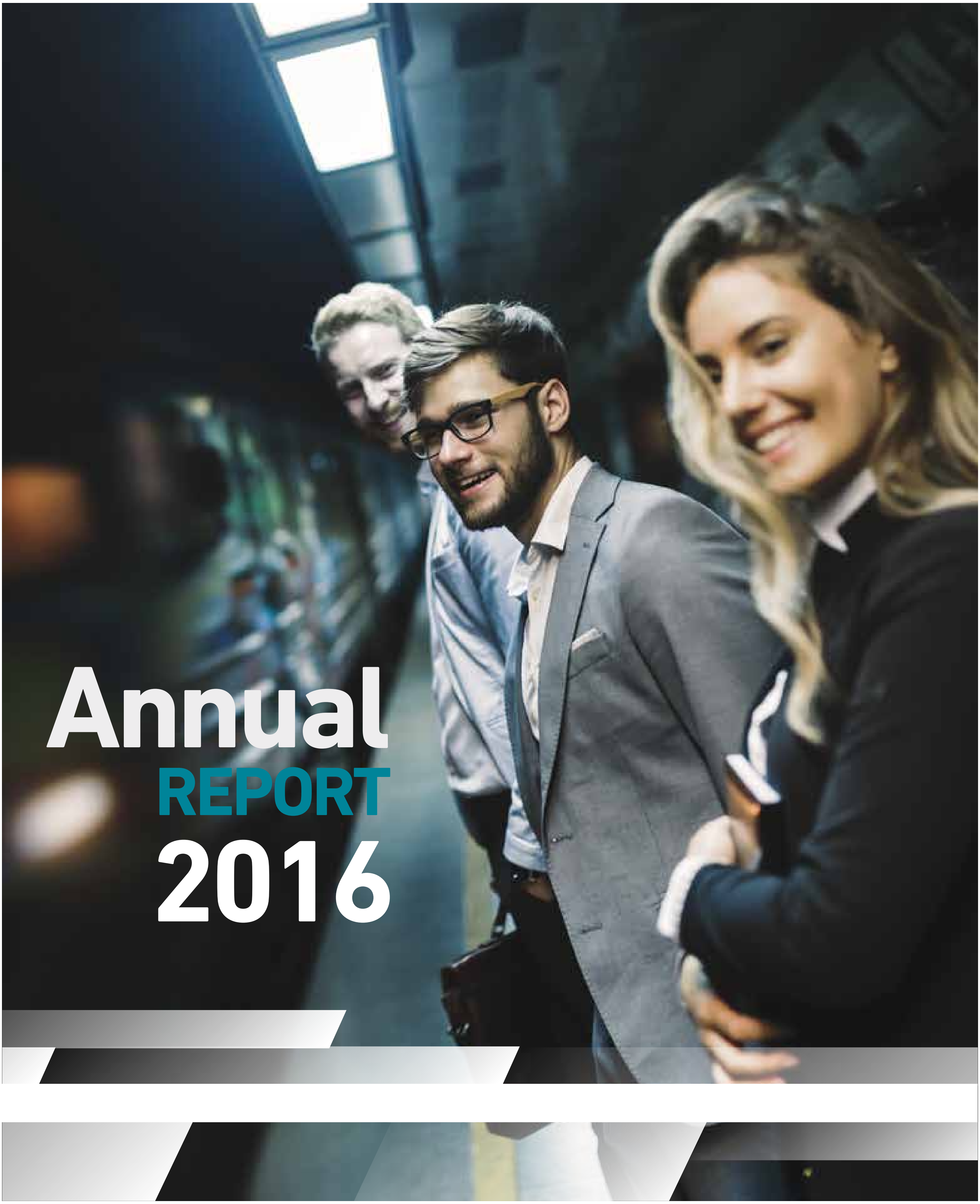
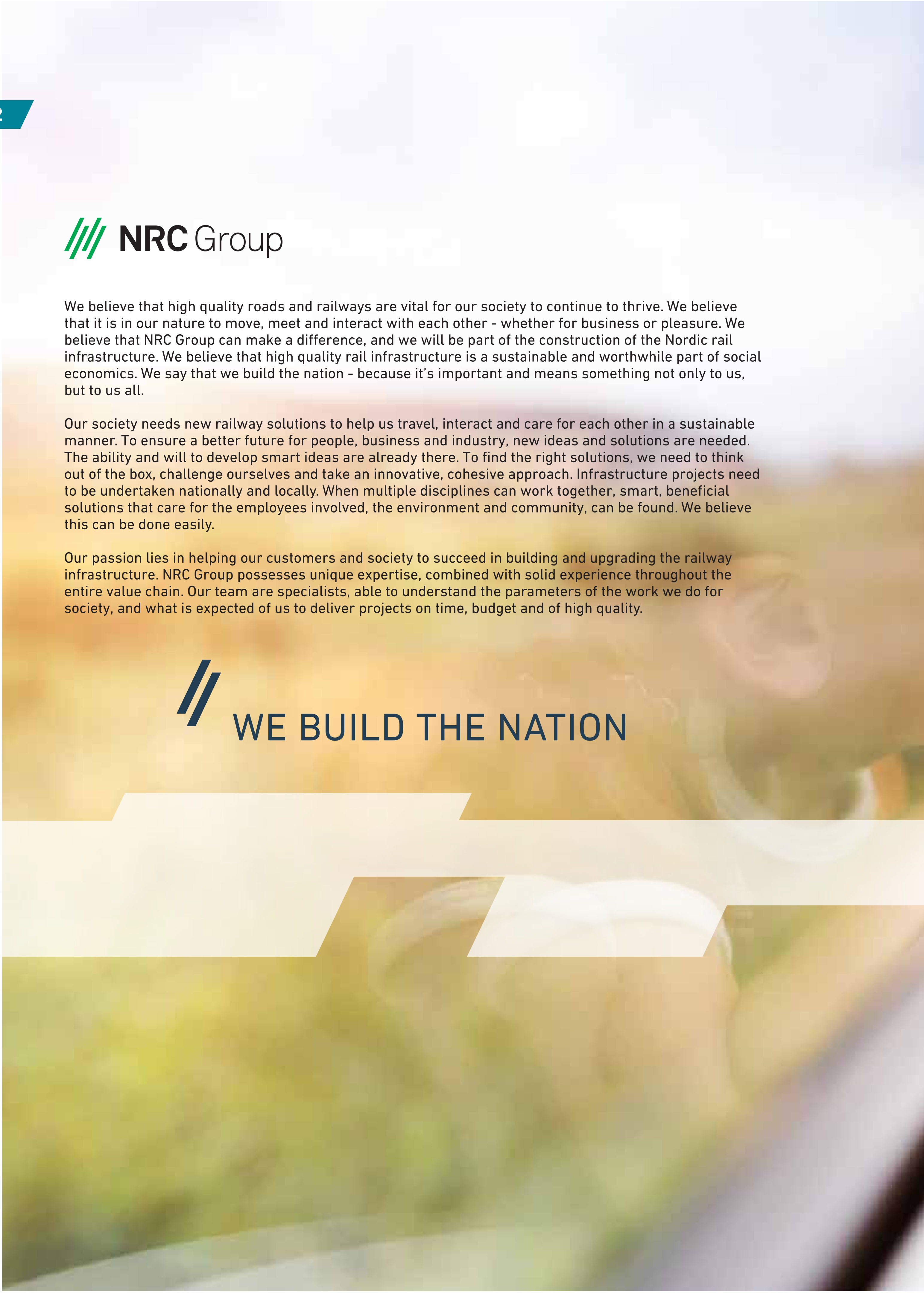


Annual REPORT 2016

NRC Group



NRC Group

We believe that high quality roads and railways are vital for our society to continue to thrive. We believe that it is in our nature to move, meet and interact with each other - whether for business or pleasure. We believe that NRC Group can make a difference, and we will be part of the construction of the Nordic rail infrastructure. We believe that high quality rail infrastructure is a sustainable and worthwhile part of social economics. We say that we build the nation - because it's important and means something not only to us, but to us all.

Our society needs new railway solutions to help us travel, interact and care for each other in a sustainable manner. To ensure a better future for people, business and industry, new ideas and solutions are needed. The ability and will to develop smart ideas are already there. To find the right solutions, we need to think out of the box, challenge ourselves and take an innovative, cohesive approach. Infrastructure projects need to be undertaken nationally and locally. When multiple disciplines can work together, smart, beneficial solutions that care for the employees involved, the environment and community, can be found. We believe this can be done easily.

Our passion lies in helping our customers and society to succeed in building and upgrading the railway infrastructure. NRC Group possesses unique expertise, combined with solid experience throughout the entire value chain. Our team are specialists, able to understand the parameters of the work we do for society, and what is expected of us to deliver projects on time, budget and of high quality.

WE BUILD THE NATION

Content

COMPANY FACTS

CASH POSITION AT NOK MILLION
418

EQUITY RATIO
62%

- NRC Rail 171
- RailCap 14
- Gravco 38
- SJT 71
- Segermo 91
- Elektrobyggnad 23
- ASA 8
- NRC AB 2

ORGANIC REVENUE* GROWTH OF
59%

190
EBITDA OF NOK MILLION*

2 billion
REVENUE OF NOK*

9.3%
EBITDA MARGIN*

ORDER BACKLOG OF NOK
1.4 billion

KEY FIGURES

(Amounts in NOK million)

	2016	2015
Profit & Loss - *pro forma		
Revenue	2,045.4	1,290.1
EBITDA	190.2	112.6
EBITA	162.0	95.1
EBIT	131.2	64.3
EBT	120.8	58.7
EBITDA (%)	9.3 %	8.7 %
EBIT (%)	6.4 %	5.0 %
Employees	418	339
Investments	53.8	34.4
Order backlog	1,402	1,264
Balance sheet:		
Non-current assets	782.5	744.3
Cash and cash equivalents	418.4	258.2
Other current assets	422.5	359.4
Equity	1,014.2	726.7
Non-current liabilities	126.8	198.0
Current liabilities	482.4	437.2
Net cash	225.6	8.3
Equity ratio	62%	53%

WE AIM AT BECOMING THE LEADING NORDIC ENTREPRENEUR WITHIN RAIL INFRASTRUCTURE

**Pro forma profit and loss numbers are adjusted to reflect as if the acquisitions in 2015 and 2016 were carried out at the beginning of each year. Transaction costs and one-off items are eliminated (see notes). EBITDA is operating profit plus depreciation and amotization. EBITA is operating profit plus amotization. EBIT is operating profit. EBT is profit before tax.*

CEO'S LETTER

AN EVENTFUL YEAR WITH RECORD-BREAKING RESULTS

2016 was a very exciting year for our group. We took important steps towards realising our long-term vision of NRC Group as the leading Nordic contractor within railway infrastructure. A vision we will achieve through effective operations, expertise and inspired teams.

Our clear strategic focus and the dedication of our employees on each project were critical in order for us to deliver the achievements that made 2016 a record-breaking year.

We achieved all-time high revenue and operating profits. We implemented our strategy of being the market consolidator, both in terms of successfully integrating acquired companies and by completing new accretive takeovers. We developed our position as a turnkey provider of all the services required to build rail-based transport systems for the future, whether it be railway, tramway or metro. In addition, we broadened our shareholder base and laid a strong foundation for future growth.

The pro forma revenue ended at NOK 2,045.4 million and EBITDA of NOK 190.2 million, both at new record levels. In total, NRC Group had an organic growth of 59%. The order intake was NOK 2,183 million in 2016, and we entered 2017 with an order book worth NOK 1 402 million. In October, we secured the extension of SEK 180 million for Ludvika-Frøvi, making this project the biggest contract (total SEK 295 million) to date for NRC Group. These records represent important steps towards achieving our long-term goals. We are however not satisfied. We aim higher!

During 2016, we acquired the two Norwegian companies RailCap AS and Gravco AS. RailCap AS is a signalling specialist which will strengthen our competences and resources within this particular area. Gravco AS is a ground and waste water specialist which was acquired to strengthen the group's position for projects related to the tram and metro systems in Oslo.

We have become a leading railway contractor in Norway and Sweden able to offer the complete set of services related to railway, tramway and metro construction. Our services cover the full value chain, from project management, surveying, security and safety, groundwork, signal/telecom, to electro and track. We have a highly skilled organization of qualified personnel holding the specific education and certificates required to successfully build the railway for the future. We will continue to build on this foundation.

NRC Group has a stated ambition of being a consolidator of the Nordic rail infrastructure industry. In November 2016, we raised NOK 210 million in new equity through a private placement, to position us to execute on our strategy of growing both organically and by selected accretive acquisitions. The private placement, which was substantially oversubscribed, attracted strong interest from both existing shareholders and new high quality institutional investors.

In NRC Group, we aim to continuously cultivate our organization and project management capabilities in order to enable simplified operations, with short lines of command and client- oriented execution. We believe our structure, with decentralised operating units with local presence and decision-making, is key to our operational excellence and finding smarter solutions. In our view, it is an efficient way of organizing ourselves to provide competitive advantages. It provides a structure which is scalable in respect to new capacity and projects, while retaining the entrepreneurial spirit of our employees. Through this common work culture and implementation of coherent project structures we also ensure economies of scale and quality.

We made significant progress towards our goal of becoming the leading Nordic contractor for railway infrastructure during 2016. However, that does not mean we are there yet. Solid business results are merely a consequence of good work and project deliveries. Everyone at NRC Group is fully committed to our strategy and targets, and seek to improve our competitiveness and create value for our shareholders. I am convinced the company is well positioned to continue to prosper and grow, and we look forward to continue to build our company in 2017.

Øivind Horpestad
CEO NRC Group

CHIEF EXECUTIVE OFFICER

Øivind Horpestad

Øivind Omar Horpestad, born 1969, Strømmen, Norway. Horpestad is the CEO of NRC Group and one of the founders of NRC Rail AS (previously Team Bane AS). Horpestad has more than nine years' experience in management, leadership and business development from the railway industry.

Prior to the establishment of NRC Rail AS, Horpestad held various leading positions within VRS Installasjon AS, VRS Rail AS, AMT UK Ltd and Coast Capital. He has broad international experience after eight years living and working in Denmark, Spain and UK.

COMPANY INTRODUCTION

NRC Group is a leading Nordic rail infrastructure company, developing and suppling products and services within the entire value chain of construction, maintenance and groundwork for rail-based transport systems. The group addresses both the public and private market in Norway and Sweden, and is a full-range supplier for the construction of all types of rails including train, tram and metro.

The main service offerings include specialised track- and groundwork, power supply, safety and signalling work. The company has all the necessary approvals to work within the train, tram and metro segments. The ability to leverage these competencies provides a unique position to take on complex infrastructure projects covering the entire value chain in rail-based infrastructure maintenance, upgrade and development.

NRC Group's vision is to be the "leading Nordic entrepreneur within railway infrastructure". The company operates by a set of values which are shared throughout the organisation:

Caring

We are there for eachother, we care about the environment, sustainability and the success of our clients and suppliers. We support and develop our colleagues.

Credible

We keep our promises and shall deliver on time, budget and quality. We are honest and open, and follow the highest ethical standards. We set goals, work hard to achieve these, and seek to be recognised as the most competent supplier in the market.

Entrepre-neurial

We are flexible, agile and act as a small company while thinking as a big company. We always look for the smart solution. We strive to meet both our own and our clients' goals. We are entrepreneurs, not bureaucrats.

The NRC Group values guide all aspects of operations. The company has a decentralized approach with local operations backed by the full group capacity and the ambition to go the extra mile for its clients, employees and the society. The services and solutions provided by NRC Group leaves tracks which last for decades. They are an integral part of the daily life of people and businesses, enabling safe, efficient and environmentally friendly communication and transportation. That is why NRC Group define its purpose as "We build the nation".

NRC Group's strategy is to capitalise on the strong market growth within the rail industry in Norway and Sweden. Increasing budget allocations to railway investments in both countries has resulted in a long-term positive outlook for the rail industry. NRC Group has an ambition to grow, both organically and by consolidating a fragmented Nordic market for rail infrastructure services. Sound business conduct and a clearly defined environmental profile are among enablers to achieve this, together with the knowledge, skills and experience which are NRC Group's most important competitive advantages.

The group position was further visualized by the introduction of a unified branding for all the operating companies from early 2017 to ensure a stronger and more sharply defined external profile for the NRC Group.

GROUP STRUCTURE

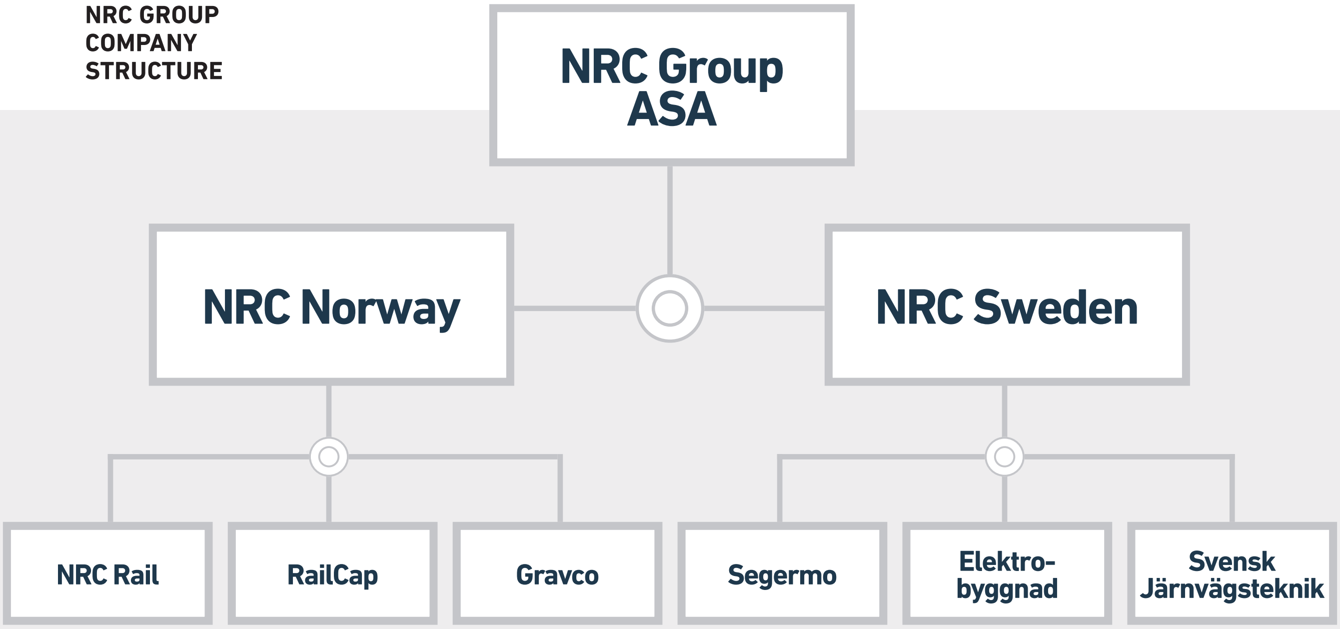
NRC Group's headquarter is at Fornebu near Oslo, Norway. The group has two main operating subsidiaries, NRC Norge and NRC Sverige.

NRC Norge is responsible for operations in Norway and has local offices at Lillestrøm, Porsgrunn and in Oslo. The main specialist companies within NRC Norge are NRC Rail, RailCap and Gravco.

NRC Sverige is responsible for operations in Sweden and has its joint operational office in Gothenburg supported by branch offices at Karlstad, Örebro and Höör. In 2017, NRC Group will establish a regional head office for Sweden in Stockholm. The main specialist companies within NRC Sverige are Segermo, Svensk Järnvägsteknik and Elektrobyggnad.

WE OPERATE LOCALLY AND WITH AN ENTREPRENURIAL MINDSET, HOWEVER WE HAVE THE POWER OF A GROUP

NRC GROUP COMPANY STRUCTURE



OPERATIONS

Rail infrastructure includes stations and terminals, rail tracks and other related constructions such as tunnels, bridges and crossings. Station and terminal work includes the construction of new railroad stations with buildings, platforms and platform extensions to be compatible with new train sets, terminal areas for goods transportation and related infrastructure, information systems etc. Rail tracks include the construction of the actual tracks with ballast, sleepers and tracks as well as catenary, signalling, fibre and electrical systems and monitoring.

Railroad construction can be divided into three stages:

- Planning, design and engineering
- Groundwork
- Railroad construction
  - Formation (related to groundwork)
  - Permanent way with track, switches, cabling,
  - Signalling and power supply

SERVICES

NRC Group offers the following services within rail infrastructure:

Project Management: NRC Group deliverables include planning, management and reporting of production, quality, health, safety and environmental progress.

Surveying: NRC Group performs geographic surveying within the fields of e.g. buildings and plants, tunnels, measurements and the terrain.

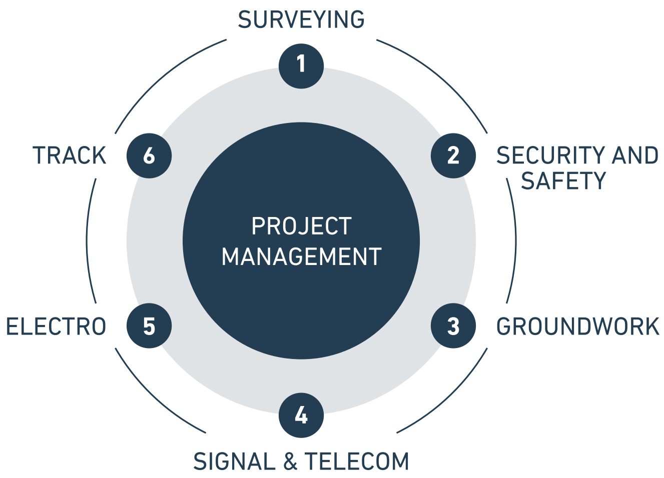
Security and Safety: NRC Group is able to assume responsibility for security and safety during any groundwork or construction project, and is an approved supervisor for electrical safety. The services include inspections, planning and execution of electrical safety plans, security installations and integration. Security and safety is required for all work in the proximity of the catenary.

Groundwork: NRC Group delivers products and services covering the entire spectre of railroad specific groundworks including excavation, concrete works and carpentry. In addition, the company has provided specialized groundwork related to road and bridge construction as well as residential property development. NRC Group also provides specialist water and wastewater work in connection with rail developments in urban areas. The company provides ground workers with approvals to act as main supervisors for security and safety, and electrical safety.

Signal & Telecom: NRC Group offers services within maintenance, modifications and building of complete interlocking systems for the rail industry. This includes services for switches, track circuits and interlocking systems.

Electro: NRC Group is approved by the Norwegian Directorate for Civil Protection (DSB) for engineering, building and maintenance of complete technical installations.

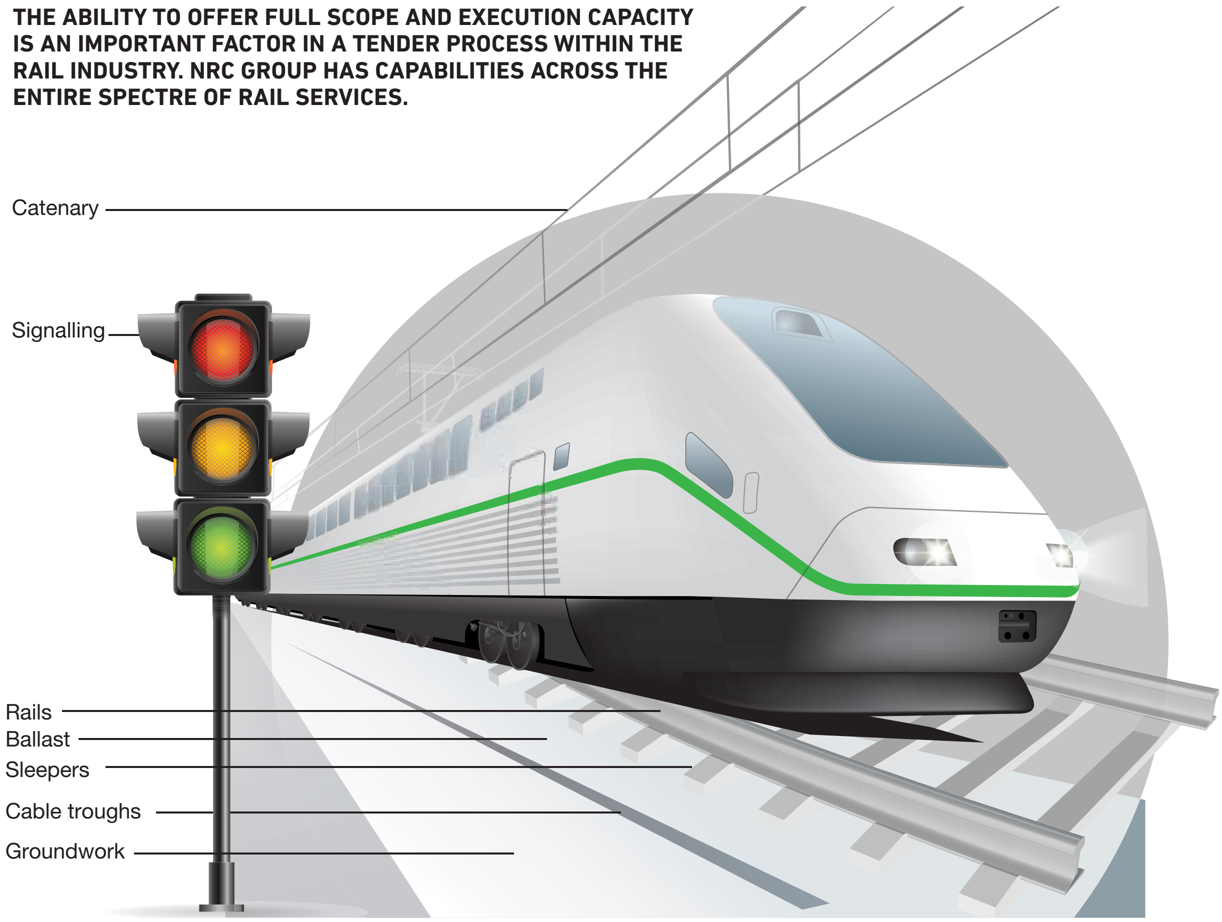
Track: NRC Group holds all required approvals and safety expertise needed for construction or maintenance of railroad tracks. The company provides track workers and signal specialists, in addition to the machines and equipment required for completion of projects within track works.



MARKET

NRC Group addresses a growing market for specialist infrastructure services. Strong macro- and socio-economic factors such as population growth, urbanisation and the need for environmental friendly and efficient transport solutions drive this development. In addition, there is a significant maintenance deficit in the public railroad, tramway and metro systems following years of underinvestment by authorities.

THE ABILITY TO OFFER FULL SCOPE AND EXECUTION CAPACITY IS AN IMPORTANT FACTOR IN A TENDER PROCESS WITHIN THE RAIL INDUSTRY. NRC GROUP HAS CAPABILITIES ACROSS THE ENTIRE SPECTRE OF RAIL SERVICES.



The main customers are national transport authorities on a state, regional and municipal level. There are also some private clients within industry, logistics and natural resources. The direction of the overall market is largely a function of annual budget allowances to rail-based infrastructure in the national budgets and at a municipal level in the larger cities such as Stockholm and Gothenburg in Sweden, and Oslo and Bergen in Norway.

In recent years, there has been a political commitment in both countries to increase spending on railroad development, upgrade and maintenance, as well as to spend more on tramways and metro lines in the cities. The Parliaments in Norway and Sweden will both approve new National Transport Plans (NTP) in 2017 for the twelve-year period 2018 to 2029. The NTPs, which are revised every fourth year, provide a list of prioritised developments and estimated funding needs and provide a guideline for the annual budget allocations.

The proposed Swedish NTP[1] calls for a 20% increase in spending on transport system development and maintenance to SEK 623 billion, which includes both new roads and new railway, compared with the previous plan-period of 2014 to 2025. Required railway maintenance allocations are estimated at SEK 125 billion, up 47% for the new period.

The Norwegian Government recently announced a new Norwegian NTP proposing a total of NOK 1 trillion in transport infrastructure investments for a 12-year period from 2018 to 2029, of which approximately 35% would be allocated to railway projects. This equals about NOK 350 billion in total, or annual spending of about NOK 29 billion, an increase of more than 60% compared with the planned annual spending of about NOK 18 billion under previous NTP for the 2018-23 period. The new NTP is set to receive Parliamentary approval in June 2017.

The NTPs and public aspect of rail infrastructure developments provides NRC Group with long-term visibility and low counterparty risk. However, the potential economic size and complexity of such developments may influence the political processes leading up to project sanction and therefore impact overall activity in the markets where NRC Group operate short-term.

There are, however, a number of significant development and upgrade projects underway in both Norway and Sweden, which have been approved nationally and locally. These include the upgrade of the signalling systems to the new European Rail Traffic Management System (ERMTS) standard and the Norwegian Intercity development to improve connectivity between the major cities in the populous areas surrounding Oslo. In Sweden, a major upgrade program is underway on the Stockholm-Gothenburg railway link and other main traffic areas.

Additionally, in Norway, significant investments will be made for new, and already planned for, major upgrades and maintenance projects on the Oslo and Akershus county tram- and metro system, with estimated spending exceeding NOK 5 billion in the period 2017-2020[2]. Similarly, in Sweden, a SEK 28.6 billion metro line development is progressing in Stockholm and several upgrade projects are under planning for the tram in Gothenburg.

The long-term outlook for investments in rail-based infrastructure in Norway and Sweden supports expectations for continued long-term growth in NRC Group's core markets. The need to address current macro-economic trends and the upcoming political approval of the new NTPs confirm a long-term growth outlook. However, the reliance on political allocations for project sanctioning and start-up may create short-term uncertainty related to project sanctioning and activity levels.

MANAGEMENT TEAM

ØIVIND HORPESTAD, CEO NRC GROUP ASA
Horpestad has more than nine years of experience in management, leadership and business development from the railway industry. He was one of the founders of Team Bane (now NRC Rail AS), and has previously held positions within VRS Installasjon AS, VRS Rail AS, AMT UK Ltd and Coast Capital.

DAG FLADBY, CFO NRC GROUP ASA
Fladby has a broad managerial background from different industries. Including CEO and CFO with Scandinavian Beverage Group, as investment director with Norwegian Property ASA, CFO at Holta Invest and Finance Director with the Norwegian Armed Forces Logistical Organisation (FLO.)

ALFRED BECK, GENERAL COUNSEL NRC GROUP ASA
Beck has held several positions within law and finance. Recent professional experience includes Head of NRC Rail Division, partner at Pareto Securities within corporate finance and senior corporate finance advisor within corporate finance at Fearnley Securities. Beck has also been Associate Dean and senior lecturer in Business Law at the Norwegian School of Management.

DANIEL PETTERSSON, MANAGING DIRECTOR OF SEGERMO AND NRC SWEDEN
Pettersson has more than 15 years' experience from infrastructure projects and is one of the founders of Segermo Entreprenad AB. Prior to Segermo he held a position at Peab as regional manager for mid-Sweden and was also a member of Nordic executive committee at Peab.

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[1] *Source: The Swedish Government, measured by 2017 prices*
[2] *Source: Statens Vegvesen, Oslopakke 3, Handlingsprogram 2017-2020*

BOARD OF DIRECTORS' REPORT

INTRODUCTION

2016 was an active year for NRC Group with significant revenue growth, improved operating margins and a strengthened position as a leading Nordic rail infrastructure contractor. It was the first full year of operations after the 2015-acquisitions in Sweden of rail construction specialists Svensk Järnvägsteknik AB, Elektrobyggnad AB and Litz AB, and civil contractor Segermo AB. The successful integration of these companies strengthened group project management capabilities and project execution in Sweden. Synergy capture from improved cooperation across the specialised crafts was a key contributor to improved operating margins.

The group continued building the organisation through 2016, positioning NRC Group for major rail, metro and tram projects. A new management team, improved internal risk management and compliance functions, and accretive acquisitions adding core competencies were key steps taken in order to realise this strategic ambition and to cement the NRC Group platform for further organic growth and expansion.

The new group management team was effective from March 2016 with Øivind Horpestad as chief executive officer (CEO). He was previously head of NRC Group's Rail division and one of the founders of NRC Rail AS (previously Team Bane AS), which makes up a large part of NRC Group's rail business. Dag Fladby took up the position as chief financial officer, complementing the team with broad experience from various finance positions. Daniel Pettersson was appointed managing director for NRC Sweden, having previously led Segermo.

NRC Rail AS became the first ISO certificated railway constructor in Norway following a review of all policies, practices and procedures. The certification is also a reflection of NRC Group's focus on health and safety, and commitment to provide quality services to all clients. The process of improving internal routines and risk management is continuous and NRC Group has initiated a group-wide review and update of policies and compliance functions which extends into 2017[1].

The group also conducted a strategy process late 2016 to update and define the vision and values that guide NRC Group, and to develop the group's market strategy. A re-branding of the operating subsidiaries from the first quarter of 2017 will ensure a stronger and clearer external profile for the NRC Group.

M&A

NRC Group has a stated ambition of being a consolidator of the fragmented Nordic market for rail infrastructure services. It is an integrated part of the group strategy of growing both organically and by acquisitions. The company identified a number of consolidating opportunities within the Nordic rail infrastructure market in 2016.

The acquisition of Norwegian rail signalling specialist RailCap AS closed in May 2016, significantly increasing the capacity in the signalling segment, and strengthening NRC Group's overall market position in Norway. The acquisition enables NRC Group to undertake larger projects where signalling work is a vital and integrated part. Foremost of these, is the ERTMS project to convert the Norwegian signal systems to the European signal standard by 2030, which will be the largest signal project ever undertaken in Norway with direct investments estimated of up to NOK 12 billion and up to NOK 30 billion including associated work.

NRC Group acquired 100% of the shares in RailCap based on an enterprise value of NOK 48.0 million financed by NOK 28.8 million cash payment, a seller credit of NOK 5 million and by issuing 366,879 new NRC Group shares. RailCap is based in Porsgrunn, Norway, and is a unit of NRC Norge.

In November, NRC Group acquired Gravco AS to position for projects related to the tram and metro systems in Oslo with related groundworks, water and wastewater upgrades. Gravco is a leading local water and wastewater entrepreneur. The Oslo tram system will undergo a major upgrade triggering a number of contracts with start-up from 2017 in order to prepare for delivery of new tram wagons in 2021. The city of Oslo will in parallel with the tramline upgrades, renew water and wastewater lines.

NRC Group acquired 100% of the shares in Gravco for an enterprise value of NOK 75.0 million. The acquisition was financed by NOK 30.0 million in cash and by issue of NOK 30.0 million in the form of 441,988 new shares in NRC Group and NOK 15.0 million as a seller's credit. Gravco is a unit of NRC Norge.

Also in November 2016, NRC Group successfully raised NOK 210.0 million in new equity through an oversubscribed private placement towards high quality investors. NRC Group had following the placement a cash balance of NOK 418.4 million as of 31 December 2016 and is well positioned to pursue accretive consolidation opportunities.

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[1] *See the Corporate Social Responsibility section for more details.*

In March 2016, the Geo business in Norway, Sweden and Finland was sold for a price of NOK 30.0 million. Blom Nordic constituted approximately 60% of the Geo division's turnover at the time of closing. Further, NRC Group on 30 November 2016 sold its shares in Blom Aerofilms Limited in UK for a total consideration of approximately GBP 4.4 million. As of 31 December 2016, the remaining Geo division assets and liabilities were classified as held for sale. For details see note 23.

NRC Group shall over time give our shareholders a competitive return on their investment in the shares of the company. The return will be in form of a combination of dividend and increase in the share price. Subject to the underlying financial performance of NRC Group being satisfactory, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The Board of Directors will propose a dividend of NOK 0.80 per share for 2016.

Through 2016, NRC Group continued to strengthen its position in the Nordic rail infrastructure market through organic growth and acquisitions. The group has become a leading railway entrepreneur in Norway and Sweden which is able to offer the complete set of services and the full value chain related to railway, tramway and metro construction from project management, surveying, security and safety, groundwork, signal/telecom, electro and track. The offering is supported by a highly skilled organization of qualified personnel holding the specific education and certificates required to successfully build railway for the future.

OPERATIONS

The group had an order intake of NOK 2,183 million in 2016. Backlog at the end of the year amounted to NOK 1,402 million, compared with NOK 1,264 million at the end of 2015. The table below show examples of three important project wins during 2016:

Sweden: Vislanda-Mosselund
SEK 159 million turnkey contract awarded by The Swedish Transport Administration (Trafikverket) to Svensk Järnvägsteknik AB for 70km of track renewal.
Norway: Follobanen
NOK 108 million contract awarded by Obrascón Huarte Lain S.A (OHL) to NRC Rail AS for track works on part of the Follobanen railway project. It is the biggest track contract awarded to NRC Group in Norway.
Sweden: Ludvika-Frøvi
SEK 180 million option declared by Trafikverket. Brought the total value of the Ludvika-Frøvi contract to SEK 295 – making it the biggest track contract to date for NRC Group.

The Board of Directors is aware that the reorganization of the Norwegian execution model with the creation of the new state entity Bane NOR SF and general political processes may impact timing and pace of new contract awards in 2017.

NRC Group had 418 employees as of 31 December 2016. For comparison, the group had 661 employees at the end of 2015. The reduction relates to the divestment of NRC Group's Geo division during 2016. NRC Group experience, however, an increased interest from skilled personnel seeking opportunities in all core segments.

NRC Group intends to be a safe place to work. The company continuously carries out preventive measures to improve its working environment, including safety rounds, information, coursing and risk analysis, which are followed up by the individual subsidiaries. Sickness absence reported by the group was 2.4% in 2016 compared with 2.9% in 2015. Thirteen occupational injuries were reported in 2016, compared with nine injuries in 2015. The group immediately registers, deals with and follows up on all unwanted incidents.

NRC Group delivered solid project execution through an active year where the group recorded an organic revenue growth of 59% compared with the previous year based on pro forma[2] numbers. The year-over-year increase was especially strong in Sweden. Group pro forma operating margin before depreciation and amortizations (EBITDA) was 9.3% compared with 8.7% in 2015.

The improved profitability reflected strong project execution and NRC Group's ability to deliver a wider scope of services involving several of the specialized rail construction crafts under turnkey contracts. Attaining such synergies is a key factor in NRC Group's strategy of delivering quality projects to our customers.

DECLARATION REGARDING THE FINANCIAL STATEMENTS

The Board of Directors believes that the financial statements provide a true and fair picture of the group's result and position[3].

PROFIT AND LOSS

The group's revenue from continuing operations amounted to NOK 1,975.0 million in 2016, compared with NOK 678.2 million in 2015. EBITDA for 2016 was NOK 152.4 million with a margin of 7.7%, compared with NOK 31.9 million and a margin of 4.7% in 2015. Group operating profit (EBIT) totalled NOK 99.3 million in 2016, compared with NOK 14.4 million in 2015. Net profit for 2016 was NOK 57.3 million, compared with NOK 45.4 million in 2015.

The Financial Supervisory Authority of Norway (NFSA) has reviewed the financial statements for 2015 focusing on the group's accounting for acquisitions during 2015. The group has received a preliminary notification of their decision, expressing that there are different views on the recognition and subsequent amortization of intangible assets in the acquired companies. As a result of this notification and dialogue with the NFSA the group has made corrections to its accounting for the 2015 acquisitions by increasing amortisation of intangible assets with NOK 3 million for 2015 compared to the amounts presented in the annual report for 2015. Further details are described in note 2.

CASH FLOW

Net cash flow from operating activities was NOK 146.9 million, compared with NOK 33.8 million in 2015. Net cash flow from investing activities was NOK -67.9 million (NOK -249.0 million), including payments for acquisition of subsidiaries of NOK 41.5 million (NOK 239.9 million). Net cash flow from financing activities was NOK 93.1 million (NOK 413.7 million) and included net proceeds

[2]Pro forma figures for 2016 and 2015, adjusted for transaction costs and one-offs.
[3]See the Board of Directors declaration for more details.

from issues of shares of NOK 206.1 million (NOK 289.0 million). Net financial expenses totalled NOK 9.9 million in 2016, compared with NOK 5.4 million in 2015.

FINANCING AND BALANCE SHEET

NRC Group issued 808,867 new shares in connection with the acquisitions of RailCap AS and Gravco AS during 2016. In addition, the company raised NOK 210 million through a private placement in November, issuing 3 million new shares.

Total assets at year-end amounted to NOK 1,623 million, compared with NOK 1,362 million the year before. The equity ratio was 62% at 31 December 2016, compared with 53% as at 31 December 2015. Net cash amounted to NOK 225.6 million (NOK 8.3 million). The group had NOK 418.4 million in cash equivalents at the end of 2016, compared with NOK 258.2 million at the end of the previous year. NRC Group has to limited extent utilized hedging instruments to limit the risks associated with foreign exchange.

The group's liquidity is satisfactory and is subject to continuous monitoring. The group has an economic and financial position to support continued operations for the next 12 months.

GOING CONCERN STATEMENT

Pursuant to Section 3-3 of the Accounting Act, it has been confirmed that the prerequisites for continued operations as a going concern have been met. This assumption has been made for the preparation of the accounts, forecast results for 2016 and the group's long-term strategic forecast for the coming years.

APPLICATION OF PROFIT/LOSS FOR THE PARENT COMPANY

The Board of Directors proposes the following application of the annual profit/loss in NOK million:

Proposed dividend	NOK 31
Transfer from share premium reserve	NOK -59

RISK AND UNCERTAINTY FACTORS

The NRC Group is exposed to various types of market-, operational- and financial risks. The group continuously monitor risk factors at a corporate and subsidiary level and take appropriate action when needed in order to eliminate or mitigate any potential negative impact on operational and financial performance. Please also refer to the prospectus dated 4 December 2015 for a more detailed description of risk factors available at www.nrcgroup.no

Group revenues and operational activity levels are affected by the economic condition of the countries in which it operates, and the demand for its key products and services are subject to political processes and prioritisations. The group operates in competitive market segments. NRC Group believes it is well positioned to retain and strengthen its market position through strong long-term client relationships, an established track record and construction capabilities. The group has established a leading position in the Nordic rail infrastructure market which has barriers for entry due to the need for local certifications, -presence and language requirements to be able to operate.

The group is subject to local laws and regulations in the countries in which it operates and requires regulatory approvals for conducting its operations including personnel being qualified and having necessary local approvals. NRC Group also relies on its reputation and commercial integrity, and has a continuous focus on operational excellence in project execution, as well as on compliance and ethical business conduct. From time to time, the group may be engaged in disputes and legal or regulatory proceedings, which may affect operations and financial position. NRC Group is not aware of involvement in any such material disputes or proceedings as at end of 2016.
The company's activities involve various types of financial risk: market risk (currency and interest rate), credit risk, liquidity risk and risk related to asset management. The company has a central finance department to carry out risk management, in close cooperation with the subsidiaries. The purpose of risk management is to minimise any potentially negative impact on the company's financial results. The group's customers are primarily municipalities or government agencies, and the group considers the risk of potential future losses from this type of customer to be low. See note 22 of this report for a more detailed review of financial risk.

CORPORATE GOVERNANCE

The NRC Group aims to comply with the Code of Practice for Corporate Governance published by the Norwegian Corporate Governance Board (NUES) on 30 October 2014. According to the company's own evaluation, the company deviates from the Corporate Governance Code on the following point:

- There are no defence mechanisms against take over bids in the company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the company, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare.

A separate section of this annual report provides further details on NRC Group's adherence to the corporate governance principles.

CORPORATE SOCIAL RESPONSIBILITY

NRC Group recognises that its employees are the most important resource within the company and that its operations to construct effective and environmentally friendly transport solutions may have a negative impact on its surroundings. The group is committed to providing a safe and nurturing working environment offering equal opportunities regardless of gender, ethnicity and religion, as well as minimizing any negative impact on the environment. A separate section of this annual report contains NRC Group's corporate social responsibility statement.

FORWARD-LOOKING

The demand for railway, tramway and metro construction services is expected to grow steadily in coming years with major upgrade and expansion projects already sanctioned by authorities. Strong macro drivers such as population growth, urbanisation, and the need for more efficient and environmentally sustainable transport solutions are gaining increasing attention. As is the vast maintenance backlog related to the installed rail infrastructure in Norway and Sweden. There is political consensus in both nations to continue the expansion and modernisation of the railway system and further develop tramways and metro lines. The proposed new national transport plans, due for approval in both Norway and Sweden in 2017, support such a view, and indicate further growth in already historically high budgets and investments in years to come.

The Board of Directors acknowledges that there is uncertainty with regard to political processes and potential impact on timing of new contracts. However, the Board is of the opinion that the establishment of Bane NOR in Norway in the long term likely will improve efficiency in railway construction and maintenance. An important step to achieve this would be to start awarding larger turnkey projects in Norway as the norm is in Sweden.

NRC Group has positioned itself in order to win and execute such larger turnkey projects. The group has a strong financial position, a continuous focus on strengthening core competencies, as well as having well-established risk reduction and quality assurance procedures. It is the Board of Directors opinion that NRC Group has a solid platform for further consolidation and organic growth, and that the company is positioned to take an increased share of this growing market going forward.

Oslo, 6 April 2017

Helge Midttun Chairman of the Board of Directors	**Kristian G. Lundkvist** Board member	**Kjersti Kanne** Board member
Harald Arnet Board member	**Brita Eilertsen** Board member	**Øivind Horpestad** CEO

BOARD OF DIRECTORS

CHAIRMAN OF THE BOARD
Helge Midttun

Helge Midttun has wide experience from various industries where he has held senior management positions and served as board member. He has been CEO of Fjord Seafoods ASA, a major international salmon farming company, and has worked for food company Rieber & Søn, where he was also Chairman of the Board for six years.

Moreover, Midttun has been President and CEO of the international ship classification and certification company Det norske Veritas and Aker Biomarine ASA, and served on the Boards of Statoil ASA and Aker Kværner ASA. At present, he is also Chairman of the Boards of Aibel AS and Hent AS.

BOARD MEMBER

Brita Eilertsen

Eilertsen has more than 15 years' experience from investment banking and consulting institutions like SEB Enskilda, Orkla Finans and Touche Ross Management Consultants. She is, and has been, member of the Board of Directors in several listed and private companies within various industries over the last 12 years. Eilertsen holds a "Siviløkonom" degree* from the Norwegian School of Economics (NHH) in Bergen and is a chartered financial analyst (AFA). (* Four year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level).

BOARD MEMBER

Kjersti Kanne

Kanne has 25 years of operational experience and technical expertise from the oil and gas industry. Since 2007 she has held several senior global leadership positions within General Electrics' Oil & Gas division, currently as Digital Engineering Director. Previously she has worked for ABB, VetcoGray and Oceaneering. Kanne holds a Master of Science (MSc) from the Norwegian University of Science and Technology in Naval Architecture and Marine Technology.

BOARD MEMBER

Kristian G. Lundkvist

Lundkvist is the founder of Middelborg AS, a corporation with roots from the retail business in the telecom industry, which has grown into a diversified holding company including investments in real estate, equities, and shipping. Middelborg AS is a long-term industrial owner who actively participates in the value creation of the companies in the portfolio, especially business development, optimization of capital structures and networking.

BOARD MEMBER

Harald Arnet

Arnet is the CEO and a partner at Datum AS. Arnet has more than 30 years of national and international experience in corporate finance, industrial and financial investments.

CORPORATE SOCIAL RESPONSIBILITY REPORT

NRC Group believes that responsible and ethical behaviour is a necessary condition for a sustainable and long-term profitable business. NRC Group by its operations, contribute to the society by developing infrastructure enabling highly efficient and environmentally friendly transportation of people and goods. The company seeks to create value for shareholders and society such as its employees, customers and general population through socially important and beneficial logistical solutions based on the utilisation of the company's resources and high level of expertise.

PRINCIPLES AND GUIDELINES

COMPLIANCE AND CORPORATE GOVERNANCE PROJECT

In October 2016, the Board of Directors of NRC Group ASA engaged an external adviser to conduct a compliance and corporate governance review of the NRC Group businesses in Norway and Sweden. The construction industry in general involves an inherent risk of bribery, competition law violations and misconduct in the supply chain of subcontractors. The purpose of the review has been to ensure that adequate policies and procedures are in place to address the risks related to NRC Group's activities, and further to safeguard that all employees, suppliers and business partners adhere to NRC Group's ethical requirements.

As an initial part of the compliance review, a thorough risk analysis of NRC Group's subsidiaries in Norway and Sweden was conducted, including a review of existing routines and policies. To manage the identified specific risks pertaining to each subsidiary, a tailormade compliance program has been designed, taking also into consideration the group companies' existing policies and procedures.

Going forward, an action plan to implement the recommended mitigating measures are outlined and is expected to conclude in 2017. The implementation seeks to operationalize the policies and procedures within the organisation's business operations and to create awareness among the employees through training, systematic communication and compliance program testing.

CODE OF CONDUCT AND GUIDELINES FOR CORPORATE SOCIAL RESPONSIBILITY

NRC Group adheres to the Norwegian Standard NS-ISO 2600:2010 guidance on social responsibility. As part of the ongoing compliance and corporate governance project, a new Code of Conduct and guidelines for corporate social responsibility are developed for the group.

An updated version of the code of conduct and guidelines for corporate social responsibility are available on NRC Group's website www.nrcgroup.no.

HUMAN RIGHTS

NRC Group observes and acknowledges internationally recognised human rights as defined by the UN Declaration of Human Rights by acting responsibly in all areas of its business. This means that the company respects labour rights, opposes any form of child labour, forced labour or discrimination, combats fraud and corruption and is considerate of the environment.

ORGANISATION AND EMPLOYEES

WORKING ENVIRONMENT

NRC Group recognises that its employees are the most important resource in the company. The group commits to providing a safe and nurturing working environment offering equal opportunities regardless of gender, ethnicity and religion.

By the end of 2016, NRC Group employed 418 highly competent professionals, whereof 188 are employed in Sweden and 230 in Norway. In addition, temporary workers are hired on a project-basis. For comparison, the Group had 661 employees at the end of 2015. The reduction mainly relates to the divestment of NRC Group's Geo division in 2016.

NRC Group's HR policy is gender neutral in all areas, and equal status issues are fulfilled in a satisfactory manner. NRC Group had 20.5% female employees in 2016 compared with 22.6% in 2015. Two of five elected board members are women.

The group operates in a male-dominated industry, which reflects the group's gender composition. The Board of Directors will continue its efforts to ensure that the group is compliant with requirements involving equal opportunities at any given time.

HEALTH AND SAFETY

NRC Group intends to be a safe place to work. The company continuously carries out preventive measures to improve its working environment, including safety rounds, information, coursing and risk analysis, which are followed up by the individual subsidiaries.

Sickness absence reported by the group was 2.4% in 2016 compared with 2.9% in 2015. Thirteen occupational injuries were reported in 2016, compared with nine injuries in 2015. The group immediately registers, deals with and follows up on all unwanted incidents.

QUALITY
In each project, it is required to establish a separate project plan including measures to avoid errors in the contract, prevent environmental damages and to minimise work-related injuries. Quality measures are defined and followed by the individual subsidiaries.

SOCIAL RESPONSIBILITY
NRC Group is engaged in its local communities and provides among other sponsorship to the 1873 Academy, a football academy for children at Strømmen outside Oslo. In addition, NRC Rail make yearly visits to an orphanage in Bucharest, Romania, where they also hand out clothes for homeless children in the city. In 2017, NRC Group became the main sponsor for the Swedish football club IFK Göteborg.

ANTI-CORRUPTION

NRC Group has zero tolerance for corruption in any form, including extortion and bribery. The company recognises that it operates in an industry exposed to an inherent risk of bribery, competition law and misconduct in the supply chain of subcontractors. In order to mitigate and fight corruption risk, extra attention is made on anti-corruption initiatives.

Following the compliance project, focus in 2017 will be to establish an anti-corruption programme, including internal guidelines, systems for whistleblowing and a code of conduct for suppliers and partners. Courses and training opportunities will be provided to all employees on how to reveal and handle corruption attempts such as private services and kickbacks.

To date, NRC Group has not been accused of or involved in any cases relating to any form of corruption or bribery, and the Board and management are not aware of any violations in this respect.

THE ENVIRONMENT

NRC Group strives to minimise its impact on the environment. The company recognises that its operations to construct effective and environmentally friendly transport solutions may affect the external environment in the form of emissions, noise, dust, vibration, fluid discharges and other environmental impact. Activities may also entail intrusion on and changes to landscape and nature.

All of NRC Group's subsidiaries operate in a manner that ensures that the impact on resources and the environment is reduced to a level well within the requirements set by the authorities. The group's management systems and work methods are designed to safeguard the environment, and meets the requirements of ISO 14001:2015. In 2016, NRC Rail AS had a review of all policies, practices and procedures, and became the first ISO certificated railway constructor in Norway. The certification contributes to ensure consistent quality and secures reliability, availability and efficiency in the services provided. It also reflects increased attention to improving internal routines, risk management and compliance in 2016.

All projects conducted in the group are required to map potential environmental risks and develop a contingency plan and a follow-up plan with preventive measures before commencing the project. Everyone involved in a project are informed about the environmental policy and accompanying measures, including how to avoid, prevent and counter environmentally hazardous situations.

Further, each business unit must report incidents with an undesirable impact on the environment. NRC Group follows up all unwanted events and facilitates action and control to prevent recurrence and to prevent damage to the external environment. Measurement of waste sorting has been introduced to improve the handling of waste from own operations. The group believes that recycling and the development of environmentally friendly energy solutions yield a positive effect on the environment.

CORPORATE GOVERNANCE

1. CORPORATE GOVERNANCE IN NRC GROUP ASA

INTRODUCTION
NRC Group ASA (the "company") has made a strong commitment to ensure trust in the company and to enhance shareholder value through effective decision-making and improved communication between the management, the Board of Directors and the shareholders. The company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the company's recourses in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

The company will seek to comply with the Norwegian Code of Practice for Corporate Governance (the "Corporate Governance Code"), last revised on 30 October 2014, which is available at the Norwegian Corporate Governance Committee's web site - www.nues.no. The principal purpose of the Corporate Governance Code is to ensure (i) that listed companies implement corporate governance that clarifies the respective roles of shareholders, the Board of Directors and executive management more comprehensively than what is required by legislation and (ii) effective management and control over activities with the aim of securing the greatest possible value creation over time in the best interest of companies, shareholders, employees and other parties concerned.

REPORTING REQUIREMENTS
The company is subject to reporting requirements for corporate governance under the Accounting Act section 3-3b as well as Oslo Børs' "Continuing obligations of stock exchange listed companies", section 7. The Board of Directors will include a report on the company's corporate governance in each annual report, including an explanation of any deviations from the Corporate Governance Code.

THE CORPORATE GOVERNANCE FRAMEWORK
The Board of Directors adopted the company's corporate governance guidelines on 29 March 2017, including revised rules of procedure for the Board of Directors, instructions for the audit committee, instructions for the remuneration committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. The corporate governance framework of the Company is subject to annual reviews and discussions by the Board of Directors.

VALUES AND ETHICAL POLICIES
The key values of the company are caring, credible and entrepreneurial. These values aim to characterise the behaviour of the company and the company's employees, and form the basis for the company's ethical guidelines and policies.

NRC Group has various policies providing business practice guidance within a number of key areas, such as HSE, anti-corruption, integrity due diligence procedures and financial reporting. The policies refer to specific procedures, controls and review mechanisms to ensure operations and projects in Norway and Sweden are conducted in accordance with applicable internal and external regulatory framework. As part of the NRC Group Corporate Governance and Compliance Project (please refer to section 10), procedures and standards are further developed and revised and are deemed to meet well recognized best practice standards.

CORPORATE GOVERNANCE REPORTING
This corporate governance report is structured to cover all sections of the Corporate Governance Code. The Board of Directors is responsible for ensuring the company conducts business using sound corporate governance and sets the standards for corporate governance, ensuring these reflect the Corporate Governance Code. The following sections provides a discussion of the company's corporate governance in relation to each section of the Corporate Governance Code. According to the company's own evaluation, the company deviates from the Corporate Governance Code on the following points:

- There are no defence mechanisms against take-over bids in the company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the company, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare. Consequently, the Board has not prepared such guidelines.

2. BUSINESS

The company is a full-service rail engineering specialist that operates in the Norwegian and Swedish markets.

The company's business is defined in the following manner in the company's articles of association (the "**Articles of Association**") section 2:

"The company's business is consulting and investments in companies engaged in infrastructure related activities, including rehabilitation, and other services associated with construction, maintenance and development of infrastructure and construction activities including investments in real estate and machinery. The company will conduct surveys on land and sea, surveying work and data services, as well as industry, trade, agency business, consultancy and other activities related to the above, including the operation and management of its own properties and other resources. Objectives may be brought forward by participation in or cooperation with other businesses and companies at home and abroad".

The company's objectives and principal strategies are further described in the company's annual reports and the company's website www.nrcgroup.no.

3. EQUITY AND DIVIDENDS

EQUITY
At 31 December 2016, the company's consolidated equity was NOK 1,014 million, which is equivalent to 62% of total assets. The Board of Directors considers the equity ratio to be satisfactory. The company's equity ratio and financial strength is continuously considered in light of its objectives, strategy and risk profile.

DIVIDEND POLICY
The company expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy comparable with peer groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks. The Board of Directors at NRC Group has introduced a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. The Annual General Meeting resolves the annual dividend, based on the proposal by the Board of Directors.

If the Annual General Meeting, after having approved the annual accounts for the previous financial year, grants an authorisation to the Board of Directors to resolve distribution of dividends based on the company's annual accounts, such authorisation may not be valid for longer than until the company's next Annual General Meeting. Such authorisation should be based on the existing dividend policy. The explanation for the proposal to grant an authorisation to the Board of Directors should state, inter alia, how the authorisation reflects the company's dividend policy.

SHARE CAPITAL INCREASES AGAINST NEW ISSUANCE OF SHARES
At the company's Annual General Meeting on 12 May 2016, a general authorisation was granted for the Board of Directors to issue shares and to increase the share capital by a maximum of NOK 7 million. The authorisation is valid until the Annual General Meeting in the spring of 2017, but no later than 30 June 2017.

OPTION PROGRAM FOR SENIOR MANAGEMENT
At the company's Annual General Meeting on 12 May 2016, an authorisation was granted for the Board of Directors to issue shares and to increase the share capital up to NOK 600,000 in connection with option program for the senior management. The authorisation is valid until 12 May 2018.

PURCHASE OF OWN SHARES
The company's Board of Directors decided 31 March 2017 to initiate a buy-back programme to purchase shares in the company for up to NOK 10 million. The programme is contemplated to last until 30 June 2017 at the latest. The purpose of the share buy-back is to position the company for future acquisitions in which the company expects that part of the consideration will be settled by consideration shares. Further, the shares purchased under this programme can be used for the company's employee share programme.

With respect to the share buy-back programme mentioned above, as well as for any future share buy-back programs, the Board of Directors will aim to ensure that all transactions pursuant to such programme will be carried out either through the trading system at Oslo Børs or at the prevailing prices at Oslo Børs. In the event of such programme, the Board of Directors will take the company's and shareholders' interests into consideration and aim to maintain transparency and equal treatment of all shareholders.

4. EQUAL TREATMENT OF SHARE-HOLDERS AND TRANSACTIONS WITH RELATED PARTIES

CLASS OF SHARES
The company has one class of shares. All shares carry equal rights in the company, and the Articles of Association do not contain any provisions restricting the exercise of voting rights.

PRE-EMPTION RIGHTS TO SUBSCRIBE
According to the Norwegian Public Limited Liability Companies Act, the company's shareholders have pre-emption rights in share offerings against cash contribution. Such pre-emption rights may; however, be set aside, either by the general meeting or by the Board of Directors if the general meeting has granted a board authorisation which allows for this. Any resolution to set aside pre-emption rights will be justified by the common interests of the company and the shareholders, and such justification will be publicly disclosed through a stock exchange notice from the company.

TRANSACTIONS WITH CLOSE ASSOCIATES

The Board of Directors aims to ensure that any not immaterial future transactions between the company and shareholders, a shareholder's parent company, members of the Board of Directors, executive personnel or close associates of any such parties are entered into on arms-length terms. For any such transactions which do not require approval by the general meeting pursuant to the Norwegian Public Limited Liability Companies Act, the Board of Directors will on a case-by-case basis assess whether a fairness opinion from an independent third party should be obtained.

GUIDELINES FOR DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia includes guidelines for notification by members of the Board of Directors and executive management if they have any material direct or indirect interest in any transaction entered into by the company.

5. FREELY NEGOTIABLE SHARES

The shares of the company are freely transferable. There are no restrictions on transferability of shares pursuant to the Articles of Association.

6. GENERAL MEETINGS

The Board of Directors will make its best efforts with respect to the timing and facilitation of general meetings to ensure that as many shareholders as possible may exercise their rights by participating in general meetings, thereby making the general meeting an effective forum for the views of shareholders and the Board of Directors.

NOTIFICATION

The notice for a general meeting, with reference to or attached support information on the resolutions to be considered at the general meeting, shall as a principal rule be sent to shareholders no later than 21 days prior to the date of the general meeting. The Board of Directors will seek to ensure that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting. The notice and support information, as well as a proxy voting form, will normally be made available on the company's website www.nrcgroup.no no later than 21 days prior to the date of the general meeting.

PARTICIPATION AND EXECUTION

The Board of Directors and representatives of the nomination committee shall, as a general rule, be present at general meetings. The auditor will attend the ordinary general meeting and any extraordinary general meetings to the extent required by the agenda items or other relevant circumstances.

The chairman of the board will normally be chairing the general meetings. The Board of Directors will seek to ensure that an independent chairman is appointed if considered necessary based on the agenda items or other relevant circumstances.

The company will aim to prepare and facilitate the use of proxy forms which allows separate voting instructions to be given for each item on the agenda, and nominate a person who will be available to vote on behalf of shareholders as their proxy.

7. NOMINATION COMMITTEE

The nomination committee is governed by the Articles of Association section 10. The nomination committee shall consist of three members who shall be shareholders or shareholder representatives, and of which at least two members must be independent of the Board and Management of the company. The members shall be elected by the general meeting for a term of two years. The nomination committee shall give its recommendation to the general meeting on election of and compensation to members of the Board of Directors, in addition to election of members of the nomination committee. The proposals shall be justified.

The nomination committee currently consists of the following three members: Arnstein Wigestrand (committee leader), Vegar Urnes and Nigel Wilson. The current members have been elected by the general meeting with a term until the company's ordinary general meeting in 2017. All members are independent of the Board of Directors and executive management.

8. BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to the Articles of Association section 5, the company's Board of Directors shall consist of three to nine members. The Board of Directors currently consists of the following five members: Helge Midttun, Kjersti Kanne, Brita Eilertsen, Harald Arnet and Kristian Gjertsen Lundkvist. The chairman of the board has been elected by the general meeting. The term of office for members of the Board of Directors is two years at a time.

All members of the board are considered independent of the company's executive management and material business contacts. Furthermore, Helge Midttun (Chairman), Kjersti Kanne and Brita Eilertsen are considered independent of the company's main shareholders. The Board of Directors does not include executive personnel.

The company's annual report will provide information to illustrate the expertise of the members of the Board of Directors and their record of attendance at board meetings, as well as identify which members are considered as independent or employee representative.

9. THE WORK OF THE BOARD OF DIRECTORS

THE RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS
The Board of Directors is responsible for the over-all management of the company, and shall supervise the company's day-to-day management and the company's activities in general.

The Norwegian Public Limited Liability Companies Act regulates the duties and procedures of the Board of Directors. In addition, the Board of Directors has adopted supplementary rules of

procedures, which provides further regulation on inter alia the duties of the Board of Directors and the chief executive officer, the division of work between the Board of Directors and the chief executing officer, the annual plan for the Board of Directors, notices of board proceedings, administrative procedures, minutes, board committees, transactions between the company and the shareholders and confidentiality.
The Board shall produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation. The chief executive officer shall at least once a month, by attendance or in writing, inform the Board of Directors about the company's activities, position and profit trend.

The Board of Directors' consideration of material matters in which the chairman of the board is, or has been, personally involved, shall be chaired by some other member of the board.

The Board of Directors shall evaluate its performance and expertise annually, and make the evaluation available to the nomination committee.

THE AUDIT COMMITTEE
The company's audit committee is governed by the Norwegian Public Limited Liability Companies Act and a separate instruction adopted by the Board of Directors. The members of the audit committee are appointed by and among the members of the Board of Directors. A majority of the members shall be independent of the company's executive management, and at least one member shall have qualifications within accounting or auditing. Board members who are also members of the executive management cannot be members of the audit committee.

The principal tasks of the audit committee are to:

- prepare the Board of Directors' supervision of the company's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the company's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the company's auditor, including in particular the extent to which services than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The audit committee currently consists of the following 2 members: Harald Arnet and Brita Eilertsen.

THE REMUNERATION COMMITTEE
The company's remuneration committee is governed by a separate instruction adopted by the Board of Directors. The members of the remuneration committee are appointed by and among the members of the Board of Directors, and shall be independent of the company's executive management.

The principal tasks of the remuneration committee are to prepare:

- the Board of Directors' declaration on determination of salaries and other remuneration for executive management in accordance with the Norwegian Public Limited Liability Companies Act section 6-16 a; and
- other matters relating to remuneration and other material employment issues in respect of the executive management.

The remuneration committee currently consists of the following 2 members: Helge Midttun and Kjersti Kanne.

10. RISK MANAGEMENT AND INTERNAL CONTROL

In October 2016, the Board of Directors of NRC Group ASA engaged an external advisor to conduct a compliance and corporate governance review of the NRC Group businesses in Norway and Sweden. The construction industry in general involves an inherent risk of bribery, competition law violations and misconduct in the supply chain of subcontractors (Norwegian: Arbeidskriminalitet). The purpose of the review has been to ensure that adequate policies and procedures are in place to address the risks related to NRC Group's activities, and further to safeguard that all employees, suppliers and business partners adhere to NRC Group's ethical requirements.

As an initial part of the compliance review, a thorough risk analysis of NRC Group's subsidiaries in Norway and Sweden has been conducted, including a review of existing routines and policies. To manage the identified specific risks pertaining to each subsidiary, a tailormade compliance program has been designed, taking also into consideration the group companies' existing policies and procedures. Going forward, an action plan to implement the recommended mitigating measures has been outlined and is expected to conclude in 2017. The implementation seeks to operationalize the policies and procedures within the organisation's business operations and to create awareness among the employees through training, systematic communication and compliance program testing.

The Board of Directors should on an ongoing basis assess the company's risks. Each year, as a minimum, the Board of Directors should have a thorough assessment of the significant parts of the group's business and outlook, in order to identify risks and potential risks, and remedy any incident that have occurred. The Board of Directors may engage external expertise if necessary. The objective is to have the best possible basis for, and control of, the company's situation at any given time.

In addition to the annual risk assessment, the management should present quarterly financial statements that will inform the board and shareholders on current business performance, including risk reports. These reports should be subject to review at the quarterly board meetings.

THE BOARD OF DIRECTORS' ANNUAL REVIEW
In addition, the Board of Directors aims to undertake a complete annual review of the risk situation, which should be carried out together with the Board of Directors' review of the annual accounts. The auditor should attend this meeting.

THE BOARD OF DIRECTORS' REPORTING ROUTINES
The Board of Directors should present an in-depth review of the company's financial status in the annual report.

The Board of Directors will seek to ensure that the company has sound internal control and systems for risk management, including with respect to the company's corporate values, ethical guidelines and guidelines for corporate social responsibility, which are appropriate in relation to the extent and nature of the company's activities.

The Board of Directors will annually carry out a review of the company's most important areas of exposure to risk and its internal control arrangements, and evaluate its performance and expertise.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors shall be decided by the company's general meeting, and should reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the company's activities. The remuneration should not be linked to the company's performance.

The nomination committee shall give a recommendation as to the size of the remuneration to the Board of Directors. Pursuant to the instructions for the nomination committee, the recommendation should normally be published on the company's website at least 21 days prior to the general meeting that will decide on the remuneration.

The company has not granted share options to board members.

Any remuneration in addition to normal fees to the members of the Board is specifically identified in the annual report (note 6).

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the Board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the Board of Directors.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors will in accordance with the Norwegian Public Limited Liability Companies Act prepare separate guidelines for the stipulation of salary and other remuneration to key management personnel. The guidelines shall include the main principles applied in determining the salary and other remuneration of the executive management, and shall ensure convergence of the financial interests of the executive management and the shareholders. It should be clear which aspects of the guidelines that are advisory and which, if any, that are binding thereby enabling the general meeting to vote separately on each of these aspects of the guidelines. The guidelines will be communicated to the ordinary general meeting.

The Board of Directors aims to ensure that performance-related remuneration of the executive management in the form of share options, annual bonus programmes or the like, if used, are linked to value creation for shareholders or the company's earnings performance over time. Performance-related remuneration should be subject to an absolute limit. Furthermore, the company aims to ensure that such arrangements are based on quantifiable factors which the employee in question can influence.

13. INFORMATION AND COMMUNICATIONS

GENERAL
The Board of Directors has adopted a separate manual on disclosure of information, which sets forth the company's disclosure obligations and procedures. The Board of Directors will seek to ensure that market participants receive correct, clear, relevant and up-to-date information in a timely manner, taking into account the requirement for equal treatment of all participants in the securities market.

The company will each year publish a financial calendar, providing an overview of the dates for major events such as its ordinary general meeting and publication of interim reports.

INFORMATION TO SHAREHOLDERS
The company shall have procedures for establishing discussions with important shareholders to enable the Board to develop a balanced understanding of the circumstances and focus of such shareholders. Such discussions shall be done in compliance with the provisions of applicable laws and regulations.

All information distributed to the company's shareholders will be published on the company's web site at the same time as it is sent to shareholders.

14. TAKE-OVERS

In the event the company becomes the subject of a take-over offer the Board of Directors shall ensure that the company's shareholders are treated equally and that the company's activities are not unnecessarily interrupted. The Board of Directors shall also ensure that the shareholders have sufficient information and time to assess the offer.

There are no defence mechanisms against take-over bids in the company's Articles of Association, nor have other measures been implemented to specifically hinder acquisitions of shares in the company. The Board of Directors has not established written guiding principles for how it will act in the event of a take-over bid, as such situations are normally characterized by concrete and one-off situations which make a guideline challenging to prepare.

In the event a take-over where to occur, the Board of Directors will consider the relevant recommendations in the Corporate Governance Code and whether the concrete situation entails that the recommendations in the Corporate Governance Code can be complied with or not.

15. AUDITOR

The Company's external auditor is EY.

The Board of Directors will require the company's auditor to annually present to the audit committee a review of the company's internal control procedures, including identified weaknesses and proposals for improvement, as well as the main features of the plan for the audit of the company.

Furthermore, the Board of Directors will require the auditor to participate in meetings of the Board of Directors that deal with the annual accounts. At least one board meeting with the auditor shall be held each year in which no member of the executive management is present.

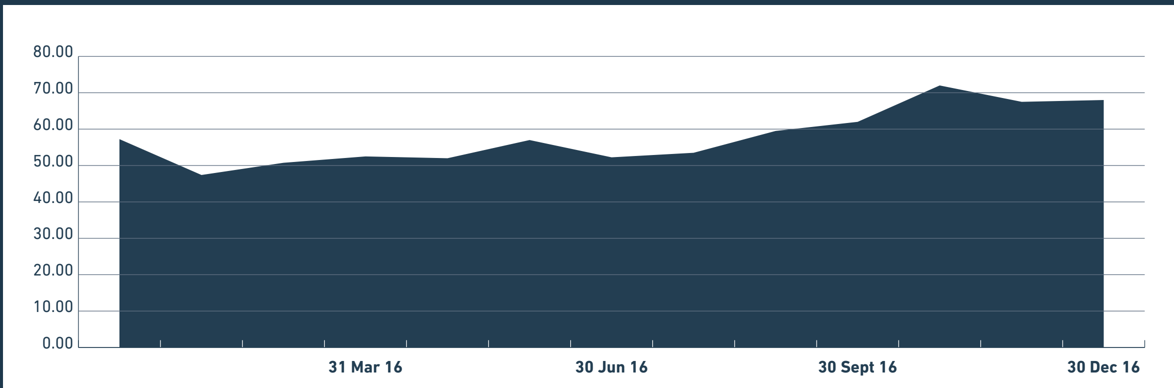
The Board of Directors has established guidelines in respect of the use of the auditor by the executive management for services other than the audit.

The remuneration to the auditor will be approved by the ordinary general meeting. The Board of Directors will report to the general meeting details of fees for audit work and any fees for other specific assignments.

SHAREHOLDER INFORMATION

SHARE PRICE DEVELOPMENT

NRC Group ASA has one class of shares and there were 38,753,350 shares issued each with a nominal value of NOK 1.00 at the end of 2016, compared to 34,944,483 shares issued at the end of 2015. In 2016, the group's shares traded between NOK 42.0 and NOK 77.0 per share. In total 24,492,590 shares were traded in 2016.



MAJOR SHAREHOLDERS AND VOTING RIGHTS

NRC Group had 2,220 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2016, whereof 79.6% were owned by the 20 largest shareholders. The company's shareholders are located in 26 different countries, whereof 66.2% of the shares are registered owned by Norwegian entities and 33.8% to foreign shareholders. All the shares registered by name carry equal voting rights. The shares are freely negotiable.

NRC Group's 20 largest shareholders as of 31 December 2016:

Investor	Number of shares	% of total	Country
DATUM AS	5,100,000	13.2%	NOR
SWEDBANK AB	3,893,248	10.1%	SWE
URBEX INVEST AS	3,107,033	8.0%	NOR
DANSKE BANK A/S	2,871,208	7.4%	SWE
DNB NOR MARKETS	2,064,052	5.3%	NOR
CHARLOTTE HOLDING AS	1,928,008	5.0%	NOR
NORDEA BANK AB	1,824,916	4.7%	SWE
ARCTIC FUNDS PLC	1,699,884	4.4%	IRL
SOGN INVEST AS	1,281,046	3.3%	NOR
VPF ALFRED BERG GAMBA	1,126,210	2.9%	NOR
VERDIPAPIRFONDET DNB SMB	974,644	2.5%	NOR
NORRON SICAV – TARGET SEB	716,500	1.9%	LUX
STATOIL PENSJON C/O JP MORGAN	609,641	1.6%	NOR
VPF ALFRED BERG NORGE	604,040	1.6%	NOR
GRANSHAGEN INVEST AS	601,007	1.6%	NOR
MIDDELBORG INVEST AS	600,000	1.6%	NOR
SVENSKA HANDELSBANKEN AB	580,000	1.5%	SWE
IMSET HOLDING AS	441,988	1.1%	NOR
KRAG INVEST AS	412,900	1.1%	NOR
SORA AS	390,000	1.0%	NOR
Total number owned by Top 20	**30,826,325**	**100%**	
Total number of shares	**38,753,350**		

An overview of the 20 largest shareholders is available on the NRC Group website, updated each week.

EMPLOYEE SHARE PROGRAM

NRC Group has implemented a share program for its employees in the company's subsidiaries in Norway and Sweden, to promote long-term engagement and active involvement among its employees. All employees have been offered the opportunity to purchase shares in the company at a 20% discount for a total amount of either NOK 6 000, NOK 12 000 or NOK 32 000. In December 2016, 82 employees accepted the opportunity to become active owners in the company. The purchase price before the discount was NOK 68.75 per share, corresponding to the trading price of the NRC Group ASA share on Oslo Børs at 24 November 2016. In total 43,025 shares were transferred to employees participating in the share program.

CORPORATE ACTIONS

Corporate action	Date
Transfer of treasury shares related to the 2015 Employee Share Program	19.01.2016
Øivind Horpestad new CEO	01.03.2016
Dag Fladby new CFO	01.03.2016
Divestment of Geo business in Norway, Sweden and Finland (Blom Nordic) to Terratec	07.03.2016
Acquisition of RailCap	20.05.2016
Issuance of consideration shares, settlement of RailCap acquisition	23.05.2016
Divestment of Geo business in the UK (Blom UK) to Cyient Europe Limited	07.11.2016
Acquisition of Gravco	07.11.2016
Private placement of NOK 210 million	17.11.2016
Registration of share capital increased related to the private placement of NOK 210 million	22.11.2016
Transfer of treasury shares related to the 2016 Employee Share Program	25.11.2016
Issuance of consideration shares, settlement of Gravco acquisition	01.12.2016

DIVIDENDS AND DIVIDEND POLICY

NRC Group shall over time give its shareholders a competitive return on their investment in the shares of the company. The return will be in the form of a combination of dividend and increase in the share price. Subject to the underlying financial performance of NRC Group being satisfactory, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The Board of Directors will propose a dividend of NOK 0.80 per share for 2016.

ANALYST COVERAGE
Four analysts representing Norwegian and Nordic investment banks had active coverage of NRC Group ASA in 2016. For contact details, please see the company website www.nrcgroup.no.

GENERAL MEETINGS AND BOARD AUTHORISATIONS

At the Annual General Meeting 2016, the Board was granted the following authorisations:

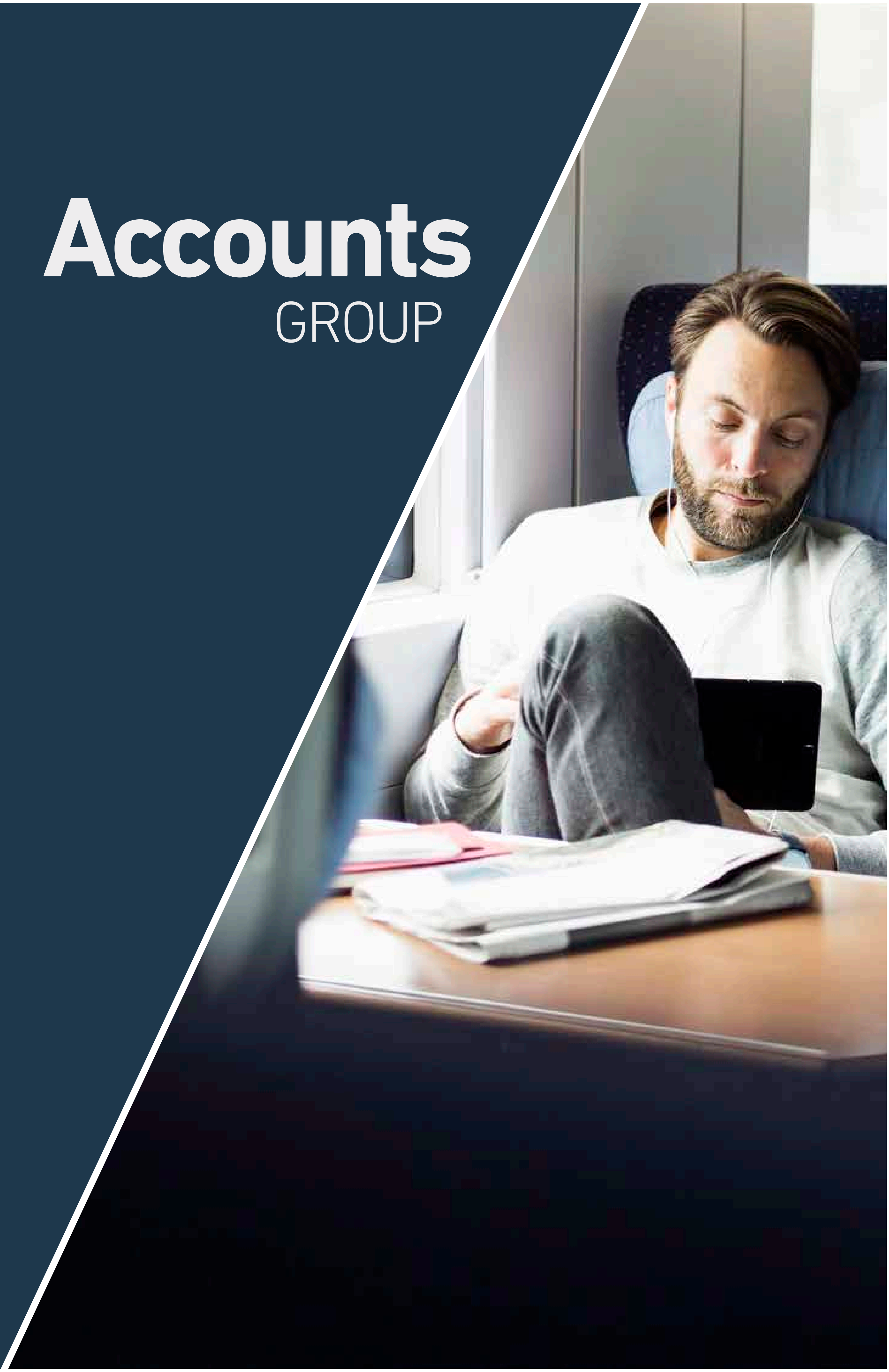
1) Authorisation to increase the share capital by up to NOK 600,000 in connection with option program for senior management
2) Authorisation to acquire treasury shares in NRC Group ASA for up to a maximum nominal value of NOK 3,494,448.30
3) Authorisation to increase the share capital by a maximum of NOK 7 million. The capital increase may be paid in cash, by set-off or by contributions in assets other than money.

Further information can be found in the minutes from the Annual General Meeting 2016, available from the company's website www.nrcgroup.no and www.newsweb.no.

IR POLICY

For information about the IR policy of NRC Group ASA, please see www.nrcgroup.no.

Accounts
GROUP



CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME – NRC GROUP

(Amounts in NOK million)

	Note	2016	Restated 2015
Operating revenue	**3/4**	**1,975**	**678**
Cost of materials	4	1,343	453
Salaries and personnel costs	5/6	349	126
Depreciation, amortisation and impairment	11/12	53	18
Other operating and administrative expenses	7	131	67
Operating expenses		**1,876**	**664**
Operating profit/loss		**99**	**14**
Finance income		2	1
Finance expense		-12	-6
Net financial items	**8**	**-10**	**-5**
Profit/loss before tax		**89**	**9**
Tax expense	9	22	-43
Profit/loss from continuing operations		**67**	**52**
Profit/loss from discontinued operations	**23**	**-10**	**-6**
Net profit/loss for the year		**57**	**46**
Comprehensive income:			
Items that may be reclassified to profit or loss:			
Translation differences		-23	9
Total comprehensive profit/loss for the year		**34**	**55**
Profit/loss attributable to:			
Shareholders		57	46
Non-controlling interests		0	0
Profit/loss for the year		**57**	**46**
Total comprehensive profit/loss attributable to:			
Shareholders		34	55
Non-controlling interests		0	0
		34	**55**
Earnings per share in NOK (ordinary and diluted):	10		
From continuing operations		1.91	2.71
From discontinued operations		-0.29	-0.35
From profit/loss for the year		**1.62**	**2.36**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER
NRC GROUP

(Amounts in NOK million)

ASSETS	Note	2016	Restated 2015
Deferred tax asset	9	31	43
Goodwill	11	577	521
Customer contracts and other intangible assets	11	24	52
Total intangible assets		**632**	**616**
Property, plant and equipment	**12**	**144**	**121**
Financial assets	**21**	**7**	**8**
Total non-current assets		**783**	**745**
Trade receivables	4/13	325	318
Other current receivables	13	88	41
Total receivables		**413**	**359**
Cash and cash equivalents	**14**	**418**	**258**
Assets classified as held for sale	**23**	**9**	**0**
Total current assets		**840**	**617**
TOTAL ASSETS		**1,623**	**1,362**

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER NRC GROUP

(Amounts in NOK million)

EQUITY AND LIABILITIES	Note	2016	Restated 2015
Paid-in capital:			
Share capital		39	35
Own shares		0	-1
Share premium reserves		888	641
Other equity:			
Translation reserves		-19	4
Retained earnings		106	48
Total equity	**15**	**1,014**	**727**
Pension obligations	16	0	5
Interest-bearing non-current liabilities	17	111	162
Deferred tax	9	11	31
Other non-current liabilities	17	5	0
Total non-current liabilities		**127**	**198**
Overdraft facilities	17	0	9
Interest-bearing current liabilities	17	82	79
Total interest-bearing current liabilities		**82**	**88**
Trade payables		153	134
Public fees payable		65	39
Tax payable	9	33	4
Other current liabilities	4/18	141	172
Total other current liabilities		**392**	**349**
Liabilities directly associated with assets classified as held for sale	**23**	**8**	**0**
Total current liabilities		**482**	**437**
Total liabilities		**609**	**635**
TOTAL EQUITY AND LIABILITIES		**1,623**	**1,362**

Oslo, 6 April 2017

Helge Midttun
Chairman of the Board of Directors

Kristian G. Lundkvist
Board member

Kjersti Kanne
Board member

Harald Arnet
Board member

Brita Eilertsen
Board member

Øivind Horpestad
CEO

CONSOLIDATED STATEMENT OF CASH FLOW
NRC GROUP

Indirect model (Amounts in NOK million)

	Note	2016	Restated 2015
CASH FLOW FROM OPERATING ACTIVITIES			
Pre-tax profit/loss		89	9
Depreciation, amortisation and impairment	11/12	53	18
Income taxes paid	9	-23	-7
Profit/loss attributable to associates		0	1
Change in trade receivables		-15	9
Change in trade payables		10	5
Change in other accruals and unrealised foreign exchange		15	-9
Net cash flow from operating activities – continuing operations		**129**	**26**
Net cash flow from operating activities – discontinued operations	23	18	8
Net cash flow from operating activities		**147**	**34**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	11/12	-52	-12
Payments for acquisition of subsidiaries, net of cash acquired	2	-42	-240
Proceeds from sale of shares and other investments		5	11
Net cash flow from investing activities – continuing operations		**-89**	**-241**
Purchase of property, plant and equipment		-2	-8
Net proceeds from sale of shares and other investments		23	0
Net cash flow from investing activities – discontinued operations	**23**	**21**	**-8**
Net cash flow from investing activities		**-68**	**-249**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	15	202	279
Proceeds from sale of treasury shares	5	4	10
Proceeds from borrowings	17	23	179
Repayment of borrowings		-112	-35
Payment of finance lease liabilities		-15	-3
Net change in overdraft facilities		-9	-10
Net cash flow from financing activities – continuing operations		**93**	**420**
Repayment of borrowings		0	-6
Net cash flow from financing activities – discontinued operations	**23**	**0**	**-6**
Net cash flow from financing activities		**93**	**414**
Net change in cash and cash equivalents		**172**	**199**
Cash and cash equivalents as at 1 January		258	52
Effects of exchange rate changes on cash and cash equivalents		-12	7
Cash and cash equivalents as at 31 December	**14**	**418**	**258**
Cash and cash equivalents – continuing operations	**14**	**415**	**258**
Cash and cash equivalents – discontinued operations	**14**	**3**	**0**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
NRC GROUP

(Amounts in NOK million)

	Note	Share capital	Treasury shares	Share premium reserves	Translation reserve	Retained earnings	Restated equity
Equity as at 1 January 2015		**10**	**-2**	**98**	**-24**	**-7**	**75**
Profit/loss for the year						46	46
Comprehensive profit/ loss for the year					28		28
Increase share capital		25		559			584
Costs recognised in equity				-16			-16
Sale of treasury shares			1			9	10
Equity as at 31 December 2015		**35**	**-1**	**641**	**4**	**48**	**727**
Profit/loss for the year						57	57
Comprehensive profit/ loss for the year (*)					-23	-5	-28
Increase share capital	15	4		255			259
Costs recognised in equity				-8			-8
Sale of treasury shares	15		1			6	7
Equity as at 31 December 2016		**39**	**0**	**888**	**-19**	**106**	**1,014**

(*) NOK 5 million have been reclassified from translation reserve to retained earnings related to foreign entities sold prior to 1 January 2015.

Notes
TO THE GROUP ACCOUNTS

NOTES TO THE ACCOUNTS NRC GROUP

NOTES TO THE ACCOUNTS NRC GROUP

NOTE 01/ CORPORATE INFORMATION AND BASIS OF PREPARATION

CORPORATE INFORMATION

NRC Group ASA is a fully integrated rail infrastructure contractor covering the Norwegian and Swedish markets. The group is a full-range supplier for the construction of all types of rails including train, tram and subway. Main service offerings include specialized ground work, track work, power supply and signalling work.

The former Geo division was one of Northern Europe's leading providers within acquisition, processing and modelling of geographic information and high quality map data. All companies within the Geo division have been sold during 2016 or divestment is expected during the first half of 2017, and are presented as discontinued operations in these accounts. See note 23 Discontinued operations for further information.

NRC Group ASA is a public limited company registered and domiciled in Norway. The office address is Akerkvartalet, Oksenøyveien 10, 1366 Lysaker, Norway. NRC Group is listed on Oslo Stock Exchange (ticker NRC). The company has subsidiaries in five countries, whereof three subsidiaries are classified as discontinued operations.

The consolidated financial statements for NRC Group ASA and subsidiaries (collectively, the group) were approved by the company's Board of Directors on 6 April 2017.

SUMMARY OF THE MOST IMPORTANT ACCOUNTING PRINCIPLES

The most important accounting principles applied by the group in the preparation of the consolidated financial statements are described below. These principles have been applied identically to all the periods that are presented, unless otherwise stated.

BASIC PRINCIPLES

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU.

These consolidated financial statements have been prepared on the basis of the historical cost principle, except for certain financial instruments and contingent consideration that have been measured at fair value.

CONSOLIDATION PRINCIPLES

Subsidiaries are companies where the group has a controlling interest. Control is achieved when the group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. A controlling interest is normally achieved when the group owns, directly or indirectly, more than 50% of the voting shares in the company. Subsidiaries are consolidated from the point in time when control is transferred to the group, and eliminated from consolidation when such control ends.

The acquisition method of accounting is used to account for business combinations. The acquisition cost is measured as the fair value of the assets that are contributed as consideration for the acquisition, equity instruments that are issued and liabilities that are assumed. Identifiable acquired assets, liabilities and contingent liabilities that are assumed to be inherent in a business combination are assessed at their fair value, independent of any non-controlling interests. Direct costs associated with the acquisition is expensed when they incur.

All internal transactions, outstanding accounts and unrealised gains between group companies are eliminated. Unrealised losses are also eliminated unless the transaction establishes an impairment for the transferred asset.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement has rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. The group's investments in joint venture are accounted for using the equity method. Net profit/loss and net assets of joint ventures are immaterial at 31 December 2016 and 2015, and separate disclosures are therefore not made.

DISPOSAL GROUPS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of income.

NOTE 01/

MATERIAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures and disclosure of contingent liabilities. Estimates and assumptions are evaluated continuously and based on historical experience and other factors, including expectations of future events that are regarded as probable under the current circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to carrying amounts of assets or liabilities in future periods.

Accounting for projects in progress

The group's business consists largely of execution of projects. The complexity and scope of our projects mean that the project has an inherent risk that the final results may differ from expected results. The group recognises project revenue using the percentage-of-completion method based on estimated stage of completion and outcome of each project. For projects in progress, the uncertainty is mainly linked to the progress of ongoing work, disputes and end results. As of 31 December 2016, we have recognized a total of NOK 2 488 million (2015: NOK 1 383 million) in revenue on projects in progress at year end. See also note 4.

Goodwill and other intangible assets

The group performs annual tests to assess the impairment of goodwill with a carrying amount of NOK 577 million. In the impairment test the carrying amount is measured against the recoverable amount of the cash-generating-unit to which the asset is allocated. The recoverable amount of cash generating units is determined by calculating its value in use. These calculations require the use of assumptions and estimates related to future cash flows and discount rate. A discount rate before tax of 9.85% for Norway and 8.90% for Sweden has been used for 2016. No impairment loss has been identified as of 31 December 2016. For further information on goodwill and other intangible assets see note 2,11 and 24.

Recognition of deferred tax assets

The group and its subsidiaries have gross tax losses in Norway of NOK 460 million and in Sweden of NOK 77 million (2015: a total of NOK 590 million) corresponding to deferred tax assets of NOK 112 million in Norway and NOK 17 million in Sweden (2015: a total of NOK 134 million) that can be used to reduce future tax payments. As of 31 December 2016, NOK 31 million in Norway and NOK 17 million in Sweden (2015: a total of NOK 48 million) of the related deferred tax assets have been recognised in the balance sheet. The deferred tax assets have been recognised to the extent it is probable that they can be utilised against future taxable profit on the basis of forecasts and projections for a five-year period. See also note 9.

SEGMENT REPORTING

Segments are reported in the same manner as internal financial reporting to the group's highest decision-maker. The group's highest decision-maker, who is responsible for the allocation of resources to and the assessment of earnings in the operating segments, is defined as the corporate management. The internal financial reporting follows current IFRS standards as described in these notes to the group accounts.

REVENUE RECOGNITION AND CONSTRUCTIONS CONTRACTS

Rail division

Rail projects vary from shorter projects of less than a month, to longer projects ranging over multiple years. All projects are accounted for as construction contracts using IAS 11 Construction contracts.

When the outcome of a construction contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue is recognised over the period of the contract by reference to the stage of completion. Contract cost consists of direct costs such as material and labour, and indirect costs. Bid costs are expensed as incurred. Contract costs are recognised as expenses by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Variations in contract work, claims and incentive payments are included in contract revenue to the extent that have been agreed with the customer and are capable of being reliably measured.

The stage of completion is determined by measuring the construction provided so far in relation to the total agreed volume of construction in the project. The degree of completion is based on incurred cost relative to projected total cost or milestones.

The aggregate amount of project costs incurred to date plus recognised margin less progress billings is determined on a project by project basis. The contracts where this amount is positive are presented in the balance sheet as trade receivables, whereas the contracts where the amount is negative are presented in other current liabilities.

Geo division

The sale of services is recognised in the income statement in the period in which the service was performed, based on the stage of completion of the transaction in question. The stage of completion is determined by measuring the services provided in relation to the total agreed volume of services to be provided. During the period where a negative result

NOTE 01/

is identified for a project, the estimated loss on the contract will be charged in whole. Work in progress represents the value of services performed in long-term projects, and the change in the work in progress is included under operating income.

TAX

The tax expense in the income statement consists of the tax payable for the period and the change in deferred tax. Tax is usually recognised in the income statement, except when it is related to items that are recognised in other comprehensive income or directly in equity. Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

The tax expense is calculated in accordance with the tax laws and regulations that have, or have essentially, been enacted by the tax authorities on the date of the balance sheet. It is the legislation in the countries where the group's subsidiaries or associates operate and generate taxable income that determine how the taxable income is calculated.

Deferred tax is calculated for all temporary differences between tax values and carrying values of assets and liabilities. If deferred tax arises upon the initial carrying of a liability or asset in a transaction that is not part of a business combination and does not affect either the reported or taxable profit/loss on the transaction date, the deferred tax liability is not recognised in the balance sheet. Deferred tax is determined by means of the tax rates and tax laws that have been enacted or substantively enacted on the balance sheet date, which are assumed to apply when the deferred tax asset is realised or when the deferred tax is settled.

Deferred tax is calculated for temporary differences from investments in subsidiaries and associates, except when the group controls the timing of the reversal of the temporary differences, and it is probable that these will not be reversed in the foreseeable future.

Deferred tax assets are also recognised for unused tax losses and unused tax credits. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the unused tax losses and unused tax credits can be utilised.

FOREIGN CURRENCY TRANSLATION

Functional currency and presentation currency

The accounts of the individual entities in the group are measured in the currency that is used in the economic area where the group entities operate (functional currency). The consolidated accounts are presented in Norwegian kroner (NOK), which is both the functional and presentation currency of the parent company.

Transactions and balance sheet items

Transactions involving foreign currencies are translated into the functional currency using the exchange rates that are in effect at the time of the transactions. Foreign currency gains and losses that arise from the payment of such transactions and the translation of monetary items (assets and liabilities) at year-end at the rates in effect on the balance sheet date are recognised in the income statement. Currency gains and losses linked to loans, cash and cash equivalents are presented on a net basis as financial income or financial expenses. If the foreign currency position is designated as a hedge of a net investment in a foreign business, any gains or losses are recognised in comprehensive income.

Translation to presentation currency

In consolidation of the accounts of foreign subsidiaries, the income statement is translated into the presentation currency according to average exchange rates for the year. Balance sheet items are translated at the exchange rate in effect on the balance sheet date. Long-term receivables from a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future is considered a part of the net investment. Translation differences are recognised in other comprehensive income. When a net investment is disposed of the related cumulative amount of translation differences it is reclassified to profit or loss.

Goodwill and fair value adjustments of assets and liabilities associated with the acquisition of a foreign entity are treated as assets and liabilities in the acquired entity, and translated at the rate in effect on the balance sheet date.

INTANGIBLE ASSETS

Goodwill is the difference between the cost of the acquisition of a business and the fair value of the group's share of the net identifiable assets in the business at the time of the acquisition. Goodwill from the acquisition of subsidiaries is treated as an intangible asset. Goodwill is tested annually for impairment, and is recognised at acquisition cost less accumulated impairment loss.

In order to evaluate whether goodwill is impaired, goodwill is allocated to separate cash generating entities. Goodwill is allocated to the cash generating entities or groups of cash generating entities that may be expected to benefit from the acquisition.

Customer contracts, customer relationships, licenses and other intangible assets acquired as part of a business combination are recognised at their fair value at the date of acquisition and are subsequently amortised on a straight-line based on the timing of projected cash flows over their estimated useful lives, which is two years.

NOTE 01/

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised at cost less accumulated depreciation and impairment loss. The cost of an item of property, plant and equipment includes costs that are directly attributable to the acquisition of the assets.

Subsequent expenditure is recognised in the carrying amount of the asset, when it is probable that the future economic benefits related to the expenditure will flow to the group, and the expenditure can be reliably measured. The carrying amount of any parts that are replaced, is derecognised. Other repair and maintenance costs are recognised in the income statement in the period when the costs are incurred.

Depreciation is calculated on the straight-line method over the expected life of the asset as follows:

- Buildings 15 - 100 years
- Machinery and fixtures 3 - 15 years

The depreciable amount of an asset is determined after deducting its residual value. Residual values are in general immaterial.

The economic life of the non-current assets and the residual value are reviewed on the date of each balance sheet and adjusted prospectively if required.

The group assesses at each reporting period whether there are any indications that an item of property, plant and equipment is impaired, and if such indications exists, and impairment test is performed. If the carrying amount is higher than the estimated recoverable amount, an impairment loss is recognised and the carrying amount is written down to the recoverable amount.

Gains and losses on disposals are presented as part of the operating profit/loss and calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

LEASES

A lease is classified at the inception data as an operating lease or a finance lease. A lease that transfers substantially all of the risk and rewards incidental to ownership to the group is classified as a finance lease.

Group as lessee

Operating lease payments are recognised as an operating expense on a straight-line basis over the term of the lease.

Financial leases are recognised in the balance sheet at the start of the lease at the lower of the fair value of the leased asset and the present value of the total minimum lease payments. Each lease payment consists of an interest element and a principal element. The interest element is recognised as a financial expense and the principal element reduces the lease liability. The interest expense is recognised in the income statement under financial items and is distributed over the lease period so that the interest rate on the residual liability is constant for each period. The lease liability is classified as other non-current liabilities. Property, plant and equipment acquired through financial leases are depreciated over the shorter of the estimated useful life of the asset and the term of the leasing agreement.

FINANCIAL INSTRUMENTS

Financial assets

The group's financial assets are classified as loans and receivables and consists of trade receivables and other current and non-current receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not traded in an active market. Loans and receivables are recognised initially at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method, less provision for losses that have been incurred.

Trade and other receivables are classified as current if payment is due within one year or less. Otherwise they are classified as non-current.

Financial liabilities

The group's financial liabilities are classified as loans and borrowings and payables and consists of current and non-current interest bearing loans and trade and other payables. Financial liabilities are recognised initially at fair value less transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Loans are classified as current liabilities unless there is an unconditional right to defer payment of the debt by more than 12 months from the date of the balance sheet. Trade and other payables are classified as current if payment is due within one year or less. Otherwise they are classified as non-current.

DERIVATIVE FINANCIAL INSTRUMENTS

In some instances, the group uses derivative financial instruments such as forward currency contracts to hedge its foreign currency risk. Such derivative financial instruments are initially recorded at fair value at the date when the contract is entered into and subsequently measured at fair value. Derivatives are presented as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gain or loss arising from changes in fair value of the derivative financial instruments are taken directly to profit and loss.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank deposits and other short-term and highly liquid investments that are readily convertible to cash. Overdraft facilities used are included under current liabilities on the balance sheet.

NOTE 01/

SHARE CAPITAL AND PREMIUMS

Ordinary shares are classified as equity. Expenses that are directly attributable to the issue of new shares less taxes are recognised against the equity as a reduction in the proceeds.

Payments for the purchase of own shares are recognised as a reduction in equity. A loss or gain is not recognised in the income statement for any purchase, sale, issue or cancellation of own shares.

PENSIONS

A defined contribution plan is a pension plan in which the group pays fixed contributions to a separate entity (fund) and where the group does not have any legal or constructive obligation to pay additional contributions if the fund does not have sufficient assets to pay all employees benefits relating to their service in current and prior periods. The expense for each period is determined by the amounts of contributions for that period. Contributions paid in advance are recognised as an asset to the extent that the contribution can be refunded or be used to reduce future payments.

A defined benefit plan are pension plans that do not fulfil the criteria for being a defined contribution plan. A defined benefit plan normally defines the pension payment an employee will receive when upon retirement which may depend on one or more factors such as age, years of service and salary level. The net defined benefit obligation recognised in the balance sheet is the present value of expected future payments required to settle the obligation resulting from employee services in current and prior periods less the fair value of plan assets (of any). The pension liability is calculated annually by an independent actuary using the projected unit credit method. The present value is determined with reference to market yield on high quality corporate bonds with currency and term that is consistent with the term of the related pension liability.

The group also has a contractual retirement scheme (AFP) for a certain part of their employees established by the Norwegian Federation of Trade Unions (LO) and the Norwegian Confederation of Norwegian Enterprises (NHO). Under this scheme employees are entitled to an early retirement pension from the age of 62. The AFP pension scheme is a defined benefit multi-employer plan that is financed though premiums paid by participating employers. Because the schemes administrator is not providing information to identify the participating employers share of financial position and performance with sufficient reliability, the AFP scheme is accounted for as a defined contribution scheme. Premiums for 2016 are fixed at 2.5% of salary up to approximately NOK 650,000. It is expected that premiums will increase.

PROVISIONS AND CONTINGENT LIABILITIES

The group recognises provisions when the group has a present legal or constructive obligation as a result of earlier events, it is probable that the obligation will be settled by a transfer of economic resources, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised unless assumed in a business combination. Contingent liabilities assumed in a business combination is initially measured at fair value. Subsequently, it is measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

Warranty

The group normally has a five-year guarantee on completed projects. The group has historically had no material guarantee work. As of year-end 2016 and 2015 no accrual has therefore been made for guarantee work.

Claims and disputes

Claims and disputes which are being processed by the judicial system, and are below NOK 4 million, are not disclosed in the notes. The group has no unresolved disputes in the judicial system as of 31 December 2016.

IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are issued that are mandatory for future financial statements. The group has decided not to early adopt any of these standards, and will implement the new standards and amendments when they become effective. The most significant new standards and amendments are described below.

IFRS 9 *Financial Instruments* involves classification, measurement and recognition of financial assets and liabilities, and hedge accounting and is effective from 1 January 2018. The group do not expect that implementation of this standard will materially affect its financial position or profit/loss.

IFRS 15 *Revenue from contracts with customers* is a new standard for revenue recognition. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The standard is effective from 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The group is in the process of assessing the effects of implementing this standard.

IFRS 16 *Leases* was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 14, SIC 15 AND SIC 27. IFRS 16 sets out the principles for recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. There are exemptions for low-value and short-term leases. At the commencement date for a lease, a lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use-asset. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The group is in the process of assessing the effect of IFRS 16 on its consolidated financial statement. The group leases certain business properties and production assets over lease periods varying from 1 – 10 years, which, on the basis of contracts existing at 31 December 2016, under the new standard would require recognition of a right to use asset and corresponding liability of approximately NOK 30 - 40 million. The corresponding first year depreciation expense and interest charge would amount to approximately NOK 8 million and NOK 1 million respectively whereas other operating expenses would be reduced with lease payments of approximately NOK 9 million.

There are no other standards or interpretations that is not yet effective that are expected to have a significant impact on the consolidated financial statements.

NOTE 02/ BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN 2016

On 20 May 2016, it was announced that the company, through its wholly owned Norwegian subsidiary NRC Norge AS, had acquired 100% of the shares in RailCap AS for an enterprise value of NOK 48 million. RailCap is a rail signalling specialist contractor, which carries out railway installations, test and commissioning, construction and design. The acquisition will significantly strengthen the company's signalling resources and strengthen NRC Group's market position in general. Furthermore, the acquisition will enable NRC Group to undertake larger projects where signalling work is a vital and integrated part going forward.

The acquisition was financed by a combination of cash, by the issuance of 366,789 new shares in NRC Group and a seller credit. The shares are subject to a lock-up period of 18 months. The acquisition of RailCap AS resulted in goodwill of NOK 46 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within rail signalling. The acquisition will enable the group to undertake larger projects where signalling work is a vital and integrated part. The allocation of the purchase price has been finalized.

As part of the purchase agreement a contingent consideration (sellers credit) of NOK 5 million payable in 2017 has been agreed. If the entity does not generate a profit before tax of NOK 6.1 million for 2016 the contingent consideration will be reduced correspondingly. At the acquisition date the fair value of the contingent consideration was estimated to be NOK 5 million. The actual profit before tax for 2016 was NOK 4.6 million which means that the contingent consideration at 31 December 2016 is NOK 3.5 million.

On 8 November 2016, it was announced that the company, through its wholly owned Norwegian subsidiary NRC Civil AS, had acquired 100% of the shares in Gravco AS and Septik Tank Co AS ('Gravco') for an enterprise value of NOK 75 million. Gravco is a leading water and wastewater entrepreneur in the Oslo area. The acquisition of Gravco will strengthen the company's position for projects related to the tram and metro systems in Oslo.

The acquisition was financed by a combination of cash, by the issuance of 441 988 new shares in NRC Group and a seller credit. The shares are subject to a lock-up period of 18 months. The acquisition of Gravco resulted in goodwill of NOK 51 million. Goodwill is related to the fair value of expected synergies arising from the organisations competence within water and wastewater entreprenuering and the company's market position. The acquisition will strengthen the group's position for projects related to the tram and metro systems in Oslo. The allocation of the purchase price has been finalized.

As part of the purchase agreement a contingent consideration (sellers credit) of NOK 15 million has been agreed. If the entity does not generate EBITDA of NOK 15 million for each of the years 2016 and 2017 the contingent consideration will be reduced correspondingly. At the acquisition date the fair value of the contingent consideration was estimated to be NOK 13 million using a discount rate of 7.6% based on full payment of the NOK 15 million.

NOTE 02/

Presented below is an allocation of the purchase price based on the opening balance for the business combination made in 2016. Allocation of the purchase price was prepared using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of the company.

(Amounts in NOK million)	RailCap	Gravco
Date of acquisition	1 Jun	1 Dec
Share of ownership	100 %	100 %
Cash settlement	28	30
Value of issued shares in NRC Group ASA	19	30
Seller's credit	5	13
Cash in target	-5	-12
Net settlement	**47**	**61**
Property, plant and equipment	2	18
Intangible asset: Customer contracts and relations	0	5
Current assets	7	13
Tax payable and deferred tax	-2	-7
Interest-bearing debt	-1	-11
Other current liabilities	-5	-8
Net identifiable assets and liabilities	**1**	**10**
Goodwill	**46**	**51**
Consolidated revenue from date of acquisition	22	4
Consolidated profit/loss before tax from acquisition	5	0
Transaction costs expensed as other operating expenses	1	1

If the combinations had taken place at the beginning of the year, revenue from continuing operations for the group would have been NOK 2 045 million and profit before tax for the group would have been NOK 104 million.

BUSINESS COMBINATIONS IN 2015

The purchase price allocations for these acqusitions have been corrected in 2016 in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors. The corrections have been carried out in the comparative 2015 information by increasing intangible assets other than goodwill with NOK 15 million, increasing related deferred tax liability with NOK 3 million and reducing goodwill with NOK 12 million at the acquisition dates. Amortisation of intangible assets has been increased with NOK 3 million for 2015 compared to the amounts presented in the annual report for 2015. See also note 24 subsequent events.

During 2015 the company acquired 100% of the shares in five companies within the infrastructure market in Norway and Sweden. The business combinations in 2015 resulted in goodwill of NOK 482 million.

The acquisition of NRC Rail AS, a leading contractor within railway infrastructure in Norway, resulted in goodwill of NOK 70 million. The goodwill is related to the expected synergies arising from the acquisition.

The acquisition of Svensk Järnvägsteknik (SJT) AB, a fully integrated contractor within railway infrastructure in Sweden, resulted in goodwill of NOK 200 million. Goodwill is related to the expected synergies and the group's market position in Norway and Sweden.

The acquisition of Litz Entreprenad AB and Elektrobyggnad AB, two companies specialized in railway-related electric services and rail contact line, resulted in goodwill of NOK 51 million. The companies have a strong market position in Sweden, and the goodwill is related to the expected synergies from combining the

NOTE 02/

operations with the other companies in the group and the employees' competence. In 2016, Litz Entreprenad AB was merged with Svensk Järnvägsteknik AB.

The acquisition of Segermo Entreprenad AB, a Swedish rail groundwork contractor, resulted in goodwill of NOK 161 million. The goodwill is related to the group's market position in Norway and Sweden, the employees' competence and the organisation's ability to operate profitable.

Presented below is an allocation of the purchase price based on the opening balances of the companies.

(Amounts in NOK million)	NRC Rail	SJT	Litz	Elektro-byggnad	Segermo	Total
Date of acquisition in 2015	1 Jun	1 Jun	1 Nov	1 Nov	1 Des	
Share of ownership	100%	100%	100%	100%	100%	
Cash settlement	0	165	16	11	124	316
Value of issued shares in NRC Group ASA	93	60	24	24	100	301
Seller's credit	0	15	0	0	0	15
Cash in target	-11	-16	-16	1	-27	-69
Net settlement	**82**	**224**	**24**	**36**	**197**	**563**
Property, plant and equipment	63	23	1	6	13	106
Intangible asset	9	18	2	2	26	57
Other non-current assets	3	5	0	0	0	8
Current assets	95	21	10	15	108	249
Tax payable and deferred tax	-6	-11	-3	0	-19	-39
Interest-bearing debt	-67	-4	0	-8	0	-79
Other current liabilities	-85	-27	-10	-6	-92	-220
Non-controlling interest	0	-1	0	0	0	-1
Net identifiable assets and liabilities	**12**	**24**	**0**	**9**	**36**	**81**
Goodwill	**70**	**200**	**24**	**27**	**161**	**482**
Consolidated revenue from date of acquisition	348	296	14	9	55	722
Consolidated profit/loss before tax from acquisition	35	35	2	2	6	80
Transaction costs expensed as other operating expenses						22

Intangible assets include customer contracts, customer relations and licenses acquired through the business combinations of a total of NOK 57 million. They are recognised at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method and on the basis of the timing of projected cash flows from the contracts, relationships and licenses over their estimated useful lives (two years). The allocation of purchase price did not result in any provisions for contract related guarantees or any liabilities for contingent considerations.

From the date of acquisition, the business combinations in 2015 contributed to NOK 678 million of revenue and NOK 55 million to the operating result for NRC Group in 2015. If the combinations had taken place at the beginning of the year, revenue from continuing operations for the group would have been NOK 1,199 million and profit before tax for the group would have been NOK 14 million.

NOTE 03/

SEGMENT REPORTING

During 2016 many of companies in the former Geo division have been divested and the remaining Geo activities have been presented as discontinued operations. As of the end of 2016 the Rail division is the remaining segment of the group and separate segment information is therefore not presented.

Operating revenue, assets and investments per geographic area allocated on the basis of the geographic location of the operating entity:

(Amounts in NOK million) **Operating revenue**	**2016**	**2015**
Norway	604	348
Sweden	1,371	330
Total operating revenue	**1,975**	**678**

Revenue from two customers representing more than 10% of total revenue is NOK 1,095 million (2015: NOK 312 million). Of the remaining revenue about half is from around 10 larger customers representing revenue of NOK 10 million or more, and the rest is from a large number of smaller customers.

(Amounts in NOK million) **Assets**	**2016**	**2015**
Norway	717	462
Sweden	897	848
UK	0	31
Other countries	0	21
Total allocated assets	**1,614**	**1,362**
Assets classified as held for sale	9	0
Total assets	**1,623**	**1,362**

(Amounts in NOK million) **Investments**	**2016**	**2015**
Norway	150	76
Sweden	52	498
Other countries	0	7
Total allocated investments	**202**	**581**

NOTE 04/ PROJECTS IN PROGRESS

(Amounts in NOK million)	2016	2015
Revenue		
Contract revenue recognised during the year	1,966	678
Other revenue	9	0
Total revenue	1,975	678
Construction projects in progress		
Gross amounts due from customers for contract work	129	77
Gross amounts due to customers for contract work	-69	-55
Projects in progress, net	**60**	**22**

	2016	2015*
Contract costs plus profit less losses to date	2,488	1,383
Less progress billings	-2,359	-1,306
Projects in progress, before advance payments from customers	**129**	**77**
Advance payments from customers	-69	-55
Construction contracts in progress	**60**	**22**
Other information		
Billed amounts retained by customers	10	9
Accrued on loss making projects	0	0
Remaining income on loss making projects	0	0
Other backlog		
Total order backlog	1,402	1,255

**Hereof in 2015: 618 and – 592 post acquisitions, ref note 2*

NOTE 05/ SALARIES AND PERSONNEL COSTS

(Amounts in NOK million)	2016	2015
Salaries	255	96
Social security taxes	58	18
Pension expenses	16	6
Other personnel costs	20	6
Total	**349**	**126**
Full time equivalent employees	418	339

During 2015 and 2016 the NRC Group ASA gave employees the opportunity to purchase a certain number of shares at a 20% discount to the trading price at exercise. At 24 November 2016, a total of 43,025 shares were sold under this offer with a total discount of approximately NOK 600,000, which is expensed as salaries. All the shares sold were treasury shares.

NOTE 06/ EXECUTIVE PERSONNEL

Pursuant to Section 6-16a of the Public Limited Companies Act, the Board of Directors' shall prepare a statement concerning the adoption of salaries and other remuneration to the CEO and executive personnel. Pursuant to Section 5-6 of the Public Limited Companies Act, the general meeting shall hold a consultative vote on the Board of Directors' guidelines for salary stipulation for the next financial year. If the guidelines include share-based payment schemes, then such schemes shall also be approved by the general meeting.

KEY PRINCIPLES ON DETERMINING SALARY AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL FOR THE FINANCIAL YEAR 2017

The company's executive personnel are paid a fixed salary that reflects the employee's education, experience and professional qualifications. It is important that remuneration is at a level that allows the company to attract the best qualified persons to the company's key positions.

In addition to their base salary, some executive personnel can receive a variable bonus of up to 35% of gross annual salary. The size of the bonus paid to the individual employees will be dependent in part on the achievement of individual targets and in part on the performance of the company. The targets for the CEO are set by the Board of Directors. The CEO has established targets for executive personnel.

Executive personnel receive free mobile phone, Internet and newspapers as benefits in kind. Executive personnel are members of the company's defined contribution pension scheme in the same manner as other employees. NRC Group believes that the company's performance-based bonus agreements with executive personnel have a motivating effect and are in the best interests of the company and its shareholders.

The annual general meeting of 12 May 2016 approved a share option program for senior management of up to 600,000 shares over two years. The strike price for the options shall be 105% of the weighted average of the share price in the company the last 30 days prior to the general meeting in which the option program is approved. The strike price will be adjusted for any dividends paid from the time of establishment of the program until options are exercised.

The option program has a term of two years. Options may be exercised by the option holder at any time after the final number of options have been approved by the Board, and must be exercised within one year after approval. The shares subscribed upon exercise of options will not be subject to transfer restrictions / «lock-up». Options may only be exercised if the option holder is still employed by the company at the time of exercise of the option and is not in a notice period for termination of employment.

The Board of Directors has proposed that the share option program is expanded to a total amount of 900,000 shares. This expansion will be subject to approval by NRC Group ASA's annual general meeting in 2017.

Implemented executive remuneration policy for 2016

The remuneration of executive personnel in 2016 has been in accordance with the declaration that was presented to the general meeting in 2016.

COMPENSATION TO EXECUTIVE PERSONNEL

Salary and other remunerations to executive personnel in 2016:

(Amounts in NOK 1,000)

Name	Position	Period	Basic salary	Accrued bonus	Other remu-neration	Pension expenses	Notice period
Øivind O. Horpestad	CEO	1.1-31.12.2016	2,063	805	194	66	12 months
Dag Fladby	CFO	1.3-31.12.2016	1,247	560	119	55	6 months
Alfred Beck	General Counsel	1.1-31.12.2016	1,920	672	188	66	6 months
Daniel Pettersson	Managing director NRC Sweden	1.1-31.12.2016	1,250	479	97	247	12 months

The CEO has a 12 months non-compete period subsequent to the notice period, during which he will receive his basic salary and other remuneration and participate in the company pension plan.

NOTE 06/

In addition, under the senior management stock option program described above, in August 2016 an estimate of 17,448 options were awarded to CFO Dag Fladby and 13,959 options to General Counsel Alfred Beck. The final number of options will be confirmed by the Board in connection with the approval of these accounts in March 2017. The options have strike price of NOK 55.02. Expenses arising from these equity-settled share-based payment transactions in 2016 are NOK 258,000 related to the options awarded to Dag Fladby and NOK 207,000 for the options awarded to Alfred Beck. None of the options were exercised in 2016. The value of the options has been calculated using a binominal pricing model and a historical share volatility of 40%.

Salary and other remunerations to executive personnel in 2015:

(Amounts in NOK 1,000)

Name	Position	Period	Basic salary	Accrued bonus	Other remu-neration	Pension expenses	Notice period
Dirk Blaauw	CEO	1.1-26.3.2016	788	0	36	36	18 months
Nils Karbø	CEO	27.3-19.6.2015	300	0	11	11	
Lennart Flem	CEO	20.6-31.12.2015	780	150	15	15	
Øivind Horpestad	Managing director Rail	1.1-31.12.2015	1,875	0	177	30	12 months
Anne-Marit Aamlid	Head of finance and accounting	1.1-31.12.2015	1,216	200	21	68	9 months

NOK 1.1 million was charged against income in 2015 for the early retirement pension scheme for former CEO Dirk Blaauw. Dirk Blaauw resigned from the company in March 2015 and received a payment of NOK 4 million as part of the severance agreement. The early retirement pension scheme for Dirk Blaauw was terminated and settled accordingly.

COMPENSATION TO BOARD OF DIRECTORS

Remuneration of the Board of Directors is stipulated by the general meeting. For the period 12 May 2016 to the annual general meeting in 2017, the approved remuneration is NOK 500,000 for the chairman of the Board of Directors and of NOK 250,000 for other board members.

Remunerations paid to the Board members are shown below, and vary due to length of service and role.

(Amounts in NOK)	2016	2015
Helge Midttun, from December 2015	250,000	0
Kristian Lundkvist, from June 2014	334,760	250,000
Brita Eilertsen, from June 2015	250,000	0
Harald Arnet, from August 2015	187,500	0
Kjersti Kanne, from June 2015	250,000	0
Lars A. Gjerdrum, Jun-Aug 2015	0	125,000
Trygve Bruland, until August 2015	0	603,000
Siv Staubo, until June 2015	0	250,000
Birgitte Ellingsen, until June 2015	0	250,000
Total	**1,272,260**	**1,478,000**

Anders Pind has attended Board meetings as an observer on behalf of a group of shareholders and has received a remuneration of NOK 78,000.

In addition to the above, Middelborg AS, a company owned by Board member Kristian Lundkvist, has received a payment of NOK 362,000, and Visento AS, a company owned by the chairman of the Board Helge Midttun, a payment of NOK 198,000, both for administrative services. The services are priced and billed for on arm's length terms.

NOTE 07/ OTHER OPERATING AND ADMINISTRATIVE EXPENSES

(Amounts in NOK million)	2016	2015
Travel expenses	28	1
Rent and other office expenses	28	6
External services	45	28
Other operating and administrative expenses	30	32
Total	**131**	**67**

External services and other operating and administrative expenses for 2016 includes the write-down of a receivable from the sale of the Italian Geo-business in 2013 of NOK 9 million, transaction costs of NOK 6 million and other items of NOK 2 million.

External services and other operating and administrative expenses in 2015 include NOK 22 million in transaction costs related to the acquisitions of NRC Rail, Svensk Järnvägsteknik, Litz Entreprenad, Elektrobyggnad Sverige and Segermo Entreprenad and one-offs of NOK 12 million.

COMPENSATION TO AUDITORS

(Amounts in NOK 1,000)	2016	2015
Statutory audit	3,162	1,323
Audit related assistance	330	2,254
Tax related services	244	309
Other services	1,489	2,557
Total, excluding VAT	**5,225**	**6,443**

NOTE 08/ FINANCIAL INCOME AND EXPENSES

(Amounts in NOK million)	2016	2015
Interest and other financial income	1	1
Interest and other financial expenses	-12	-6
Net foreign currency gains/(losses)	1	0
Net financial items	**-10**	**-5**

NOTE 09/ TAXES

Deferred taxes are reported net if the group has a legal right to offset deferred tax assets against deferred taxes on the balance sheet and if the deferred taxes are owed to the same tax authority.

(Amounts in NOK million) **Deferred tax relates to the following:**	**2016**	**2015**
Intangible assets	5	11
Property, plant and equipment	6	-10
Projects in progress/receivables	13	17
Tax allocation reserve, Sweden	23	18
Tax losses carried forward	-129	-134
Other temporary differences	-12	1
Net deferred tax (assets) liabilities, before unrecognised assets	**-94**	**-97**
Deferred tax assets not recognized	74	85
Net deferred tax (assets) liabilities	**-20**	**-12**
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	-31	-43
Deferred tax liabilities	11	31
Net deferred tax (assets) liabilities	**-20**	**-12**

Reconciliation of deferred tax liabilities (assets), net	**2016**	**2015**
As of 1 January	**-12**	**0**
Tax (income)/expense during the period	-4	-44
Tax (income)/expense during the period, recognised in OCI	-3	0
Deferred taxes acquired in a business combination	3	28
Effect of foreign currency translation	-3	2
Other	-1	2
As of 31 December	**-20**	**-12**

The deferred tax assets related to tax losses carried forward are recognised when it is probable that the group can apply this against future taxable income for a five-year period. The deferred tax assets related to tax losses carried forward that are not recognised on the balance sheet totalled NOK 79 million as at 31 December 2016 and NOK 81 million as at 31 December 2015. Deferred tax assets that are not recognised refer to tax losses carried forward in NRC Group ASA with NOK 61 million and Blom Data with NOK 18 million. There are no restrictions on the group's ability to carry forward the tax losses, however in Sweden tax losses corresponding to deferred tax assets of NOK 17 million cannot be utilised until 2021.

NOTE 09/

(Amounts in NOK million)

The major components of income tax expense are:	2016	2015
Current income tax:		
Current income charge	26	1
Deferred tax:		
Relating to changes in temporary differences	-4	-44
Tax expense (income)	**22**	**-43**

Reconciliation of tax expense and accounting profit:	2016	2015
Accounting profit before tax from continuing operations	89	9
Profit/(loss) from discontinued operation	-10	-6
Accounting profit (loss) before income tax	**79**	**3**
Tax at Norway income tax rate 25% (2015: 27%)	20	1
Non-deductible expenses	1	0
Non-taxable gains on sale of subsidiaries	-1	0
Tax losses recognised as an expense or not on balance sheet	9	15
Recognition of previously unrecognised tax asset	-5	-58
Effect of lower tax rates in Sweden	-4	-2
Effect of change in tax rate	1	1
Other	1	0
Income tax expense (income)	**22**	**-43**
Income tax reported in income statement	22	-43
Income tax attributable to discontinued operations	0	0
Total	**22**	**-43**

The weighted average tax rate was 27.5% in 2016.

NOTE 10/ EARNINGS AND DILUTED EARNINGS PER SHARE

The diluted earnings per share in 2016 are calculated by dividing the disposable profit/loss for the year with the weighted average of ordinary shares issued throughout the year, less the company's own shares. For the movement in the share capital of the company see note 15.

Earnings per share (ordinary and diluted)	2016	2015
From continuing operations, NOK	1.91	2.71
From discontinued operations, NOK	-0.29	-0.35
From profit loss for the year	**1.62**	**2.36**
Profit/loss from continuing operations, NOK million	67.6	52.4
Profit/loss from discontinued operations, NOK million	-10.3	-6.7
Profit/loss for the year	**57.3**	**45.6**
Weighted average externally owned shares	35,463,704	19,354,289
Effect of dilution from share options	10,584	0
Weighted average externally owned shares adjusted for dilution	**35,474,288**	**19,354,289**

The dilutive effect of the share options is less than NOK 0.001 per share.

NOTE 11/ INTANGIBLE ASSETS

(Amounts in NOK million)	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2016	**521**	**52**	**573**
Translation differences	-41	-6	-47
Acquisitions	97	6	103
Amortisation for the year	0	-28	-28
Carrying amount as at 31/12/2016	**577**	**24**	**601**
Acquisition cost	577	61	638
Accumulated amortisation	0	-37	-37
Accumulated impairment	0	0	0
Carrying amount as at 31/12/2016	**576**	**24**	**601**

NOTE 11/

(Amounts in NOK million)

	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2015	**0**	**0**	**0**
Translation differences	40	5	44
Acquisitions	482	56	538
Amortisation for the year	0	-9	-9
Carrying amount as at 31/12/2015	**521**	**52**	**573**
Acquisition cost	521	61	582
Accumulated amortisation	0	-9	-9
Accumulated impairment	0	0	0
Carrying amount as at 31/12/2015	**521**	**52**	**573**

Other intangible assets consists of contracts, customer relationships and licenses which are amortised over a period of two years. The amortisation period for contracts has been changed from three to two years. Together with the correction regarding the 2015 PPA, as described in note 2, this increases amortisation for 2016 and 2015 with NOK 14 million and NOK 3 million respectively.

ALLOCATION OF GOODWILL TO CASH GENERATING UNITS

The group has allocated goodwill to each cash generating unit which corresponds to the business units acquired. The carrying amount of goodwill is as follows:

(Amounts in NOK million)	2016	2015
NRC Rail AS	70	70
Svensk Järnvägsteknik AB*	232	229
Segermo Entreprenad AB	153	169
Litz Entreprenad AB*	0	25
Elektrobyggnad Sverige AB	25	28
RailCap AS	46	0
Gravco AS	51	0
Total	**577**	**521**

**Litz Entreprenad AB was merged with Svensk Järnvägsteknik AB in 2016 and goodwill related to Litz Entraprenad AB has been reallocated to Svensk Järnvägsteknik.*

IMPAIRMENT TESTS

The group considers the relationship between its market capitalization and carrying amounts and other factors when identifying indicators of impairment. At 31 December 2016, the market capitalization of the group is well above carrying amount of equity and the performance and outlook for the group's services are positive. On this basis impairment testing is limited to goodwill which is not amortized and therefore must be tested annually for impairment. The group performed its annual impairment tests in December 2016 and 2015. Tests are carried out by comparing recoverable amount with carrying amount of the units to which goodwill is allocated. The recoverable amount is calculated based on discounting of estimated future cash flows before tax with a the relevant discount rate (WACC).

NOTE 11/

Estimated cash flows are based on the forecast for 2017. The forecast for 2017 is based on existing contracts and an estimate of new contracts to be awarded and a stable EBIT margin compared to estimated 2016. Estimated cash flows for the years 2018 – 2021 are based on the forecast for 2017 and a nominal growth in revenues and costs 3.5%. The EBIT margin used for the years 2018 to 2021 range from 4% to 22% depending on type of contract and market and is stable throughout this period. For the years subsequent to 2021 a 0% growth in net cash flow is used.

The discount rate before tax used is 9.85% Norway and 8.90% for Sweden.

SENSITIVITY
A reasonable change in assumptions used in the impairment test would not cause the carrying amount of the cash generating units to exceed the recoverable amount.

NOTE 12/ PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK million)	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as at 01/01/2016	**19**	**102**	**121**
Translation differences	-1	-5	-7
Acquisitions	6	15	22
Additions	1	76	77
Disposals/other movements	-4	-40	-44
Depreciation for the year	-1	-24	-25
Carrying amount as at 31/12/2016	**20**	**124**	**144**
Acquisition cost	21	173	194
Accumulated depreciation	-1	-49	-50
Accumulated impairment	0	0	0
Carrying amount as at 31/12/2016	**20**	**124**	**144**

(Amounts in NOK million)	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as at 01/01/2015	**0**	**20**	**20**
Translation differences	1	9	10
Acquisitions	38	69	107
Additions	0	22	22
Disposals/other movements	-20	1	-19
Depreciation for the year	0	-19	-19
Carrying amount as at 31/12/2015	**19**	**102**	**121**
Acquisition cost	19	594	613
Accumulated depreciation	0	-301	-301
Accumulated impairment	0	-191	-191
Carrying amount as at 31/12/2015	**19**	**102**	**121**

NOTE 12/

Machinery, fixtures etc. acquired through financial leases and included in property, plant and equipment above is as follows:

(Amounts in NOK 1,000)	2016	2015
Acquisition cost carried on the balance sheet	101	63
Accumulated depreciation	-25	-27
Carrying amount as at 31 December	**76**	**36**

During 2016, lease contracts of NOK 21 million, that previously have been treated as operating leases, have been determined to be finance leases. These contracts are included above as additions to machinery, fixtures etc.

Leased assets are pledged as security for the related finance leases.

The present value of obligations related to financial leases slightly deviates from the carried amount. Financial leases encompass the leasing of vehicles, machinery and other equipment in the rail operations. The duration of the agreements is from one to seven years. See also note 17.

NOTE 13/ TRADE RECEIVABLES AND OTHER RECEIVABLES

(Amounts in NOK million)	2016	2015
Trade receivables	196	205
Provisions for expected losses	0	-1
Gross amounts due from customers for projects in progress, Geo	0	37
Gross amounts due from customers for projects in progress, Rail	129	77
Trade receivables – net	**325**	**318**
Prepayments	75	12
Other current receivables	13	29
Total other current receivables	**88**	**41**
Total current receivables	**413**	**359**

As at 31 December 2016, the provisions for expected losses on trade receivables were NOK 0 million (2015: NOK 1 million). Losses expensed during the year have been NOK 1 million (2015: 0).

Age distribution of trade receivables:

(Amounts in NOK million)	2016	2015
Trade receivables not due for payment	**124**	**160**
Up to 30 days	30	31
Between 30 and 90 days	5	5
Over 90 days	37	8
Total receivables due for payment	72	44
Total trade receivables	**196**	**204**

NOTE 13/

Trade and other current receivables by currency:

	2016	2015
NOK	130	77
SEK	152	130
GBP	3	9
EUR	0	17
Other currencies	0	12
Total current receivables	**285**	**245**

NOTE 14/ CASH AND CASH EQUIVALENTS

(Amounts in NOK million)	2016	2015
Cash and bank deposits	406	246
Restricted cash & cash equivalents	12	12
Total	**418**	**258**

Restricted cash include the employees' tax withholdings and cash deposits for rent agreements.

Cash and cash equivalents per currency:

	2016	2015
NOK	268	121
SEK	147	119
GBP	3	5
EUR	0	8
Other currencies	0	5
Cash and cash equivalents	**418**	**258**

NOTE 15/ SHARE CAPITAL AND SHAREHOLDER INFORMATION

NRC Group ASA has one class of shares, and there were 38,735,185 shares, excluding own shares, with a nominal value of NOK 1.00 at the end of 2016. The share capital as of 31 December 2016 totalled NOK 38,735,185.

At the annual general meeting on 12 May 2016 the Board of Directors was granted the mandate to increase the share capital with a maximum of NOK 7 million to be paid in cash or by contributions in assets other than money. The authorisation is valid until the annual general meeting in the spring of 2017, and no later than 30 June 2017. The annual general meeting also authorised a share option program for senior management of up to 600,00 shares over two years. This program is further described in note 6.

On 17 November 2016, the group raised NOK 210 million in gross proceeds through a private placement of 3 million shares at NOK 70 per share. Net proceeds amounted to NOK 202 million.

NOTE 15/

The movement in the number of shares, including own shares, during the year was as follows:

Total number of shares at 1 January 2016	34,944,483
Acquisition of RailCap AS, 23 May 2016, see note 2	366,879
Private placement, 17 November 2016	3,000,000
Acquisition of Gravco AS, 1 December 2016, see note 2	441,988
Total number of shares at 31 December 2016	**38,753,350**

OWN SHARES
During the year, the company received payment for the sale of 128,287 own shares to employees, and at the end of the year the company owned 18,165 shares corresponding to 0.05% of the total number of outstanding shares. The Board of Directors has a mandate until the annual general meeting in the spring of 2017, and no later than 30 June 2017, to acquire up to 3,494,448 of the company's own shares.

OWNERSHIP STRUCTURE
The number of shareholders as of 31 December 2016 was 2020 compared with 2,050 as of 31 December 2015. The percentage of issued shares held by foreign shareholders was 33.8% compared with 32.3% at year-end 2015.

NRC Group's 20 largest shareholders as at 31 December 2016:

Shareholder	No of shares	% of total
Datum AS	5,100,000	13.2%
Swedbank AB	3,893,248	10.1%
Urbex Invest AS	3,107,033	8.0%
Danske Bank A/S	2,871,208	7.4%
DNB Markets, DNB Bank ASA	2,064,052	5.3%
Charlotte Holding AS	1,928,008	5.0%
Nordea Bank AB	1,824,916	4.7%
Arctic Funds plc	1,699,884	4.4%
Sogn Invest AS	1,281,046	3.3%
Verdipapirfondet Alfred Berg Gambak	1,126,210	2.9%
Verdipapirfondet DNB SMB	974,644	2.5%
Norron	716,500	1.9%
Statoil Pensjon	609,641	1.6%
Verdipapirfondet Alfred Berg Norge	604,040	1.6%
Granshagen Invest AS	601,007	1.6%
Middelborg Invest AS	600,000	1.6%
Svenska Handelsbanken AB	580,000	1.5%
Imset Holding AS	441,988	1.1%
Krag Invest AS	412,900	1.1%
Sora AS	390,000	1.0%
Total 20 largest shareholders	**30,826,325**	**79.6%**
Other shareholders	7,927,025	20.4%
Total number of shares	**38,753,350**	**100.0%**

NOTE 15/

Shares held by members of the Board of Directors and executive management at 31 December 2016 including shares controlled through holding companies:

Helge Midttun	Chairman of the Board of Directors	100,000
Brita Eilertsen	Board member	35,000
Kjersti Kanne	Board member	1,500
Kristian Lundkvist	Board member	3,707,033
Harald Arnet	Board member	5,100,000
Øivind Horpestad	CEO NRC Group	1,928,008
Dag Fladby	CFO NRC Group	10,581
Daniel Pettersson	Managing director NRC Sweden	1,140,869

Kristian Lundkvist has, through a holding company, forward contracts with a bank to purchase 975,000 and 700,000 shares in the group at a price of 66.01 and 71.21 NOK per share respectively. The term of the forwards expires on 19 May 2017 and 18 May 2017. The forward contracts are not a part of his compensation as Board member.

Øivind Horpestad has, through a holding company, a forward contract with a bank to purchase 500,000 shares in the group at a price of 60.83 NOK per share. The term of the forward expires on 19 May 2017. The forward contract is held privately and is not a part of his compensation as CEO.

DIVIDEND
The proposed cash dividend for the financial year 2016 is NOK 31 million (NOK 0.80 per share).

NOTE 16/

PENSIONS

The group has defined contribution plans covering all employees in Norway and Sweden. In addition, the group has a contractual pension scheme in Norway that is accounted for as a defined contribution scheme. See accounting principles for further details about this scheme. The group has an early retirement plan covering the employees of Blom Nusantara in Indonesia. Blom Nusantara is classified as discontinued operations as at 31 December 2016.

(Amounts in NOK million) **Pension expenses**	**2016**	**2015**
Defined contribution plans	14	5
Contractual pension, multi-employer plan, Norway	2	2
Defined benefit plans, Blom Nusantara	0	1
Total pension expenses	**16**	**8**
Defined benefit obligation, Blom Nusantara	**0**	**5**

Number of employees covered	**2016**	**2015**
Defined contribution plans	74	74
Early retirement scheme, Norway	149	149

The net pension obligation for Blom Nusantara for 2016 is NOK 6 million, and is classified as liabilities directly associated with assets classified as held for sale. The net pension obligation related to Blom Nusantara (Indonesia) is calculated using assumptions that are in accordance with local circumstances which includes a discount rate of 8.75% and annual salary increases of 10%. The plan is unfunded.

NOTE 17/ LOANS AND OTHER NON-CURRENT LIABILITIES

The composition of non-current liabilities and current interest-bearing liabilities is as follows:

(Amounts in NOK million)	2016	2015
Non-current liabilities:		
Financial leasing	39	17
Other non-current liabilities	72	145
Total non-current liabilities	**111**	**162**
Current interest-bearing liabilities:		
Financial leasing	28	14
Other financing	54	74
Other current interest-bearing liabilities	**82**	**88**

The interest-bearing debt has variable interest rates or interest adjustment clauses that are shorter than three months at any given time. Since the debt can be repaid at the time when the interest rate is regulated, the difference between the fair value and carrying amount will be small and insignificant.

The effective interest rate on the balance sheet date was as follows:

	NOK	SEK
Financial leasing	2.8% - 6.3%	3.3%- 4.3%
Other interest-bearing liabilities	3 month NIBOR/STIBOR + 2.00% - 2.75%	2.0%- 5.0%

Carrying amount of non-current liabilities and current interest-bearing liabilities:

(Amounts in NOK million)	2016	2015
NOK	55	58
SEK	138	192
Total non-current liabilities and current interest-bearing liabilities	**193**	**250**

NOTE 17/

The undiscounted maturity structure of the NRC Group's current and non-current interest-bearing liabilities including estimated interest expenses where applicable is as follows:

(Amounts in NOK million)	1H 2017	2H 2017	2018	2019	2020	2021	2022 ->
Financial leasing	14	14	21	13	8	5	1
Bank loans	26	26	34	1	0	0	0
Other liabilities	6	1	30	0	0	0	1
Total	**46**	**41**	**85**	**14**	**8**	**5**	**2**
Hereof interest	3	2	2	1	0	0	0

The company's term facility and revolving facility with DNB Bank ASA contain standard market terms and covenants, including restrictions on payments on dividends, investments above a certain amount and covenants relating to leverage ratio and interest coverage. The group is in compliance with all covenants.

NOTE 18/ OTHER CURRENT LIABILITIES

(Amounts in NOK million)	2016	2015
Accrued salaries etc.	28	32
Gross amounts due to customers for projects	69	55
Accrued project expenses	25	70
Other current liabilities	19	15
Total	**141**	**172**

NOTE 19/ OPERATING LEASES AND CAPITAL COMMITMENTS

Minimum future leasing payments related to operating leases are as follows:

(Amounts in NOK million)	2016	2015
Maturity within 1 year	10	10
Maturity between 1 and 5 years	16	8
Maturity after more than 5 years	3	0
Total	**29**	**18**

Lease payment expensed in 2016 is NOK 9 million. The operating leases encompass the leasing of vehicles, offices and miscellaneous operating equipment. The duration of the agreements is from three to five years, and most of them are renewable at the market rate when they expire.

Svensk Järnvägsteknik AB is committed to paying the final down payment of EUR 2 million for a new levelling, lifting, lining and tamping machine which was delivered March 2017.

NOTE 20/ PLEDGED ASSETS, GUARANTEES AND SECURITY

As security for long-term interest-bearing loans the group has pledged in all material respects all non-current and current assets as well as its shares in the following group companies: NRC Group Holding AS, NRC Norge AS, NRC Rail AS, Blom AS, Nordic Railway Construction AB and Svensk Järnvägsteknik AB. The carrying amount of pledged assets are NOK 1,606 million.

In connection with the sale of a property in Tønsberg in 2007, NRC Group ASA (previously Blom ASA), guaranteed that their former subsidiary ScanRope AS (now Parker Norway AS) would pay its rent up to 21 August 2025. The lease agreement contains an option for an extension to 21 August 2030. The gross rent was NOK 12 million in 2016. The guarantee was given on a joint-and-several basis together with ScanRope Holding AS (now Parker Hannifin (Norway) Holdings AS). The assets of Parker Norway AS, including the lease agreement, was transferred to Bridon-Beakaert Scanrope AS in 2015. Following such transfer, Parker Norway AS is no longer a tenant under the lease agreement for the property in Tønsberg, and it is the opinion of NRC Group ASA and its legal advisors that the guarantee is no longer valid. This assessment has been disputed by the property owner. During 2016 Bridon-Bekaert Scanrope AS has advertised that it will close down its operations in Tønsberg. NRC Group ASA has not received any request for payment under the guarantee. No accrual has been made for the guarantee in the 2016 consolidated financial accounts as it is the groups' assessment that it is unlikely that the guarantee will result in outflow of resources from the group.

NOTE 21/ FAIR VALUE OF ASSETS AND LIABILITIES, AND FINANCIAL ASSETS PER CATEGORY

There are no material differences between the fair value and carrying value of financial assets and liabilities.

Financial instruments per category:

(Amounts in NOK million) 2016	Balance sheet at 31 December 2016	Loans and receivables	Financial liabilities at amortised cost	Non-financial item
Non-current financial assets	7	5	0	2
Trade receivables	325	325	0	0
Other current receivables	88	52	0	36
Cash & cash equivalents	418	418	0	0
Total	**838**	**802**	**0**	**36**
Non-current liabilities	116	0	116	0
Interest-bearing current liabilities	82	0	82	0
Trade payables	153	0	153	0
Other current liabilities	141	0	113	28
Total	**492**	**0**	**464**	**28**

NOTE 21/

(Amounts in NOK million)

2015	Balance sheet at 31 December 2015	Loans and receivables	Financial liabilities at amortised cost	Non-financial item
Non-current financial assets	8	8	0	0
Trade receivables	204	204	0	0
Other current receivables	41	29	0	12
Cash & cash equivalents	258	258	0	0
Total	**511**	**499**	**0**	**12**
Non-current liabilities	195	0	195	0
Interest-bearing current liabilities	88	0	88	0
Trade payables	134	0	134	0
Other current liabilities	172	0	106	66
Total	**589**	**0**	**523**	**66**

Non-financial assets and liabilities include shares in other companies and advance payments.

NOTE 22/

FINANCIAL RISK

The company's activities involve various types of financial risk: market risk (currency and interest rate), credit risk, liquidity risk and risk related to asset management. The company has a central finance department to carry out risk management, in close cooperation with the subsidiaries. The purpose of risk management is to minimise any potentially negative impact on the company's financial results.

MARKET RISK

a. Currency risk

The company focuses on reducing any foreign currency risk associated with cash flows, and on reducing the foreign currency risk associated with assets and liabilities. The subsidiaries in general have revenue and expenses in the same currency, and this substantially reduces the company's cash flow exposure to a single currency. The finance department carries out assessments of the need for any hedging of currency risk in cash flows. In 2016, the company did not find it necessary to hedge cash flows against currency risks, except for hedging of EUR 4.6 million related to a contract to purchase equipment for the Rail business. The fair value of the hedge contract is NOK 1 million at 31 December 2016. Hedge accounting is not applied.

Net foreign exchange gains totalled NOK 1.6 million in 2016 (2015: NOK 0.2 million).

The company has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk, the main risk being related to net assets in SEK. The currency translation difference on equity as at 31 December 2016 totalled NOK -19 million (2015: NOK 4 million).

The SEK/NOK rate of exchange as at 31 December 2016 was 95.12, while the average of the monthly average rates used to translate the income statement was 96.77.

If the SEK/NOK rate of exchange had been 5% stronger as at 31 December 2016 and all other variables were constant, this would have given a profit after tax that was NOK 1 million lower. The change is attributed primarily to foreign exchange gains in connection with the translation of interest bearing debt. Likewise, if the EUR/NOK exchange rate had been 5% stronger the profit after tax would have been NOK 1 million lower.

b. Interest rate risk

The company's interest-bearing assets, which are cash and cash equivalents and the company's profit and cash flow from operating activities, are in general independent of changes in market interest rates.

The company has interest-bearing debt as described in note 17. The company has a loan agreement with DNB Bank ASA regarding a SEK 180 million term facility and a revolving credit facility of NOK 40 million for general corporate and working capital purposes of the company. Both the term facility and the revolving credit facility have been granted on market terms, and are subject to an interest rate consisting of the

NOTE 22/

standard interest rate benchmark for the relevant currency and a margin. The company's interest rate risk is also associated with financial leasing which is subject to floating interest rates. The company has not made use of interest rate swaps or other interest rate derivatives. A change in interest rate of 1% would result in a change in interest expense of approximately NOK 2 million, with an impact on the profit/loss after tax of NOK 1.5 million.

CREDIT RISK

Credit risk in connection with sales to customers is managed within the subsidiaries, and at group level for major projects. Credit risk is monitored by the subsidiaries and at group level. The company has guidelines for new contracts that focus on various elements, all of which shall contribute to the customer paying the company as quickly as possible.

The company's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. The company considers the risk of potential future losses from this type of customer to be low. The company has not entered into any transactions that involve financial derivatives or other financial instruments to mitigate credit risks.

As at 31 December 2016, the company has provisions of NOK 0 million (2015: NOK 1 million) for potential future losses on specific trade receivables. The company has earmarked provisions for specific customers and evaluated the size of the potential loss.

The company is focusing on reducing outstanding trade receivables. The age distribution of the company's trade receivables is specified in Note 13.

The group's maximum exposure to credit risks is NOK 379 million as at 31 December 2016, compared with NOK 233 million as at 31 December 2015.

Liquidity risk

Liquidity risk is the risk that the company will be unable to meet its financial obligations when they are due and that financing will not be available at a reasonable price. The central management team and the local managers of subsidiaries monitor the company's liquid resources and credit facilities through revolving forecasts based on the expected cash flow. The company's operations are discernible by seasonal fluctuations, since a large portion of the company's operations consist of railroad work. Railroad work is not normally performed or performed to a lesser extent in winter during frost and when the surface of the earth is covered in snow. This means that the company ties up working capital in the spring being the start of the railroad work.

The company had NOK 406 million in liquid reserves at the end of the year, compared with NOK 246 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK 12 million and total available liquid reserves were NOK 418 million.

Moreover, the company has other current liabilities, excluding obligations classified as held for sale as of 31 December 2016, totalling NOK 482 million.

The company has current assets, excluding cash and cash equivalents, totalling NOK 422 million as at 31 December 2016.

Capital management

The purpose of the company's capital management is to ensure predictable financial framework for operations and provide shareholders with a return that is better than comparable companies.

The company manages its capital structure and makes changes based on an ongoing assessment of the economic conditions during and in the outlook for both the short and medium term. The company monitors its capital structure by equity ratio and on key financial figures. Capital management is monitored based on the company's debt-to-equity ratio. The debt-to-equity ratio is calculated by dividing the net interest-bearing debt by the adjusted total assets. Net interest-bearing debt includes all liabilities on which interest accrues as recognised in the balance sheet. The adjusted total assets are the equity stated on the balance sheet plus interest-bearing debt.

The company aims to have a debt-to-equity ratio that can be serviced by underlying operations and ensure an acceptable credit rating. As a result of the share increase in November 2016 the company's cash less interest-bearing-debt position is positive with NOK 226 million at 31 December 2016, and the equity ratio is 62%. With its cash balance and low gearing the group is thus positioned to participate in further consolidation in the industry.

NOTE 23/ DISCONTINUED OPERATIONS

In March 2016, the company signed an agreement to divest its Geo business in Norway, Sweden and Finland to Terratec AS for a purchase price of NOK 30 million plus a three year earn-out arrangement that may increase the purchase price should earnings before tax in the sold entities for be above a certain level. NOK 20 million was paid at closing of the agreement and the remaining amount will be paid in two instalments within 24 months after the closing of the agreement. The earn-out will be paid based on the annual accounts for 2016, 2017 and 2018 respectively. The fair value of this contingent consideration is estimated to be NOK 0. The transaction was closed at 31 March 2016.

On 6 November 2016, the company signed an agreement to divest its Geo business in UK, Blom Aerofilms Limited, to Cyient Europe Limited for a purchase price of approximately GBP 4.4 million. The transaction was closed at 30 November 2016.

Following the above divestments, the group expects the carrying amounts of the remaining entities in the Geo division to be recovered principally through a sale transaction rather than through continuing use. These entities are therefore considered as a disposal group 31 December 2016 and classified as discontinued operation. These entities are Blom Deutschland GmbH, Germany, Blom Nusantara PT, Indonesia, and Blom International Operations S.R.L, Romania.

Profit/loss for 2016 from discontinued operations and disposal groups:

(Amounts in NOK million)	2016	2015
Operating revenue	163	233
Operating expenses	-166	-239
Operating profit/loss	**-3**	**-6**
Net financial items	0	-1
Net profit/loss from sale and remeasurement	-7	0
Profit/loss before tax from discontinued operations	**-10**	**-6**
Tax	0	1
Profit/loss for the year from discontinued operations	**-10**	**-7**

Net cash (outflow)/inflow:

(Amounts in NOK million)	2016	2015
Operating cash flow	18	8
Investing cash flow	-2	-8
Net proceeds from sale of shares and other investments	47	0
Cash in companies sold	-24	0
Financing cash flow	0	-6
Net cash (outflow)/inflow	**39**	**-6**

NOTE 23/

Net profit/gain from sale and remeasurement:

(Amounts in NOK million)	Nordics	UK	Total
Consideration received or receivable:			
Cash	20	34	54
Receivable	10	2	12
Transaction costs	-1	-6	-7
Total consideration	29	30	59
Carrying amount of net assets sold	-21	-12	-33
Gain on sale before tax and reclassification of foreign currency translation reserve	8	18	26
Reclassification of foreign currency translation reserve	-3	-28	-31
Income tax expense	0	0	0
Gain (loss) on sale	**5**	**-10**	**-5**
Transaction costs disposal group			-2
Net profit/gain from sale and remeasurement			**-7**

Assets and liabilities classified as held for sale as of 31.12.16:

(Amounts in NOK million)	Total
Intangible assets and property, plant and equipment	1
Trade receivables and other receivables	5
Cash and cash equivalents	3
Total assets	**9**
Other current liabilities	8
Total liabilities	**8**

Subsequent to 31 December 2016 the sale of Blom Deutschland GmbH has been closed with no material gain or loss for the group.

NOTE 24/ SUBSEQUENT EVENTS

The Financial Supervisory Authority of Norway (NFSA) has reviewed the financial statements for 2015 focusing on the group's accounting for acquisitions during 2015. The group has received a preliminary notification of decision expressing that there are different views on the recognition and subsequent amortization of intangible assets in the acquired companies. As a result of this dialogue the group has made corrections to its accounting for the 2015 acquisitions, as described in note 2. The dialogue with NFSA was, however, not concluded at the date of this report, and it cannot be excluded that the NFSA will require further corrections. Any such change will not affect EBITDA or cashflow.

The group has on 27 March 2017 agreed to acquire the construction company HAG Anlegg AS for a total consideration of NOK 108 million in a combination of cash and NRC Group shares. The consideration includes djustments for net debt and normalized working capital. The transaction is expected to be completed during April 2017.

The group has on 30 March 2017 entered into a binding term sheet with the shareholders of the railway infrastructure and signal company Signal & Banbyggarna i Dalarna Aktiebolag (SBB) to acquire all shares in SBB. The terms are set on a cash and debt free, and normalized working capital, basis. The agreed enterprise value is an estimated SEK 115 million and will be will be settled by a combination of cash and NRC Group shares. The final purchase price will be determined after closing based on the actual level of cash, debt and any deviation from normalized working capital. The transaction is expected to be completed by the end of May 2017.

NOTE 25/ SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The following directly and indirectly owned subsidiaries are included in the consolidated accounts. All entities are owned 100% unless otherwise noted.

NRC Group Holding AS, Norway
NRC Norge AS, Norway
NRC Rail AS, Norway
NRC Civil AS, Norway
RailCap AS, Norway
Gravco AS, Norway
Septik Tank Co AS, Norway
Nordic Railway Construction AB, Sweden
Svensk Järnvägsteknik AB, Sweden
Elektrobyggnad Sverige AB, Sweden
Segermo Entreprenad AB, Sweden
Svensk Maskinpool AB, Sweden
Blom AS, Norway
Blom Data AS, Norway
Blom Sweden AB, Sweden

Classified as disposal group:
Blom Nusantara PT, Indonesia (95%)
Blom Deutschland GmbH, Germany
Blom International Operations S.R.L, Romania

Joint ventures:
Arbeidsfelleskapet Team Bane Wiebe ANS, Oslo, Norway (50%)
Swietelsky Team Bane ANS, Oslo, Norway (50%)

Group ASA
ACCOUNTS

INCOME STATEMENT 1 JANUARY - 31 DECEMBER
NRC GROUP ASA

(Amounts in NOK million)

	Note	2016	2015
Operating revenue	**2**	**5**	**4**
Salaries and personnel costs	3	16	13
Ordinary depreciation		0	0
Other operating and administrative expenses	4	19	31
Operating expenses		**35**	**44**
Operating profit/loss		**-30**	**-40**
Net financial items	**5**	**2**	**-6**
Profit/loss before tax		**-28**	**-46**
Tax expense	6	0	0
Net profit/loss		**-28**	**-46**
Allocation of profit/loss:			
Dividend		31	0
Transfer from share premium reserve		-59	-46

BALANCE SHEET AT 31 DECEMBER
NRC GROUP ASA

(Amounts in NOK million)

ASSETS	Note	2016	2015
Intangible assets	10	0	0
Plant, property and equipment	7	0	0
Shares in subsidiaries	8	580	370
Non-current receivables	9	102	215
Total financial assets		**682**	**585**
Total non-current assets		**682**	**585**
Current receivables	9	10	19
Cash and cash equivalents	10	210	39
Total current assets		**220**	**58**
TOTAL ASSETS		**902**	**643**

BALANCE SHEET AT 31 DECEMBER
NRC GROUP ASA

(Amounts in NOK million)

EQUITY AND LIABILITIES	Note	2016	2015
Paid-in capital:			
Share capital		39	35
Own shares		0	-1
Share premium reserves		744	550
Retained earnings:			
Other equity		0	0
Total equity	**11**	**783**	**584**
Pension obligations	8	0	0
Other non-current liabilities		19	21
Total non-current liabilities	**12**	**19**	**21**
Trade payables		64	4
Public fees payable		0	0
Other current liabilities		36	33
Total current liabilities	**12**	**100**	**37**
Total liabilities		**119**	**58**
TOTAL EQUITY AND LIABILITIES		**902**	**643**

Oslo, 6 April 2017

Helge Midttun
Chairman of the Board of Directors

Kristian G. Lundkvist
Board member

Kjersti Kanne
Board member

Harald Arnet
Board member

Brita Eilertsen
Board member

Øivind Horpestad
CEO

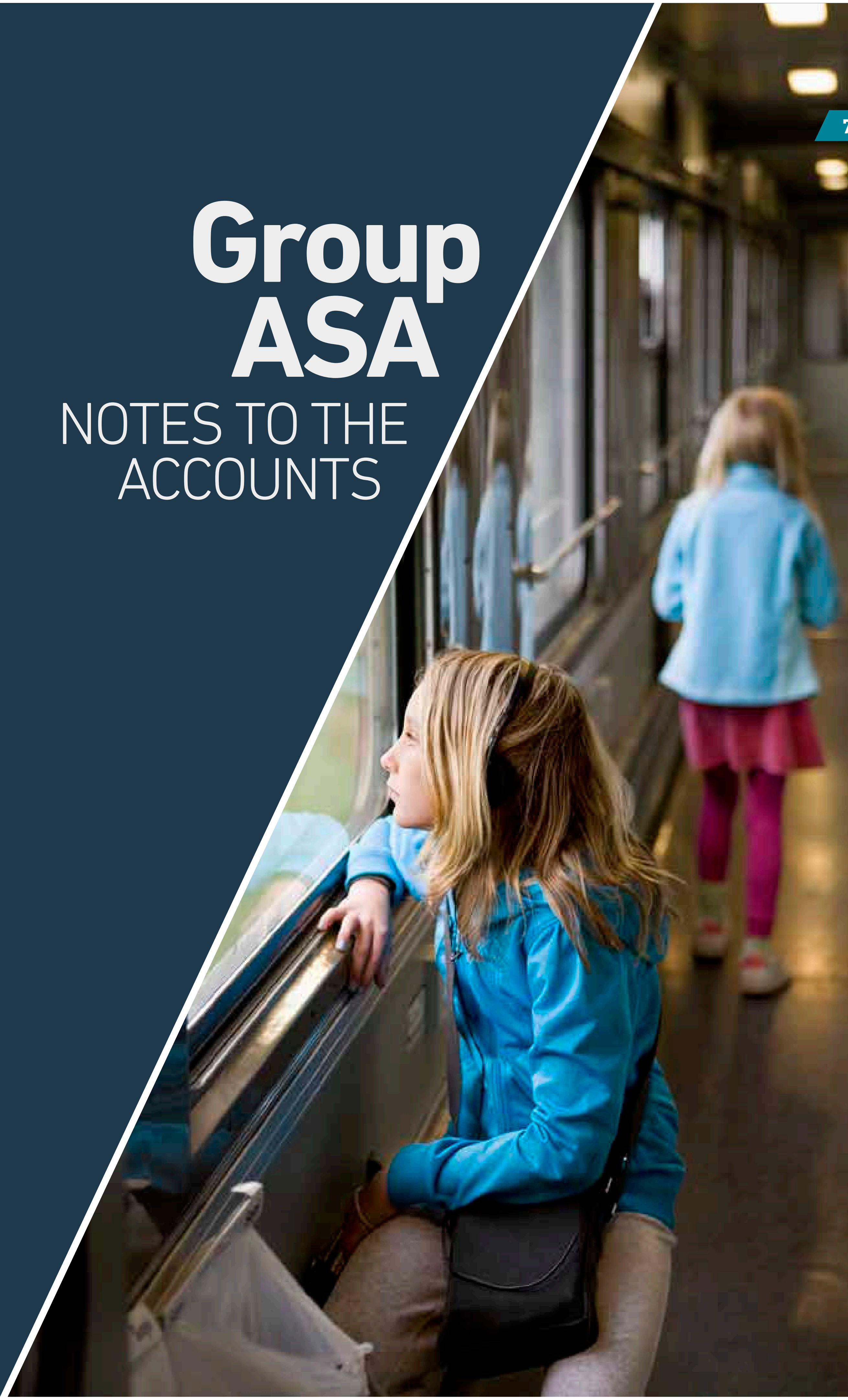
CASH FLOW STATEMENT
NRC GROUP ASA

Indirect model (Amounts in NOK million)

	Note	2016	2015
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		-28	-46
Change in current receivables		9	-4
Change in trade payables		60	-3
Change in other accruals		3	0
Net cash flow from operating activities		**44**	**-53**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for acquisition of subsidiaries		-37	0
Proceeds from other long-term receivables and investments		-11	0
Net cash flow from investing activities		**-48**	**0**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		202	279
Proceeds from sale of treasury shares		4	10
Borrowings subsidiaries		0	-211
Net cash flow from financing activities		**206**	**78**
Net change in cash and cash equivalents		**202**	**25**
Cash and cash equivalents as at 1 January		39	14
= Cash and cash equivalents as at 31 December	**10**	**210**	**39**

Group ASA

NOTES TO THE ACCOUNTS



NOTES TO THE ACCOUNTS NRC GROUP ASA

NOTE 01/ CORPORATE INFORMATION AND BASIS OF PREPARATION

GENERAL INFORMATION

The accounts for NRC Group ASA have been prepared in accordance with the Accounting Act of 1998 and the generally accepted accounting principles in Norway (NGAAP). In cases where the notes for the parent company are significantly different from the notes for the group, these are provided below. Reference is made otherwise to the information in the notes for the group.

CURRENCY

Transactions involving foreign currencies are translated into the functional currency using the exchange rates that are in effect at the time of the transactions. Gains and losses that arise from the payment of such transactions and the translation of monetary items in foreign currencies at the rates in effect on the date of the balance sheet are recognised in the income statement. The company uses the Norwegian krone (NOK) as both its functional and presentation currency.

SUBSIDIARIES

Investments in subsidiaries are valued in accordance with the cost method and written down if the value in the balance sheet exceeds the recoverable amount. Write-downs are reversed if the basis for the write-down no longer exists.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are recognised in the accounts at acquisition cost less accumulated depreciation and write-downs. Depreciation is calculated on the basis of the straight-line method so that the cost price of the non-current assets is depreciated to the residual value over the expected life of the asset.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash, bank deposits and other short-term, readily negotiable investments.

TAX

The tax expense in the income statement encompasses the tax payable for the period and the change in deferred tax. Deferred tax is calculated at a rate of 24%/25% based on temporary differences between the carrying amounts and their tax base, in addition to any tax loss carryforward at the end of the financial year. Tax-adding or tax-deducting temporary differences that may reverse during the same period are offset. Deferred tax and tax assets that can be recognised on the balance sheet are recognised on a net basis on the balance sheet. Deferred tax assets are recognised on the balance sheet provided that future taxable income is probable and the temporary differences can be offset against this income.

PENSION PLANS

The company has a defined contribution pension plan. The contributions are recognised as salaries and personnel cost in the income statements as they incurred. Contributions paid in advance are recognised as an asset in the accounts if the contribution can be refunded or reduce future payments.

NOTE 02/ REVENUE

Operating revenue is fee for services the parent company performs for companies in the group and is allocated geographically as follows:

(Amounts in NOK million)	2016	2015
Norway	3	1
Sweden	2	1
Other Europe	0	2
Total operating revenues	**5**	**4**

NOTE 03/ SALARIES AND PERSONNEL COSTS AND AUDITOR FEES

(Amounts in NOK million)	2016	2015
Salaries	11	10
Social security tax	2	1
Pension costs	1	1
Other personnel costs	2	1
Total	**16**	**13**

The average number of full-time employees in 2016 was eight. Pension costs consist of contributions to the defined contribution pension plan. The pension plan satisfies requirements stipulated by law. Reference is also made to note 6 Executive personnel in the consolidated accounts.

NOTE 04/ OTHER OPERATING AND ADMINISTRATIVE EXPENSES

(Amounts in NOK million)	2016	2015
Rent and other office expenses	1	1
External services	10	16
Other operating and administrative expenses	8	14
Total	**19**	**31**

Compensation to auditors:

(Amounts in NOK 1,000)	2016	2015
Statutory audit	1,725	550
Audit related assistance	175	2,254
Tax related services	224	189
Other services	1,248	2,377
Total, excluding VAT	**3,372**	**5,370**

NOTE 05/ FINANCIAL INCOME AND EXPENSES

(Amounts in NOK million)	2016	2015
Interest income from subsidiaries	3	1
Interest and other financial expenses	-1	-6
Net foreign currency gains/(losses)	0	-1
Net financial items	**2**	**-6**

NOTE 06/ TAX

(Amounts in NOK million) Tax expense	2016	2015
Tax payable	0	0
Change in deferred tax	0	0
Total	**0**	**0**

Payable tax basis	2016	2015
Result before tax	-28	-46
Change in temporary differences	15	0
Share issue expenses recognised directly in equity	-8	-15
Basis for tax payable for the year	**-21**	**-61**
Tax payable	**0**	**0**

Temporary differences between tax and book values	2016	2015
Tax losses carried forward	-262	-241
Other differences	-1	0
Net temporary differences	**-263**	**-241**
Unrecognised tax benefits	263	241
Net temporary differences	**0**	**0**

NOTE 07/ PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK million)	2016	2015
Acquisition cost as at 1 January	1	1
Additions during the year	0	0
Accumulated depreciation as at 31 December	1	1
Book value as of 31.12.	**0**	**0**
Depreciation for the year	0	0.2

NOTE 08/ SUBSIDIARIES

(Amounts in NOK million) Name	Place of business	Ownership	Book value
NRC Group Holding AS	Oslo	100%	580

NOTE 09/ NON-CURRENT AND CURRENT RECEIVABLES

(Amounts in NOK million)	2016	2015
Non-current receivables	0	5
Non-current receivables subsidiaries (note 14)	102	211
Total non-current receivables	**102**	**216**
Trade receivables subsidiaries (note 14)	6	13
Other current receivables	4	6
Total current receivables	**10**	**19**

NOTE 10/ CASH AND CASH EQUIVALENTS

(Amounts in NOK million)	2016	2015
Cash and bank deposits	207	37
Restricted bank deposits	3	2
Total	**210**	**39**

The restricted bank deposits include the employees' tax withholdings and cash deposits for the company's guarantees (note 13).

NOTE 11/ EQUITY

(Amounts in NOK million)	Share capital	Treasury shares	Share premium reserves	Equity
Equity as at 1 January 2015	**10**	**-2**	**44**	**52**
Profit/loss for the year			-46	-46
Increase in share capital	25		559	584
Costs recognised in equity			-16	-16
Sale of treasury shares		1	9	10
Equity as at 31 December 2015	**35**	**-1**	**550**	**584**
Profit/loss for the year			-28	-28
Dividend			-31	-31
Increase in share capital	4		255	259
Costs recognised in equity			-8	-8
Sale of treasury shares		1	6	7
Equity as at 31 December 2016	**39**	**0**	**744**	**783**

Reference is also made to note 15 Share capital and shareholder information in the consolidated accounts.

NOTE 12/ OTHER NON-CURRENT AND CURRENT LIABILITIES

(Amounts in NOK million)	2016	2015
Other non-current liabilities	**19**	**21**
Intragroup liabilities (Note 14)	60	27
Accrued dividend	31	0
Other current liabilities	9	7
Total other current liabilities	**100**	**34**
Total other non-current and current liabilities	**119**	**55**

NOTE 13/ PLEDGED ASSETS AND SECURITY

As security for long term interest bearing loans in subsidiaries, the company has pledged in all material respects all non-current and current assets as well as its shares in NRC Group Holding AS. The carrying amounts of pledged assets are NOK 902 million.

In connection with the sale of a property in Tønsberg in 2007 NRC Group ASA has, together with Bridon International Ltd, guaranteed that Bridon-Bekaert Scanrope AS will pay its rent up to 21 August 2025 with an option for an extension to 21 August 2030. The gross rent was NOK 12 million in 2016. Reference is also made to note 20 in the consolidated accounts.

NOTE 14/ TRANSACTIONS WITH RELATED PARTIES

The parent company does not have any related parties other than subsidiaries and certain managers. Reference is made to the notes to the consolidated financial statements for more information. Transactions in 2016 have been limited to charging of management fee of NOK 5 million and interest income on the loan receivable to the subsidiary NRC Group Holding AS with NOK 3 million.

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of NRC Group ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NRC Group ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2016, statements of income and other comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Changes to purchase price allocation for acquisitions made in 2015

The purchase price allocations made in 2015 have been questioned by The Financial Supervisory Authority of Norway (NFSA). Based on discussions with NFSA and the following preliminary notification the Company has reassessed the purchase price allocation and amortization period. Based on the reassessment the Company made changes in accordance with IAS 8, which have the following effect on the 2015 financial statement at the acquisition dates; reduced goodwill by NOK 12 million, increased other intangible assets by NOK 15 million and deferred tax liability by NOK 3 million. Amortization of intangible assets increased by NOK 3 million for 2015 compared to amounts presented in the financial statements for 2015. The reassessment of the purchase price allocation was a key audit matter given the background, the magnitude of the amounts and the significant management judgement required to determine the allocation of the purchase price.

As part of our audit procedures, we tested the method, assumptions and calculations and read supporting documentation such as purchase agreements and due diligence reports for the original purchase price allocation (PPA). For the reassessed PPA we discussed the new estimates with management. We evaluated the application of the accounting principles and tested supporting documentation for management's reassessment of the purchase price allocation for estimating fair value for identifiable intangible assets. We involved EY valuation experts to test the method and assumptions used, recalculated management's calculations and evaluated the methodology used to determine the fair value of assets and liabilities in the purchase price allocation. We evaluated management's assessment regarding the requirements for correcting the original PPA in accordance with IAS 8 Accounting policies, changes in accounting estimates and errors. Furthermore we assessed the Company's disclosures of the Business combination in note 2, note 11 on intangible assets and note 24 on subsequent events to the consolidated financial statements.

Revenue recognition in the contractor business

The Group's revenues and expenses are derived from construction contracts recognised in accordance with the percentage of completion method. Under this method, the construction contracts' profitability and degree of completion is determined based on estimates. There is uncertainty related to the expected total revenues and expense used as a basis for these estimates. The recognition of construction contracts is a key audit matter, due the extent and complexity of ongoing projects in the Group with duration over several years, and where management exercises judgement to estimate the percentage of completion.

We evaluated the application of accounting principles, methodology for calculating the projects' percentage of completion, routines for monitoring project and evaluated controls over project assessments and recognition. We discussed estimated total project costs or hours with project management and analysed the development in margins for selected projects and the total project portfolio. For selected contracts, we tested estimated revenues against agreements, assessed the treatment of supplementary and replacement orders in addition to disputes and claims, incurred expenses against invoices and hours against timesheets, and assessed the total estimated project costs, and we visited one of the larger project sites. In addition, we analysed actual margins on selected projects against estimated total margins at completion during the project period in order to evaluate management's accuracy in judgments and estimates.

We refer to note 4 on construction contracts.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and the reports on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the reports on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Drammen, 6 April 2017
ERNST & YOUNG AS

Kåre Rødssæteren
State Authorised Public Accountant (Norway)

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

We confirm that to the best of our knowledge the financial statements for the period 1 January to 31 December 2016 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and of the group. We also confirm that the Board of Directors' report includes a true and fair review of the development, performance and position of the company and the group, together with a description of the principal risks and uncertainties facing the company and the group.

Oslo, 6 April 2017

Helge Midttun Chairman of the Board of Directors	**Kristian G. Lundkvist** Board member	**Kjersti Kanne** Board member
Harald Arnet Board member	**Brita Eilertsen** Board member	**Øivind Horpestad** CEO

2017
FINANCIAL CALENDAR

Annual General Meeting	Q1	Q2	Q3
03 MAY	11 MAY	15 AUGUST	07 NOVEMBER

NRC GROUP OFFICES

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NRC Group

NRC Group

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