



Press release

21 February 2019

Year-end report 2018

**Increased demand from key customers during the fourth quarter of the year.
The year weaker than expected.**

Fourth quarter

- Consolidated net sales decreased by 9.4 per cent to SEK 78.7 million (86.9).
- Operating profit (EBIT) decreased by SEK 5.2 million to SEK 2.2 million (7.4).
- Earnings per share after dilution amounted to SEK 0.02 (0.20).

Full-year 2018, January – December 2018

- Consolidated net sales decreased by 7.7 per cent to SEK 270.1 million (292.6).
- Operating profit (EBIT) decreased by SEK 15.2 million to SEK 1.5 million (16.7).
- Earnings per share after dilution were negative in the amount of SEK 0.06 (positive 0.39).
- The Board of Directors will propose that the Annual General Meeting approve a dividend of SEK 0.00 per share (0.15) for the 2018 financial year.

Significant events in the fourth quarter

- The Swedish Transport Administration (Sw: Trafikverket) extended its snow removal contract with Railcare by an additional year. Trafikverket has decided to activate its option for two additional snow removal contracts with Railcare AB. The value of the order amounts to approximately SEK 48 million for the period and includes work to be performed until 1 May 2020.
- In accordance with information presented in Railcare's interim report for the third quarter of 2018, Norrlandsfonden invoked conversion of half of its convertible debenture, with SEK 5 million thus being converted into 1,111,111 shares at the agreed price of SEK 4.50 per share.

CEO's comments

During the fourth quarter of 2018, we achieved a pre-tax profit of SEK 0.9 million and a turnover of SEK 78.7 million, which gives a margin of 1.1%. During the last quarter of the year, we have seen positive trend changes in the various segments in the form of new contracts and increased call-offs and a new innovation for our machine fleet.

In comparison with the fourth quarter of the previous year, we report lower volume and earnings, mainly due to the sale of a Railvac 16 000 to Norway last year.

In the Construction Sweden segment, we had normal utilisation with cable handling until mid-November, before starting with the snow removal in accordance with our contract with Trafikverket. The snow removal contract applies to the following areas, Stockholm, Gothenburg and Hallsberg, however some of the machines have also been used in other areas with snow, such as Östersund and Boden. With regards to contracts, a framework agreement has been signed with Trafikverket. The authority is planning for a large amount of track work as a result of the government's predetermined national plan and applies to projects throughout Sweden. The framework agreement is strategically important for Railcare as we see that it can provide significant utilisation of our machines and resources for the next coming years. It also means that we now have the opportunity, together with Trafikverket, to



optimise our machines whilst working together on the implementation of the planned track works.

The transport project for Kaunis Iron is going according to plan and we have now driven over 200 transports of iron ore since the beginning of August. This creates a good utilisation for us during the winter months, and our five-year agreement also provides stability, growth and profitability for the Transport Scandinavia segment. Other parts of the segment have also performed well with the rental of machines for the snow contract, along with other transport contracts. I am also pleased that our train license has been extended for the fourth quarter by five years after the audit by the Swedish Transport Agency (Sw: Transportstyrelsen).

Construction Abroad has experienced lower volumes in the UK as a result of Network Rail's funding for CP5 diminishing, burdening the segment throughout the year. However, from October we have seen an increase in orders and during the quarter we have completed projects for three of the biggest routes, London North East and East Midlands (LNE), London North West (LNW) and Scotland. At present, we have four English-adapted machines in the UK. From 1st April this year, Network Rail will begin its new five-year business plan, CP6. In October we rented a machine to Norway until the ground frost appeared. In 2019 we will again rent one of the Railvac machines to Norway during the period of May to October. Of course, we closely follow the development of the Brexit issue and prepare ourselves for the various scenarios, but uncertainty remains high.

In the Machine Sales segment, we were pleased to receive an order from Infranord to build five new generator wagons, for delivery in 2019 and 2020. Which gives profitability and growth for the segment, whilst increasing the work for workshop in Skelleftehamn. Continued sales development of the export market is ongoing, and the company has sent several quotes around the world. Within the segment, we also proceed with spare part sales to North America.

Railcare likes to be at the forefront of new innovative solutions for the railway's many challenges. On 18 February 2019, we presented our plans to manufacture an emission-free battery powered MPV, Multi Purpose Vehicle. An MPV is a working vehicle with versatile use in rail maintenance. The development is made by the mining equipment company Epiroc. We can share their development platform and also become their first OEM partner. Thanks to this collaboration, we are at the forefront of the development of railway machines with this new exciting battery technology, which enables us to develop the first prototype of a battery-powered MPV in 2019. Signifying that we will have a new generation of working vehicle with a sustained or better productivity, in a time where the focus on environment, sustainability, and work environment is high.

With a moderate year behind us, we enter 2019 with great enthusiasm. We look forward to working with projects from new and existing customers and with the rail investments being implemented in our home markets for several years to come. Naturally, we continue with our innovative technology development, which gives Railcare a competitive advantage.

Daniel Öholm
CEO



This information is information that Railcare Group AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out below, at 7:30 a.m. CET on 21 February 2019.

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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 approximately 120 employees and annual sales of approximately SEK 300 million. The Company's registered office is domiciled in Skelleftehamn, Sweden.