialist company in the Scandinavian market for innovative solutions for railway construction and transport.

For exports of Railcare's services and machine sales in the international market, Railcare's objective is to achieve positive growth and to constantly develop as an innovative specialist company. For its shareholders, Railcare shall be an energetic and profitable company. Profitability should be better than the average in the railway industry.

Dividend

The Company's dividend policy is to distribute 30-40 per cent of profit after tax, up to the Company's required equity/assets ratio of 25 per cent following payment of dividends.

The 2019 Annual General Meeting approved a dividend of SEK 0.00 (0.15) per share, totalling SEK 0 (3,285,292), for the 2018 financial year.

Innovation & Design

Railcare Innovation & Design is the Group's department for technological development and innovation. The objective is to be at the forefront of innovation in the railway industry and the development of new machines and methods is a prioritised part of Railcare's operations.

Events after the period

Following the end of the reporting period, the Company secured an order valued at SEK 2.7 million from Norsk Jernbanedrift for machine renovation in the Machine Sales segment. The work will be performed in the first half of 2020.

The restructuring of the Machine Sales segment has been completed and the new company, Railcare Machine AB, has been in operation since 1 October, with a workshop in Skelleftehamn, innovation and design activities, as well as sales.

No significant events, outside of the company's ordinary operations, occurred following the balance sheet date.

RAIL

Ticker for Railcare Group AB's share traded on Nasdaq Stockholm since 3 April 2018.

(ISIN SE0010441139)

Annual General Meeting 2020

Railcare's Annual General Meeting 2020 will take place on Wednesday 6 May 2020 at 1:00 p.m. at the Company's premises at Näsuddsvägen 10, SE-932 32 Skelleftehamn, Sweden.

The Annual Report is expected to be available on Railcare's website, www.railcare.se, no later than three weeks prior to the Annual General Meeting.

Nomination Committee for Railcare Group AB's Annual General Meeting 2020

In consultation with the largest shareholders, the Chairman of the Board of Railcare Group AB has established a Nomination Committee for the 2020 Annual General Meeting. The nomination committee consists of Åke Elveros, appointed by Norra Västerbotten Fastigheter's AB, Per-Martin Holmgren, appointed by TREAC AB, and Kjell Lindskog, appointed by the Marklund & Dahlqvist family. The nomination committee has appointed Åke Elveros as its chairman. The Nomination Committee's members together represent 40.8 per cent (30 September 2019) of the total number of shares and votes in the company.

The Nomination Committee's task is to submit proposals to the Annual General Meeting for the Chairman and other members of the Board, as well as fees and other remuneration for Board assignments to each of the Board members. The Nomination Committee shall also submit proposals for election and remuneration of auditors. Furthermore, the Nomination Committee shall submit proposals for a process to appoint a Nomination Committee for the Annual General Meeting 2021.

Shareholders who wish to submit proposals to the Nomination Committee can do so via e-mail to ir@railcare.se.

Shareholder structure

Ten largest shareholders 30 September 2019	Number of shares	Proportion of share capital and votes (%)
Norra Västerbotten Fastighets AB	2,521,335	11.0
Marklund family* through companies	2,433,905	10.6
TREAC Aktiebolag	2,415,000	10.5
Dahlqvist family through companies	2,002,155	8.7
Ålandsbanken AB	1,009,000	4.4
BNY Mellon NA, W9	970,327	4.2
NTC IEDP AIF Clients S Non Treaty 30 % Account	866,285	3.8
Avanza Pension insurance company	578,530	2.5
Bernt Larsson	556,773	2.4
RBC Investor Services Bank S.A., W8IMY	497,588	2.2
Ten largest shareholders	13,850,898	60.3
Other shareholders	9,162,158	39.7
Total	23,013,056	100.0

* No single individual holds shares corresponding to more than 10 per cent of the votes.

Sources: Euroclear and Railcare

3,395

Number of shareholders in Railcare Group AB as per 30 September 2019.
Source: Euroclear

Significant risks and uncertainties

A description of significant risks and uncertainties available in Railcare's 2018 Annual Report, which be downloaded at www.railcare.se

There has been no material change in significant risks and uncertainties since the publication of the Annual Report.

One of Railcare's home markets is the UK. The country's imminent withdrawal from the EU, Brexit, may affect Railcare's operations primarily because it will be more administratively burdensome to have foreign staff in the country and to import and export machines. In Railcare's assessment, demand for the Group's services will persist and, once new administrative routines are in place, the UK's exit from the EU will not have a significant impact on the Group's operations, earnings and financial position.

Transactions with related parties

During the year, no significant changes have occurred, for the Group or the Parent Company, in their relations or transactions with related parties, compared with what is described in the 2018 Annual Report.

Attestation by the Board of Directors and CEO

The Board of Directors and CEO of Railcare Group AB certify that the interim report for January-September 2019 provides a true and fair overview of the operations, position and results of the Parent Company and the Group and describes the significant risks and uncertainties faced by the Parent Company and the companies included in the Group.

Skelleftehamn, 7 November 2019
Railcare Group AB (publ)

Catharina Elmsäter-Svärd
Chairman of the Board

Ulf Marklund
Board member, Deputy CEO

Anna Weiner Jiffer
Board member

Adam Ådin
Board member

Anders Westermark
Board member

Björn Östlund
Board member

Daniel Öholm
CEO

Review report

Railcare Group AB (publ) Reg. No. 556730–7813

To the Board of Directors of Railcare Group AB (publ)

Introduction

We have reviewed the condensed interim report for Railcare Group AB (publ) as at 30 September 2019 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden.

The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Skellefteå, 7 November 2019

Ernst & Young AB

Fredrik Lundgren

Authorized Public Accountant

FINANCIAL REPORTS

CONSOLIDATED SUMMARY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousands	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Net sales	3	101,017	62,308	277,073	191,473	270,147
Capitalised work for own account		2,290	1,760	6,572	4,207	5,453
Other operating income		147	76	997	997	1,204
Total		103,454	64,144	284,642	196,677	276,804
Raw materials and consumables		-33,726	-16,708	-92,018	-47,829	-70,532
Other external costs		-12,183	-18,910	-34,963	-51,603	-71,272
Personnel costs		-28,139	-26,920	-89,187	-79,240	-108,443
Depreciation and impairment of tangible and intangible assets		-12,460	-5,985	-36,996	-17,980	-24,096
Other operating expenses		-189	-224	-952	-664	-918
Total operating expenses		-86,697	-68,747	-254,116	-197,316	-275,261
Operating profit/loss (EBIT)		16,757	-4,603	30,526	-639	1,543
Financial income		2	5	7	29	29
Financial expenses		-1,451	-1,264	-4,392	-4,007	-5,363
Net financial items		-1,449	-1,259	-4,385	-3,978	-5,334
Share of profit after tax from associated companies reported according to the equity method		51	-25	163	79	184
Profit/loss before tax		15,359	-5,887	26,304	-4,538	-3,607
Income tax		-3,328	1,219	-5,752	2,775	2,188
Net profit/loss for the period		12,031	-4,668	20,552	-1,763	-1,419
Other comprehensive income:						
<i>Items that may be reclassified to the profit/loss for the period</i>						
Exchange rate differences from the translation of foreign operations		321	-265	728	519	425
Other comprehensive income for the period, net after tax		321	-265	728	519	425
Total comprehensive income for the period		12,352	-4,933	21,280	-1,244	-994

Amounts in SEK	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Earnings per share before dilution	0.52	-0.21	0.89	-0.08	-0.06
Earnings per share after dilution	0.50	-0.21	0.86	-0.08	-0.06
Average number of shares	23,013,056	21,901,945	23,013,056	21,901,945	22,032,843
Number of shares outstanding on the balance sheet date	23,013,056	21,901,945	23,013,056	21,901,945	23,013,056

CONSOLIDATED SUMMARY STATEMENT OF FINANCIAL POSITION

Amounts in SEK thousands	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Non-current assets				
Intangible assets				
Capitalised development costs		2,357	2,675	2,502
Patent		367	445	501
Goodwill		3,928	3,806	3,796
Transportation licence		581	718	684
Total intangible assets		7,233	7,644	7,483
Tangible assets				
Buildings and land		25,534	5,948	5,534
Locomotives and wagons		123,111	113,038	111,773
Mobile machinery		152,180	143,657	161,517
Vehicles		8,066	9,843	10,299
Equipment, tools, fixtures and fittings		6,126	4,963	5,385
Construction in progress		50,622	40,167	31,586
Total tangible assets		365,639	317,616	326,094
Financial non-current assets				
Holdings reported according to the equity method		566	490	595
Deposits		658	658	658
Other non-current receivables		3,954	-	3,954
Total financial non-current assets		5,178	1,148	5,207
Total non-current assets		378,050	326,408	338,784
Current assets				
Inventories				
Raw materials and consumables		11,500	14,643	10,349
Work in progress		11,329	-	-
Total inventories		22,829	14,643	10,349
Current receivables				
Accounts receivable		40,255	36,106	20,172
Current tax receivables		-	7,576	1,329
Other current receivables		4,461	6,676	8,271
Prepaid expenses and accrued income		9,946	9,740	10,184
Total current receivables		54,662	60,098	39,956
Cash and cash equivalents		5,710	5,997	24,081
Total current assets		83,201	80,738	74,386
TOTAL ASSETS		461,251	407,146	413,170

CONSOLIDATED SUMMARY STATEMENT OF FINANCIAL POSITION, cont.

Amounts in SEK thousands	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
EQUITY				
Share capital		9,435	8,980	9,435
Other capital provided		32,178	27,994	32,178
Reserves		2,042	1,408	1,314
Retained earnings (comprehensive income for the period included)		110,380	90,332	90,677
Total equity attributable to Parent Company shareholders		154,035	128,714	133,604
LIABILITIES				
Non-current liabilities				
Deferred tax liabilities		23,427	25,600	23,464
Convertible loans		4,727	9,018	4,563
Liabilities to credit institutions		112,175	123,390	127,135
Lease liability *		21,504	16,161	14,856
Total non-current liabilities		161,833	174,169	170,018
Current liabilities				
Lease liability *		29,694	4,419	5,742
Liabilities to credit institutions		45,802	46,165	48,171
Bank overdraft facility		-	2,440	-
Accounts payable		26,475	21,441	26,551
Prepayments from customers		9,218	-	-
Current tax liabilities		3,452	1,871	1,135
Other liabilities		4,824	5,377	4,462
Accrued expenses and deferred income		25,918	22,550	23,487
Total current liabilities		145,383	104,263	109,548
TOTAL EQUITY AND LIABILITIES		461,251	407,146	413,170

*) Comparative figures for 2018 relate to Liability financial leasing agreements, in accordance with the former accounting principle.

CONSOLIDATED SUMMARY STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousands	Note	Share capital	Other capital provided	Reserves	Retained earnings (comprehensive income for the period included)	Total equity
Opening balance as per 1 January 2018		8,980	27,994	889	95,380	133,243
Net profit/loss for the period		-	-	-	-1,763	-1,763
Other comprehensive income		-	-	519	-	519
Total comprehensive income		-	-	519	-1,763	-1,244
Transactions with shareholders						
Dividend		-	-	-	-3,285	-3,285
Closing balance as per 30 September 2018		8,980	27,994	1,408	90,332	128,714
Opening balance as per 1 January 2019		9,435	32,178	1,314	90,677	133,604
Adjustment on transition to IFRS 16	5	-	-	-	-849	-849
Net profit/loss for the period		-	-	-	20,552	20,552
Other comprehensive income		-	-	728	-	728
Total comprehensive income		-	-	728	19,703	20,431
Closing balance as per 30 September 2019		9,435	32,178	2,042	110,380	154,035

The Group's equity is attributable in its entirety to the Parent Company's shareholders.

CONSOLIDATED SUMMARY STATEMENT OF CASH FLOWS

Amounts in SEK thousands	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Cash flow from operating activities						
Operating profit/loss		16,757	-4,603	30,526	-639	1,543
Adjustment for non-cash items		12,106	7,566	37,191	20,122	24,112
Interest paid		-1,396	-1,155	-4,228	-3,679	-4,951
Interest received		2	5	7	29	29
Income tax paid		-781	-959	-2,002	-3,531	-639
Cash flow from operating activities before changes in working capital		26,688	854	61,494	12,302	20,094
Cash flow from changes in working capital						
Increase/decrease in inventories		-9,492	1,042	-12,503	-204	1,446
Increase/decrease in operating receivables		6,767	7,304	-20,131	-8,653	1,624
Increase/decrease in operating liabilities		-6,991	-1,841	11,940	39	4,875
Total changes in working capital		-9,716	6,505	-20,694	-8,818	7,945
Cash flow from operating activities		16,972	7,359	40,800	3,484	28,039
Cash flow from investment activities						
Investments in intangible assets		-288	-44	-377	-127	-226
Investments in tangible assets		-4,847	-6,228	-21,776	-16,961	-27,671
Investments in other financial non-current assets		-	-658	-	-658	-658
Dividends from associated companies		-	-	193	133	133
Divestment of tangible assets		70	112	70	112	112
Cash flow from investment activities		-5,065	-6,818	-21,890	-17,501	-28,310
Cash flow from financing activities						
Loans raised		-	5,220	6,030	5,220	20,220
Net change in bank overdraft facility		-2,953	1,901	-	2,440	-
Amortisation of loans and lease liability		-17,241	-8,868	-43,608	-20,223	-28,354
Dividends paid		-	-	-	-3,285	-3,285
Cash flow from financing activities		-20,194	-1,747	-37,578	-15,848	-11,419
Cash flow for the period		-8,287	-1,206	-18,668	-29,865	-11,690
Cash and cash equivalents at the beginning of the period		13,784	7,291	24,081	35,656	35,656
Exchange rate difference in cash and cash equivalents		213	-88	297	206	115
Cash and cash equivalents at the end of the period		5,710	5,997	5,710	5,997	24,081

PARENT COMPANY SUMMARY INCOME STATEMENT

Amounts in SEK thousands	Note	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Net sales		6,210	5,014	19,810	18,056	23,191
Other operating income		9	-	38	31	32
Total operating income		6,219	5,014	19,848	18,087	23,223
Operating expenses						
Raw materials and consumables		-	-10	-1,149	-3,039	-3,180
Other external costs		-2,631	-3,298	-10,072	-12,362	-16,688
Personnel costs		-2,348	-2,210	-8,389	-7,717	-10,400
Depreciation and impairment of tangible and intangible assets		-53	-68	-148	-203	-271
Other operating expenses		51	-10	-77	-25	-36
Total operating expenses		-4,981	-5,596	-19,835	-23,346	-30,575
Profit from participations in associated companies and jointly controlled companies		-	-	193	133	133
Operating loss		1,238	-582	206	-5,126	-7,219
Profit from financial items						
Profit from participations in Group companies		4,296	-	4,296	-	2,491
Other interest income and similar profit/loss items		136	149	556	384	593
Interest expenses and similar profit/loss items		-119	-187	-299	-568	-721
Total profit/loss from financial items		4,313	-38	4,553	-184	2,363
Profit/loss after financial items		5,551	-620	4,759	-5,310	-4,856
Appropriations		-	-	-	-	4,900
Tax on net profit/loss for the period		-287	114	-90	1,145	481
Net profit/loss for the period		5,264	-506	4,669	-4,165	525

PARENT COMPANY SUMMARY BALANCE SHEET

Amounts in SEK thousands	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
ASSETS				
Intangible assets				
Patents		367	445	501
Total intangible assets		367	445	501
Tangible assets				
Equipment, tools, fixtures and fittings		188	204	179
Total tangible assets		188	204	179
Financial non-current assets				
Participations in Group companies		34,236	34,236	34,236
Participations in associated companies		204	204	204
Deferred tax assets		204	857	294
Total financial non-current assets		34,644	35,297	34,734
Total non-current assets		35,199	35,946	35,414
Current assets				
Current receivables				
Accounts receivable		-	38	7
Receivables from Group companies		6,500	751	25,346
Current tax receivables		459	3,183	183
Other receivables		-	-	2
Prepaid expenses and accrued income		3,048	866	1,053
Total current receivables		10,007	4,838	26,591
Cash and bank balances		3,985	1	738
Total current assets		13,992	4,839	27,329
TOTAL ASSETS		49,191	40,785	62,743

PARENT COMPANY SUMMARY BALANCE SHEET, cont.

Amounts in SEK thousands	Note	30 Sep 2019	30 Sep 2018	31 Dec 2018
EQUITY AND LIABILITIES				
Equity				
Restricted equity				
Share capital		9,435	8,980	9,435
Total restricted equity		9,435	8,980	9,435
Non-restricted equity				
Share premium reserve		18,638	14,453	18,638
Retained earnings		5,757	5,232	5,232
Net profit/loss for the period		4,669	-4,165	525
Total non-restricted equity		29,064	15,520	24,395
Total equity		38,499	24,500	33,830
Non-current liabilities				
Convertible loans		4,727	9,017	4,563
Total non-current liabilities		4,727	9,017	4,563
Current liabilities				
Accounts payable		531	671	1,301
Bank overdraft facility		-	3,663	-
Liabilities to Group companies		2,727	520	20,527
Other liabilities		837	329	323
Accrued expenses and deferred income		1,870	2,085	2,199
Total current liabilities		5,965	7,268	24,350
TOTAL EQUITY AND LIABILITIES		49,191	40,785	62,743

NOTES

Note 1 General information

Railcare Group AB (publ) ("Railcare"), Reg. No. 556730–7813 is a Parent Company registered in Sweden and domiciled in Skellefteå, with the address Näsuddsvägen 10, SE-932 32 Skelleftehamn, Sweden.

Unless otherwise stated, all amounts are given in SEK thousands. Disclosures in parentheses pertain to the comparison year.

Note 2 Basis for preparation of statements

Railcare's consolidated accounts for have been prepared in accordance with the Annual Accounts Act, recommendation RFR 1 Supplementary Accounting Rules for Groups from the Swedish Financial Reporting Board, International Financial Reporting Standards (IFRS) and the interpretations of the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Annual Accounts Act.

The accounts of the Parent Company have been prepared in accordance with the Annual Accounts Act and RFR 2 *Accounting for legal entities* from the Swedish Financial Reporting Board, The interim report for the Parent Company has been prepared in accordance with the Annual Accounts Act. Effective 1 January 2018, the Parent Company also applies IFRS 9 and IFRS 15 as specified in RFR 2.

The accounting principles applied are in line with those described in Railcare Group's 2018 Annual Report, with the exception that Railcare applies IFRS 16 to leases in Railcare Group effective 1 January 2019. The implementation of the standard entails a certain effect on them financial reports. For disclosures on the effects of the transition to IFRS 16, reference is made to Note 5. Accounting principles in accordance with IFRS 16 follow below.

The Parent Company, Railcare Group AB, has chosen not to apply IFRS 16 Leases but has, effective 1 January 2019, applied the points stated in RFR 2 (IFRS 16 Leases, p. 2-12).

Accounting principle applied with regard to leases effective 1 January 2019

Railcare Group's leases predominantly involve locomotives, cars, machinery and premises. Leases are normally signed for fixed periods of one to eight years, although extension options are available, as described below. The terms are negotiated separately for each contract and include a large number of different contract terms.

From the date on which the leased assets are placed at the disposal of the Group, leases are reported as rights-of-use assets with corresponding liabilities. Each lease payment is divided between an amortisation of the liability and a financial expenses. The financial expenses are to be distributed over the lease period so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognized for the period concerned. The right-of-use asset is depreciated on a straight-line basis across the useful life of the asset or the length of the lease, whichever is shorter.

Assets and liabilities arising from leasing agreements are initially recognised at present value. As this is the first financial year in accordance with IFRS 16, the lease debt consists of the discounted future cash flows from the date of transition to IFRS 16, while all rights-of-use assets were recalculated as if the standard had been applied from the starting dates of the contracts. This means that the rights-of-use assets are reported as if the standard had been applied since the start date, although discounted by Railcare Group's marginal borrowing rate on the initial date of application.

The lease liabilities include the present value of the following lease payments:

- fixed fees
- variable lease fees, determined by an index

The lease payments are discounted at the marginal loan rate.

The right-of-use assets are valued at cost and include the following:

- the initial valuation of the lease liability,
- payments made at or before the time at which the lease assets were made available to the lessee,

Leases of short maturity (briefer than 12 months) and leases of lesser value are expensed on a straight-line basis in the Income Statement.

Options to extend or terminate agreements

Options to extend or terminate contracts are included in the asset and the liability where it is reasonably certain that they will be used. Extension options are taken into account based on a model for agreement extensions based on the probability that agreement will be extended. Extension options are mainly included in agreements associated with premises and, in certain agreements regarding locomotives.

Comparison data included in this interim report have not been restated in accordance with IFRS 16, and leases are, instead, reported as described in the 2018 Annual Report.

The fair value of financial assets and liabilities is estimated to correspond to book value.

Note 3 Segment information

Description of the segments and their principal activities:

Railcare's Group Management, comprising the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the IR and Communications Manager, is the highest executive decision-making body in the Railcare Group and assesses the Group's financial position and earnings and makes strategic decisions. Company management has determined the operating segments based on the data processed by Group Management and used as a basis for allocating resources and assessing earnings.

Group Management has identified four reportable segments in the Group's operations:

Construction Sweden

Railway construction work involving machinery and personnel and renovation of glass-fibre lined culverts beneath railways, roads and industrial areas in Sweden.

Construction Abroad

Railway construction work involving machinery and personnel in countries other than Sweden, currently predominantly in the UK.

Transport Scandinavia

Special transports involving locomotives, wagons and personnel, as well as repair and upgrading services for locomotives and wagons performed in workshops.

Machine Sales

Sales of machines primarily outside Sweden, as well as marketing focused on new areas in which Railcare's construction services can be implemented.

The Group common item is used for reconciliation purposes and includes Group Management and other Group common services.

Although the Machine Sales segment does not meet the quantitative limits required for segments for which information is to be disclosed in accordance with IFRS 8, company management has determined that this segment should nonetheless be reported as it is monitored closely by Group Management as a possible area of growth and is expected to contribute significantly to consolidate income in the future.

Group Management primarily uses profit after financial items in assessing consolidated earnings.

Income

Sales between segments are conducted on market terms. Income from external customers reported to Group Management is valued in the same way as in the Consolidated statement of comprehensive income.

	Jul-Sep 2019			Jul-Sep 2018		
	Segment income	Sales between segments	Income from external customers	Segment income	Sales between segments	Income from external customers
Construction Sweden	47,699	3,205	44,493	30,478	4,075	26,403
Construction Abroad	15,479	2,345	13,135	11,480	2,738	8,742
Transport Scandinavia	45,088	2,882	42,206	27,854	2,361	25,493
Machine Sales	790	0	790	2,047	772	1,275
Group common	6,210	5,817	393	5,014	4,618	396
Total	115,266	14,249	101,017	76,873	14,565	62,308

	Jan-Sep 2019			Jan-Sep 2018			Jan-Dec 2018		
	Segment income	Sales between segments	Income from external customers	Segment income	Sales between segments	Income from external customers	Segment income	Sales between segments	Income from external customers
Construction Sweden	129,502	10,127	119,374	107,061	11,348	95,713	144,473	14,665	129,807
Construction Abroad	50,367	7,243	43,125	35,192	8,453	26,738	49,631	10,431	39,200
Transport Scandinavia	123,379	12,103	111,276	78,235	13,026	65,209	114,057	17,873	96,184
Machine Sales	3,117	1,027	2,090	5,923	3,303	2,620	7,429	4,064	3,365
Group common	19,810	18,603	1,207	18,056	16,863	1,193	23,191	21,600	1,591
Total	326,175	49,102	277,073	244,467	52,994	191,473	338,781	68,634	270,147

Profit/loss after financial items

	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Dec 2018
Construction Sweden	9,128	542	17,863	18,095	21,697
Construction Abroad	471	-3,353	1,810	-10,507	-12,851
Transport Scandinavia	4,638	-2,281	7,110	-6,068	-4,124
Machine Sales	-183	81	-899	-672	-993
Group common	1,254	-851	257	-5,465	-7,520
Total	15,308	-5,862	26,141	-4,617	-3,791

Profit/loss after financial items for the Group's operating segments are reconciled against consolidated profit/loss before tax in accordance with the following:

Profit/loss after financial items	15,308	-5,862	26,141	-4,617	-3,791
Share of profit after tax from associated companies reported according to the equity method	51	-25	163	79	184
Profit/loss before tax	15,359	-5,887	26,304	-4,538	-3,607

The Group's customers are both private and public players in the railway industry and vary according to area of operations. The Group's customers are largely recurring, and its customer relationships are long term. Most of the Group's income derives from the three segments Construction Sweden, Construction Abroad and Transport Scandinavia.

Sales comprise the income categories Income from services, Sales of goods and Leasing, and a breakdown of income is provided below.

Segment	Income from services		Sales of goods		Leasing		Total	
	Jul-Sep 2019	Jul-Sep 2018	Jul-Sep 2019	Jul-Sep 2018	Jul-Sep 2019	Jul-Sep 2018	Jul-Sep 2019	Jul-Sep 2018
Construction Sweden	44,493	26,403	0	0	0	0	44,493	26,403
Construction Abroad	13,097	8,109	0	0	38	632	13,135	8,741
Transport Scandinavia	36,840	20,321	1,052	1,150	4,315	4,022	42,207	25,493
Machine Sales	0	108	790	1,167	0	0	790	1,275
Group common	393	396	0	0	0	0	393	396
Total	94,823	55,337	1,842	2,317	4,353	4,654	101,018	62,308

Segment	Income from services		Sales of goods		Leasing		Total	
	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	Jan-Sep 2019	Jan-Sep 2018
Construction Sweden	119,374	95,713	0	0	0	0	119,374	95,713
Construction Abroad	42,887	25,534	0	0	238	1,203	43,125	26,737
Transport Scandinavia	93,232	49,103	5,817	4,227	12,227	11,879	111,276	65,209
Machine Sales	86	108	2,004	2,512	0	0	2,090	2,620
Group common	1,207	1,193	0	0	0	0	1,207	1,193
Total	256,786	171,651	7,821	6,739	12,465	13,082	277,072	191,473

Note 4 Right-of-use assets

As per 30 September 2019, the Balance Sheet includes rights-of-use assets in accordance with the below:

	Balance per 30 September 2019	Of which, right-of-use assets
Buildings and land	25,534	20,148
Locomotives and wagons	123,111	24,445
Mobile machinery	152,180	2,525
Vehicles	8,066	7,949
Equipment, tools, fixtures and fittings	6126	70

Note 5 Effects of transition to IFRS 16 Leases

This note explains the effects on the Railcare Group's financial reports of the application of IFRS 16 Leases. Railcare applies the simplified transition method but electing to recalculate all right-of-use assets as if the standard had been applied from starting dates of the agreements. This means that the right-of-use assets are reported as if the standard had been applied since the opening date, but discounted at the Group's marginal borrowing rate on the initial date of application, while the leasing liability consists of the discounted future cash flows from the transition to IFRS 16, which has had a minor impact on equity in the opening balance as per 1 January 2019. Comparison figures have not been recalculated. Contracts previously reported as financial leases have not been revalued, but are reported, in accordance with the previously applied accounting principles, as part of the lease liability and the right-of-use assets in connection with the transition to IFRS 16. Leases with short maturities (less than 12 months) and leases for which the underlying asset is of lower value (less than USD 5,000) will continue to be expensed on a straight-line basis over the term of the lease

Effects of IFRS 16 on the Group's key financial ratios

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019 incl. IFRS 16	Jul-Sep 2019 excl. IFRS 16	Jan-Sep 2019 incl. IFRS 16	Jan-Sep 2019 excl. IFRS 16
Operating profit/loss (EBIT)	16,757	16,542	30,526	29,907
Operating margin, %	16.6	16.4	11.0	10.8
Net profit/loss for the period	12,031	12,054	20,552	20,652
Net financial items	-1,449	-1,205	-4,385	-3,642
Total assets	461,251	427,868	461,251	427,868
Equity/assets ratio, %	33.4	36.1	33.4	36.1
Key financial ratios and figures per share, SEK				
Earnings per share before dilution*	0.52	0.52	0.89	0.90
Earnings per share after dilution*	0.50	0.50	0.86	0.86
Equity per share	6.69	6.72	6.69	6.72

Effects of IFRS 16 on the consolidated statement of comprehensive income

Consolidated summary Income Statement, Amounts in SEK thousands	Jul-Sep 2019 incl. IFRS 16	Jul-Sep 2019 effect of IFRS 16	Jul-Sep 2019 excl. IFRS 16	Jan-Sep 2019 incl. IFRS 16	Jan-Sep 2019 effect of IFRS 16	Jan-Sep 2019 excl. IFRS 16
Operating income	103,454	-	103,454	284,642	-	284,642
Operating expenses excl. amortisation and depreciation	-74,237	6,386	-80,623	-217,120	18,505	-235,625
Depreciation	-12,460	-6,171	-6,289	-36,996	-17,886	-19,110
Operating loss	16,757	215	16,542	30,526	619	29,907
Net financial items	-1,449	-244	-1,205	-4,385	-743	-3,642
Share of profit after tax from associated companies reported according to the equity method	51	-	51	163	-	163
Profit/loss before tax	15,359	-29	15,388	26,304	-124	26,428
Taxes	-3,328	6	-3,334	-5,752	24	-5,776
Net profit/loss for the period	12,031	-23	12,054	20,552	-100	20,652

Effects of IFRS 16 on the consolidated statement of financial position

Consolidated Summary Balance Sheet, Amounts in SEK thousands	30 Sep 2019 incl. IFRS 16	30 Sep 2019 effect of IFRS 16	30 Sep 2019 excl. IFRS 16	CB 31 Dec 2018	OB/CB analysis IFRS 16 effect	OB 1 Jan 2019
ASSETS						
Intangible assets	7,233	-	7,233	7,483	-	7,483
Tangible assets	365,639	36,956	328,683	326,094	43,235	369,329
Financial non-current assets	5,178	-	5,178	5,207	-	5,207
Current assets	83,201	-3,573	86,774	74,386	-3,864	70,522
Total assets	461,251	33,383	427,868	413,170	39,371	452,541
EQUITY AND LIABILITIES						
Equity	154,035	-633	154,668	133,604	-849	132,755
Non-current liabilities	161,833	17,219	144,614	170,018	21,000	191,018
Current liabilities	145,383	16,797	128,586	109,548	19,220	128,768
Total equity and liabilities	461,251	33,383	427,868	413,170	39,371	452,541

Effects of IFRS 16 on the consolidated cash flow statement

The transition to IFRS 16 has had an effect on cash flow for the third quarter of 2019 since the amortisation of the lease liability is reported as part of the financing activities rather than being included in the operating activities. This means that cash flow from operating activities for the third quarter of 2019 is approximately SEK 6.1 million higher, while cash flow from financing activities is approximately SEK 6.1 million lower than if the previous accounting principles had been applied.

For the period January-September 2019, cash flow from operating activities was approximately SEK 17.8 million higher, while cash flow from financing activities was approximately SEK 17.8 million lower than if the previous accounting principles had been applied.

For information reconciling the lease liability with the commitment for operational leases reported in the Annual Report and further disclosures regarding the transition to IFRS 16, see the 2018 Annual Report.

KEY FINANCIAL RATIOS AND FIGURES, RAILCARE GROUP SUMMARY¹

Amounts in SEK thousands, unless otherwise stated	Jul-Sep 2019	Jul-Sep 2018	Jan-Sep 2019	Jan-Sep 2018	full-year 2018
Net sales	101,017	62,308	277,073	191,473	270,147
Sales growth, %	62.1	-14.5	44.7	-6.9	-7.7
Operating profit/loss (EBIT)	16,757	-4,603	30,526	-639	1,543
Operating margin, %	16.6	-7.4	11.0	-0.3	0.6
Net profit/loss for the period	12,031	-4,668	20,552	-1,763	-1,419
Net financial items	-1,449	-1,259	-4,385	-3,978	-5,334
Total assets	461,251	407,146	461,251	407,146	413,170
Equity/assets ratio, %	33.4	31.6	33.4	31.6	32.3
Key financial ratios and figures per share, SEK					
Earnings per share before dilution	0.52	-0.21	0.89	-0.08	-0.06
Earnings per share after dilution	0.50	-0.21	0.86	-0.08	-0.06
Equity per share	6.69	5.88	6.69	5.88	5.81
Dividend per share, SEK	-	-	-	-	-

¹ All key financial ratios for 2019 have been calculated inclusive of the effects of introducing IFRS 16. For disclosures regarding the effect of the introduction of IFRS 16, see Note 5. The comparison figures for 2018 have not been recalculated.

QUARTERLY DATA¹, RAILCARE GROUP SUMMARY

Amounts in SEK million	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Net sales	101.0	91.2	84.9	78.7	62.3	62.7	66.5	86.9	72.9
Capitalised work for own account	2.3	3.2	1.1	1.2	1.8	2.1	0.3	0.0	0.6
Other operating income	0.1	0.6	0.3	0.2	0.1	0.3	0.6	1.5	0.1
Total	103.5	94.9	86.3	80.1	64.1	65.1	67.5	88.4	73.5
Raw materials and consumables	-33.7	-34.5	-23.8	-22.7	-16.7	-15.2	-16.0	-35.6	-21.8
Other external costs	-12.2	-11.1	-11.7	-19.7	-18.9	-16.7	-16.0	-14.9	-16.2
Personnel costs	-28.1	-33.1	-28.0	-29.2	-26.9	-28.0	-24.3	-23.6	-21.1
Depreciation and impairment of tangible assets	-12.5	-12.6	-12.0	-6.1	-6.0	-6.0	-6.0	-5.8	-5.8
Other operating expenses	-0.2	-0.4	-0.4	-0.3	-0.2	-0.3	-0.2	-1.0	-1.7
Total operating expenses	-86.7	-91.5	-75.9	-77.9	-68.7	-66.1	-62.5	-81.0	-66.5
Operating profit/loss (EBIT)	16.8	3.4	10.4	2.2	-4.6	-1.0	5.0	7.4	7.0
Financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-1.5	-1.5	-1.5	-1.4	-1.3	-1.4	-1.4	-0.8	-1.7
Net financial items	-1.5	-1.5	-1.5	-1.4	-1.3	-1.4	-1.3	-0.8	-1.7
Share of profit after tax from associated companies reported according to the equity method	0.1	0.1	0.1	0.1	0.0	0.0	0.1	0.1	0.0
Profit/loss before tax	15.4	2.0	8.9	0.9	-5.9	-2.4	3.7	6.8	5.4
Taxes	-3.3	-0.9	-1.5	-0.6	1.2	2.2	-0.7	-2.0	-1.1
Net profit/loss for the period	12.0	1.1	7.4	0.3	-4.7	-0.2	3.1	4.8	4.2
Equity/assets ratio, %	33.4	29.9	30.4	32.3	31.6	32.4	33.1	31.7	29.6

¹Quarterly data for 2019 include the effects of the introduction of IFRS 16. Comparison figures have not been recalculated.

DEFINITIONS

General	All amounts in tables are in SEK thousands unless otherwise stated. All values in parentheses are comparative figures for the corresponding period in the preceding year unless otherwise stated. Amounts in tables and other summaries have been rounded off individually. Accordingly, minor rounding differences can be found in totals.	
Alternative key financial ratios and figures	This interim report refers to a number of financial measures not defined in accordance with IFRS, so-called alternative key financial ratios and figures. These key financial ratios and figures are used by Railcare to monitor and analyse the financial outcome of the Group's operations and its financial position. These alternative key financial ratios and figures are intended to supplement, not replace, the financial measures presented in accordance with IFRS. See definitions and further information below.	
Key financial ratios and figures	Definition/calculation	Purpose
Operating profit/loss (EBIT)	Calculated as net profit/loss for the period before tax, participations in the earnings of associated companies and financial items.	This key financial ratio shows the Company's profit/loss generated by operating activities.
Net financial items	Net financial items are calculated as financial income less financial expenses.	This key financial figure shows the net amount resulting from the Company's financial activities.
Net margin	The net margin is calculated as income after financial items divided by net sales.	This key financial figure shows how much of the Company's earnings remain after all of its expenses, except for corporation tax, have been deducted.
Total assets	Calculated as the total of the Company's assets at the end of the period.	
Equity per share, SEK	Calculated as equity divided by the number of shares outstanding at the end of the period.	This key financial figure shows the Company's net worth per share.
Sales growth, %	Calculated as the difference between net sales for the period and net sales for the preceding period, divided by net sales for the preceding period.	This key financial figure shows the Company's growth and its historical trend, contributing to an understanding of the Company's development.
Operating margin, %	Calculated as operating income divided by net sales.	This key financial figure shows how much of the Company's profit/loss is generated by its operating activities.
Equity/assets ratio, %	Calculated as equity divided by total assets.	This key financial ratio shows the Company's financial position and its long-term ability to pay.
Dividend per share, SEK	Dividend per share approved by a General Meeting at which the Annual Report for the specified financial year is adopted.	
Earnings per share before dilution, SEK	Calculated as profit/loss attributable to the Parent Company's shareholders divided by the weighted average number of shares outstanding over the period.	This key financial figure shows the Company's earnings per share, regardless of any dilution effect from convertibles outstanding.
Earnings per share after dilution, SEK	To calculate earnings per share after dilution, the weighted average number of shares outstanding is adjusted for the dilution effect of all potential shares. The Parent Company has a category of potential common shares with a dilution effect: convertible debentures. The convertible debentures are assumed to have been converted into shares and the net profit is adjusted to eliminate interest expenses less the tax effect. Convertible debentures do not give rise to a dilution effect when the interest per share that may be received on conversion exceeds earnings per share before dilution.	This key financial figure shows the Company's earnings per share, regardless of any dilution effect from convertibles outstanding.

GLOSSARY

CP6

Control Period 6. The UK government has earmarked funds of approximately GBP 47.9 billion for the railways between 2019 and 2024.

MPV

Multi-Purpose Vehicle – a versatile working vehicle in rail maintenance. During 2019, Railcare will develop a battery-powered version of an MPV.

National Plan

On 31 May 2018, the Swedish government adopted a national plan for the transport system for the period 2018–2029. The plan includes measures, representing an important step towards a modern and sustainable transport system.

Railvac

Maintenance contracts with Railvac 16,000-machines that are able to perform various types of track maintenance on the railways using vacuum technology.

Press releases in the third quarter of 2019

- **17 October** – *Nomination Committee for Railcare Group AB's Annual General Meeting 2020*
- **23 August** – *Interim report January-June 2019*

Financial calendar

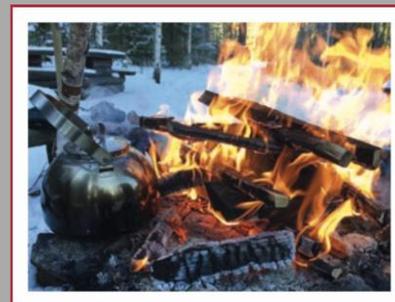
- The year-end report for 2019 will be published on 20 February 2020.
- The interim report for January-March 2020 will be published on 5 May 2020.
- The 2020 Annual General Meeting will take place on 6 May 2020 at Railcare's headquarters in Skelleftehamn, Sweden.
- The interim report for January-June 2019 will be published on 20 August 2020.
- The interim report for January-September 2020 will be published on 5 November 2020.
- The year-end report for 2020 will be published on 18 February 2021.

About Railcare Group

Railway Specialist Railcare Group AB offers products and services that enhance customers' reliability, punctuality and profitability, primarily in the Nordic region and the UK. The railway industry is in a period of positive development, with increasing traffic volumes and extensive investment programmes, as well as rapid development of cost-efficient freight and passenger transport and increasing environmental awareness. Railcare has unique opportunities to deliver effective solutions that help the railways increase their share of the total transport market. The shares of Railcare Group AB (publ) have been listed on the Small Cap list of the Nasdaq Stockholm exchange since April 2018. The Group has some 130 employees and annual sales of approximately SEK 300 million. The Company's registered office is located in Skelleftehamn, Sweden.

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Railvac in 3D

Please feel free to download the *Railcare 25* app to your mobile device from the App Store or Google Play. Follow the instructions in the app and point the search box towards the above image.

www.railcare.se

In October, Railcare launched its new website. For further information, see www.railcare.se.

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This information is such that Railcare Group AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact persons set out above, for publication on 7 November 2019 at 7:30 a.m. CET.

This document is essentially a translation of Swedish language original thereof. In the event of any discrepancies between this translation and the original Swedish document the latter shall be deemed correct.