NRC Group

REPORT
3RD QUARTER

2018

Highlights

3rd quarter 2018

/ ACQUISITION OF VR TRACK OY – CREATING THE LARGEST NORDIC RAIL INFRASTRUCTURE GROUP

- An even stronger platform to capture future growth initiatives including maintenance-, design- and environmental services
- Creating value for NRC Group investors - strong cash flow generation and significant growth prospects

/ KEY FIGURES Q3 2018

- Revenues of NOK 851 million
- EBITDA of NOK 72 million excluding M&A cost
  - EBITDA of NOK -18 million in SBB due to changes in cost estimates in projects
- Strong order backlog

/ KEY EVENTS

- Sustainability requirements create new business opportunities within environmental services
  - Acquisitions of Gunnar Knutsen AS and NSS Holding AS
- Subsequent awarded NOK 360 million Storgata tramway contract in Oslo
- Extraordinary General Meeting approved to increase the share capital in connection with the acquisition of VR Track Oy
- Rolf Jansson and Eva Nygren elected as new Board members with effect from early January 2019

NRC Group

By the acquisition of VR Track Oy, NRC Group will from early 2019 be the largest specialized rail infrastructure company in the Nordic region. The group is a supplier of all rail, road and harbour related infrastructure services, including groundwork, specialized track work, safety, electro, telecom and signalling systems, and environmental services. Since its inception in 2011, the NRC Group has experienced significant growth.

Key figures

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Revenue	851	776	2 206	1 699	2 373
EBITDA ex M&A	72	113	139	164	236
EBITA ex M&A	54	100	93	133	190
EBIT ex M&A	44	91	74	107	156
EBITDA ex M&A (%)	8,4 %	14,5 %	6,3 %	9,6 %	9,9 %
EBITDA	58	111	125	159	229
EBITA	40	98	79	129	184
EBIT	30	89	60	103	149
Employees	874	636	874	636	619
Investments	140	140	150	223	252
Order backlog	2 802	1 968	2 802	1 968	1 948
Order backlog from JVs	551	449	551	449	460

Forming the largest Nordic rail infrastructure company

Acquisition of VR Track Oy

On 11 October, NRC Group announced an agreement to acquire VR Track Oy, a Finnish company in the VR Group engaged in railway construction, maintenance services and design, with operations in Finland and Sweden. Closing is expected in early January 2019.

Combining NRC Group and VR Track will create the largest specialized rail infrastructure group in the Nordic region, with strong capabilities across the entire railway value chain and leading positions in the attractive Norwegian, Swedish and Finnish markets.

The two businesses are complementary, and the combined operations will be stronger and more competitive than on a stand-alone basis. The enlarged NRC Group will be able to leverage its unique capabilities across borders to create new project opportunities and offer larger turnkey projects to a wider customer group.

There are significant long-term growth opportunities across all three key markets on the back of political willingness to upgrade existing infrastructure and invest in new railways. With a broader operational scope, the combined group will be in a favourable position to capitalize on these positive market trends and further grow the already strong cash flow of both NRC Group and VR Track's existing operations.

The transaction is expected to create several synergies for the combined group, including an improved position to capitalize on the trend towards maintenance projects in both Norway and Sweden with use of VR Track's extensive experience from such contracts in Finland and Sweden. NRC Group will have increased overall capacity and a larger machine pool which will facilitate growth, improved utilization and leveraging unique capabilities across borders, such as city infrastructure construction in Finland, design projects in Norway and environmental services in Sweden and Finland.

The purchase price is based on an enterprise value of VR Track of EUR 225 million on a cash and debt free basis with normalised working capital. The purchase price shall be paid by 65% in cash while the remaining 35% of the purchase price shall be paid in the form of consideration shares in NRC Group at an agreed price per consideration share of NOK 75.31. The cash portion of the purchase price is fully financed by a new long-term bank facility.

VR Group will own approximately 18% of the shares issued in NRC Group after completion. To represent VR Group on the board of directors, the EGM on 5 November elected Rolf Jansson, to represent VR Group, in addition Eva Nygren as new board members in NRC Group with effect from January 2019. VR Group is owned by the Finnish state.

Completion of the transaction is conditional upon anti-trust approval in Sweden, certain regulatory approvals in Finland as well as certain other customary closing conditions.

The Finnish rail infrastructure market exhibits similar characteristics as Norway and Sweden, with urbanisation, focus on the environment and sustainability as well as historical underinvestment and maintenance backlog. As a result, the Finnish market is expected to grow by an average annual growth rate of 8% from 2019 to 2022.

The framework for rail infrastructure spending is set by parliament over four-year periods. However, preparatory work has been initiated to develop 12-year transportation plans similar to Norway and Sweden.

Comments on third quarter 2018 results

Creating the largest Nordic rail infrastructure player

Third-quarter revenue was NOK 851 million, compared to NOK 776 million in the same period in 2017, a 10% increase.

EBITDA excluding M&A costs was NOK 72 million, compared to NOK 113 million in third quarter 2017. The M&A activities in the quarter was high, including the process of acquiring VR Track. Incurred M&A costs for the quarter amounted to NOK 14 million. The EBITDA margin was 8.4% (14.8%) excluding costs related to M&A activities.

The performance in SBB in Sweden was disappointing this quarter, impacting our profitability negatively. The company, which was acquired in July 2017, has over a period of time not performed as planned. To improve the financial performance, the managing director was replaced at the end of August. The management has subsequently taken several actions, including a close review of the cost estimates and the remaining production of the project portfolio. Based on the review several cost estimates have been changed, leading to an EBITDA of NOK -18 million for SBB in third quarter. The remaining projects in SBB are completed or close to be finalized. The accumulated EBITDA for SBB as per third quarter is NOK -30 million. The remaining part of intangible assets related to customer relations in SBB were impaired and written down with NOK 6 million to zero in the third quarter. A contingent part, SEK 30 million, of the purchase price has been repaid during the third quarter.

The remaining operation in Sweden has performed satisfactory even though the revenues and the profit were substantially lower than the same quarter last year. Last year the Swedish operation had a track removal project with very high production (approximately NOK 200 million) in the third quarter. In 2018, there are no such projects in the portfolio, as there has been only one out in the marked. Next year there will be tenders out in the market for five track removal projects.

Furthermore, the weakening of SEK versus NOK of about 6% for the quarter, has negatively affected the consolidated profit in Norwegian kroner compared with last year.

The Norwegian operation has continued the strong growth with a 65% revenue increase versus the same quarter last year. At the same time the EBITDA margin has increased from 7.3% in third quarter 2017, to 10.7% in third quarter 2018. The production has performed well, and several new experienced employees have been recruited.

Based on the positive performance in Norway and the acquisitions made during the third quarter, the group have capitalised the remaining part of the previously non-capitalised deferred tax assets of NOK 15 million, leaving a net tax income of NOK 6 million for the quarter.

The order intake was NOK 853 million in the quarter where announced contracts amounted to NOK 295 million and unannounced order intake was NOK 558 million. In addition, the order backlog from acquired businesses during the quarter was NOK 175 million. The order backlog for own production amounted to NOK 2,802 million at the end of September. Approximately 30% of the backlog is estimated for production in 2018. Our interest in the order backlog in joint ventures/ associated companies amounted to NOK 551 million.

Order intake included a NOK 110 million contract for rehabilitation of Sørumsand station on the Kongsvinger line in Norway involving rail services such as track, signal/telecom, electro, groundwork and environment. New orders also included a SEK 77 million multi-disciplinary contract to rebuild the rail terminal at Ystad, Sweden.

Subsequent to the quarter, on 5 October, NRC Group was appointed a NOK 360 million contract for rehabilitation of Storgata in the city of Oslo. This was the second large tramway contract awarded in Oslo this year under an ongoing NOK 4.1 billion programme to upgrade tram infrastructure and purchase of new trams. NRC Group has won both contracts with a combined value of NOK 762 million.

Tendering activity remains high in Norway with increased focus on larger turnkey projects covering several special competencies in line with the strategic positioning executed by the group over the past few years

The Norwegian national budget proposal confirmed political support for strengthening the railway sector with a record NOK 26.4 billion allocated to 2019, an increase of 12.4% from 2018. However, proposed spending on investment, maintenance and renewal is lower than the average levels outlined in the 2018-29 National Transport Plan (NTP) for a second consecutive year. The maintenance backlog has also been adjusted upwards. These are factors that indicate continued growth in railway infrastructure investments and activity in coming years.

Bane NOR announced it will create a 100% owned railway operation and maintenance unit with about 1,000 employees, operative from the first half of 2019. The move is a preparation for the upcoming privatization of long-term operations and maintenance contracts in Norway. Additional details on the process is expected in December. NRC Group is uniquely positioned for this expansion of the Norwegian market with its full-service capabilities and ability to leverage a leading maintenance position in Sweden and Finland after the VR Track acquisition.

The Swedish Government approved the National Transport Plan in June, confirming a 20% increase in investments to develop new railway infrastructure and a 47% growth in maintenance and renewal spending for the new plan period compared to the previous NTP. The 2019 Swedish budget proposal has not yet been made public following the general elections in September. The overall tendering activity in Sweden is high.

The environment and sustainable operations have had high priority in NRC Group since inception. The company closed the acquisition of NSS Holding AS, including the 100% ownership in Norsk Saneringsservice AS and 70% in Miljøvakta AS during the quarter, adding leading decommissioning and remediation expertise and capacity in Norway. NRC Group also closed the acquisition of Gunnar Knutsen AS, one of Norway's leading companies within transportation of loose materials for the building and construction industry.

Having in-house competence and capacity to provide a full range of services, from planning and project management to the actual physical work of decommissioning, remediation and waste logistics, strengthens NRC Group’s competitive position.

Financial position

Net cash flow from operating activities for third quarter 2018 was NOK 3 million (NOK 33 million) which includes an increase in net working capital due to seasonal variations and cut off between quarter three and four, as the end of month and due date for significant contractual payments from customers were on a Sunday. Payments from customers in the first days of October amounted to approximately NOK 60 million.

Net cash flow from investing activities for the third quarter of 2018 was NOK -138 million (NOK -138 million) including the net of cash amount of the acquisitions of NSS Holding AS and Gunnar Knudsen AS and a purchase price repayment from SBB.

Net cash flow from financing activities for the third quarter 2018 was NOK 102 million (NOK 151 million), which includes proceeds from borrowings related to the acquisitions of NOK 145 million, repayment of borrowings and payment of lease liabilities.

The cash position at 30 September was NOK 189 million.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 30 September 2018, 874 people were employed in the group.

Health, safety and environmental considerations are priority areas. NRC Group has adopted HSE policies and implemented guidelines to comply with applicable local regulations and to maintain and develop its HSE standards. NRC Group's HSE efforts are managed on both central and regional levels.

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.

Risks

NRC Group is exposed to both operational and financial risks. Operational risks include risk assessment and contingency appraisal in project tendering, project execution and resource optimization following fluctuations in seasonal demand in the business of NRC Group.

NRC Group aims to undertake operational risk that the business units can influence and control. NRC Group has developed risk management processes that are well adapted to the business. This includes analysis of project risk from the tendering phase through to completion to ensure appropriate pricing and risk management. NRC Group also seeks to minimize the exposure to risk that cannot be managed.

Financial risks include market risk, credit risk and liquidity risk. Market risk includes currency risk and interest rate risk. The exposure to currency risk is limited, however by having operational units in different functional currencies, NRC Group is exposed to currency translation risks related to subsidiaries in Sweden. NRC Group has to limited extent utilized hedging instruments to limit the risks associated with foreign exchange.

Work in progress and trade receivables are set out contractually, which means that the amount of capital committed is determined by the credit terms of the contracts. NRC Group's liquidity reserves will normally be at its lowest in the spring and summer due to the seasonality in the business. Liquidity risk is overall considered low.

NRC Group's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. NRC Group considers the risk of potential future losses from this type of customer to be low.

Outlook

The positive investment outlook for Nordic infrastructure, and especially the railway segment, is supported by strong macro trends and political commitment. The markets in Norway, Sweden and Finland look strong in the coming years.

Combining NRC Group and VR Track will create the largest specialized rail infrastructure group in the Nordic region, with strong capabilities across the entire railway value chain and leading positions in the attractive Norwegian, Swedish and Finnish markets. With a broader operational scope and combining the extensive construction and maintenance expertise, the combined group will be in a favourable position to capitalize on these positive market trends.

Oslo, 5 November 2018

The Board of Directors of NRC Group ASA

Helge Midttun Chairman of the Board of Directors	**Harald Arnet** Board member
Brita Eilertsen Board member	**Kjersti Kanne** Board member
Mats Williamson Board member	**Øivind Horpestad** CEO

Interim condensed consolidated statement of profit or loss

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Revenue	851	776	2 206	1 699	2 373
Operating expenses	779	664	2 067	1 535	2 137
M&A expenses	14	2	14	4	6
Operating profit/loss before depr. and amort. (EBITDA)	**58**	**111**	**125**	**159**	**229**
Depreciation	18	13	46	30	46
Operating profit/loss before amortisation (EBITA)	**40**	**98**	**79**	**129**	**184**
Amortisation	10	9	20	26	34
Operating profit/loss (EBIT)	**30**	**89**	**60**	**103**	**149**
Net financial items	-4	-1	-5	-5	-6
Profit/loss before tax (EBT)	**26**	**88**	**54**	**98**	**144**
Taxes	6	-21	-2	-23	19
Profit/loss from continuing operations	**32**	**67**	**53**	**75**	**163**
Profit/loss from discontinued operations	0	0	0	-7	-7
Net profit/loss	**32**	**67**	**53**	**68**	**156**
Profit/loss attributable to:					
Shareholders of the parent	32	67	52	68	156
Non-controlling interests	0	0	0	0	0
Net profit / loss	**32**	**67**	**53**	**68**	**156**
EARNINGS PER SHARE					
Earnings per share in NOK (ordinary):					
From continuing operations	0,77	1,61	1,25	1,88	4,04
From discontinued operations	0,00	0,00	0,00	-0,17	-0,17
From net profit/loss	**0,77**	**1,61**	**1,25**	**1,71**	**3,87**
Earnings per share in NOK (diluted):					
From continuing operations	0,76	1,61	1,24	1,88	4,04
From discontinued operations	0,00	0,00	0,00	-0,17	-0,17
From net profit/loss	**0,76**	**1,61**	**1,24**	**1,71**	**3,87**

Interim condensed consolidated statement of comprehensive income

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Net profit / loss	**32**	**67**	**53**	**68**	**156**
Translation differences	6	-13	-54	16	32
Total comprehensive profit/loss	**38**	**54**	**-2**	**84**	**188**
Total comprehensive profit/loss attributable to:					
Shareholders of the parent	38	54	-2	84	188
Non-controlling interests	0	0	0	0	0
Total comprehensive profit/loss	**38**	**54**	**-2**	**84**	**188**

Interim condensed consolidated statement of financial position

(Amounts in NOK million)			
ASSETS	**30.09.2018**	**30.09.2017**	**31.12.2017**
Deferred tax assets	85	31	70
Goodwill	1 131	893	950
Customer contracts and other intangible assets	46	31	28
Intangible assets	**1 262**	**955**	**1 048**
Tangible assets	414	257	278
Other non-current assets	23	9	9
Total non-current assets	**1 700**	**1 221**	**1 335**
Total receivables	1 059	621	741
Cash and cash equivalents	189	308	408
Total current assets	**1 248**	**929**	**1 149**
Total assets	**2 948**	**2 150**	**2 484**

(Amounts in NOK million)			
EQUITY AND LIABILITIES	**30.09.2018**	**30.09.2017**	**31.12.2017**
Paid-in-capital:			
Share capital	43	42	42
Treasury shares	0	0	0
Share premium	1 010	918	927
Other equity:			
Currency translation differences	-40	-2	14
Retained earnings	428	275	374
Total equity attributable to owners of the parent	**1 440**	**1 232**	**1 357**
Non-controlling interests	2	0	0
Total equity	**1 443**	**1 232**	**1 357**
Non-current interest-bearing liabilities	467	319	317
Deferred taxes	41	20	27
Total non-current liabilities	**509**	**338**	**344**
Interest-bearing current liabilities	168	114	121
Other current liabilities	829	465	662
Total current liabilities	**997**	**580**	**783**
Total equity and liabilities	**2 948**	**2 150**	**2 484**

Interim condensed consolidated statement of cash flows

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
Profit/loss before tax	26	88	54	98	144
Depreciation and amortisation	27	22	65	56	80
Taxes paid	-4	-6	-14	-15	-19
Change in working capital and other accruals	-47	-71	-150	-167	-72
Net cash flow from operating activities - cont. oper.	**3**	**33**	**-44**	**-28**	**133**
Net cash flow from operating activities	**3**	**33**	**-44**	**-28**	**133**
Purchase of property, plant and equipment	-1	-3	-10	-29	-35
Acquisition of companies, net of cash acquired	-139	-137	-139	-193	-217
Proceeds from sale of shares, other investments and equipment	2	2	4	4	5
Net cash flow from investing activities - cont. oper.	**-138**	**-138**	**-145**	**-218**	**-247**
Net proceeds from sale of shares and other investments	0	0	5	4	4
Net cash flow from investing activities - disc. oper.	**0**	**0**	**5**	**4**	**4**
Net cash flow from investing activities	**-138**	**-138**	**-140**	**-214**	**-243**
Proceeds from sale of treasury shares	0	0	0	0	2
Proceeds from borrowings	145	171	145	231	231
Repayments of borrowings	-30	-10	-59	-36	-51
Payments of finance lease liabilities	-13	-10	-29	-21	-33
Acquisition of treasury shares	0	0	-3	-15	-26
Dividend paid	0	0	-73	-31	-31
Net cash flow from financing activities - cont. oper.	**102**	**151**	**-21**	**128**	**92**
Net cash flow from financing activities	**102**	**151**	**-21**	**128**	**92**
Net change in cash and cash equivalents	**-33**	**46**	**-206**	**-114**	**-18**
Cash and cash equivalents at the start of the period	**221**	**264**	**408**	**418**	**418**
Translation differences	0	-2	-14	4	8
Cash and cash equivalents at the end of the period	**189**	**308**	**189**	**308**	**408**
Cash and cash equivalents - continuing operations	189	308	189	308	409

Interim condensed consolidated statement of changes in equity

(Amounts in NOK million)	Share capital	Treasury shares	Other paid-in capital	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2017	**39**	**0**	**776**	**-18**	**218**	**1 014**		**1 014**
Profit/loss for the period					68	68		68
Other comprehensive income for the period				16		16		16
Increase share capital	3		174			177		177
Dividend paid			-31			-31		-31
Acquisition and sale of treasury shares		0			-11	-11		-11
Total changes in equity	**3**	**0**	**143**	**16**	**57**	**218**		**218**
Equity at 30 September 2017	**42**	**0**	**919**	**-2**	**275**	**1 233**		**1 232**
Equity at 1 January 2018	**42**	**0**	**927**	**14**	**374**	**1 357**		**1 357**
Profit/loss for the period					52	52	0	53
Other comprehensive income for the period				-54		-54		-54
IFRS 15 implementation effect [1)]					1	1		1
Increase share capital	1		126			127		127
Costs related to capital increase			0			0		0
Dividend paid			-73			-73		-73
Share-based payments			1			1		1
Non-controlling interests						0	2	2
Acquisition and sale of treasury shares		0	29			30		30
Total changes in equity	**1**	**0**	**82**	**-54**	**53**	**83**	**2**	**85**
Equity at 30 September 2018	**43**	**0**	**1 010**	**-40**	**428**	**1 440**	**2**	**1 443**

1) See note regarding revenue recognition and contracts with customers for further information.

Notes to the interim condensed consolidated financial statement

General information

The legal and commercial name of the company is NRC Group ASA.

The company is a public limited liability company incorporated in Norway under the Norwegian Public Limited Liability Companies Act with registration number 910 686 909. The company address is Lysaker Torg 25, 1366 Lysaker, Norway.

The company is listed at Oslo Børs under the ticker “NRC” and with ISIN NO0003679102.

Accounting policies and basis for preparation

The condensed consolidated financial statements as per 30 September 2018 are prepared in accordance with IFRS and comprise NRC Group ASA and its subsidiaries. The interim financial report is presented in accordance with revised IAS 34, Interim Financial Reporting. The accounting principles applied in the interim report are the same as those described in the consolidated accounts for 2017 except for what described under revenue recognition below. NRC Group has implemented IFRS 15 in 2018.

The interim accounts do not contain all the information that is required in complete annual accounts, and they should be read in connection with the consolidated accounts for 2017. The report has not been audited.

The selected historical consolidated financial information set forth in this section has been derived from the company’s consolidated, unaudited interim financial reports for 2017 and 2018 and audited financial report for the full year of 2017.

Following the divestment of the Geo division, and the implementation of a common organisational and business structure for the remaining group entities, the group’s operating segments were changed in 2017. The segments reported are Norway and Sweden, based on the geographical location of the subsidiaries.

Revenue recognition and contracts with customers

The group implemented IFRS 15 effective from 1 January 2018 using the modified retrospective application. The group’s revenues mainly consist of contracts with customers that vary from shorter projects of less than a month, to longer projects running over multiple years. All projects are accounted for as contracts with customers, applying IFRS 15 *Revenue from contracts with customers*.

According to the previous standard IAS 11, a major part of the group’s revenues was recognized using the percentage of completion method. The criteria for recognizing revenue over time according to IFRS 15 have been thoroughly analysed, and the criteria are considered met. When the outcome of a construction contract can be estimated reliably, and it is probable that the contract will be profitable, contract revenue is recognized over the period of the contract by reference to the stage of completion. Contract costs consist of direct costs such as material and labour, and indirect costs. Bid costs are expensed as incurred. Contract costs are recognized 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 recognized as an expense immediately according to IAS 37. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized 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 additional work has

been agreed with the customer and revenues are capable of being reliably measured.
For each performance obligation that is satisfied over time, revenue is recognized over time by measuring the time passed in relation to full satisfaction of the obligation. The group applies the input method which is used consistently for similar performance obligations and under similar circumstances. Using the input method, revenue is recognized based on the entity's input in fulfilling the performance obligation (e.g. costs incurred, resources consumed, hours spent) in relation to the total expected input to fulfil the performance obligation. The aggregated amount of project costs incurred to date, plus recognized 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 contract assets, whereas the contracts where the amount is negative are presented as contract liabilities.

The group generally provide for warranties for general repairs and does not provide extended warranties in its contracts with customers. As such, most existing warranties are assurance-type warranties under IFRS 15, which is continued to be accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, consistent with previous practice.

As described above, the group has implemented IFRS 15 by using the modified retrospective application. Comparative numbers for 2017 have hence not been restated in the condensed financial statements. The implementation of IFRS 15 at 1 January 2018 resulted in increased consolidated equity by NOK 1 million, as illustrated below.

The table below illustrates the effect on consolidated equity by implementing IFRS 15 in the group 1 January 2018:

(Amounts in NOK million)	
Increased contract assets (total receivables)	8,5
Increased contract liability (other current liabilities)	-7,2
Tax effect of the adjustment above (deferred taxes)	-0,3
Net increased opening balance equity under IFRS 15 1 January 2018	1,0

Under IAS 11, the group recognized revenue and trade receivables even if receipt of the total consideration was conditional on successful completion of installation services. When using IFRS 15, earned consideration that is conditional is recognized as a contract asset rather than receivable. Therefore, on adoption of IFRS 15, the group reclassified based on numbers at 1 January 2018, NOK 146 million from "trade receivables" to "contract assets". In the condensed balance sheet, both trade receivables and contract assets are included in "total receivables". Correspondingly, the group reclassified NOK 197 million from "gross amounts due to customers for projects" to "contract liabilities", both included in "other current liabilities" in the condensed balance sheet.

As the implementation effect has been immaterial and only a limited part of the NRC Group's revenue has been affected, there will be no significant changes in timing of revenue during 2018 compared to 2017.

Changes in the group's structure during the quarter

On 14 August 2018, NRC Group agreed to acquire NSS Holding AS, the sole shareholder of the demolition and environmental remediation company Norsk Saneringsservice AS and the owner of 70% of the shares in Miljøvakta AS. The transaction was closed 11 September 2018.

On 30 August 2018, NRC Group agreed to acquire Gunnar Knutsen AS. The transaction was closed 28 September 2018.

Business combinations

On 11 September, NRC Group completed the transaction to acquire NSS Holding AS at an estimated net settlement of NOK 118 million based on an enterprise value of NOK 103 million on a cash and debt free basis with a normalized working capital.

On 28 September, NRC Group completed the transaction to acquire Gunnar Knutsen AS at an estimated net settlement of NOK 208 million based on an enterprise value of NOK 199 million on a cash and debt free basis with a normalized working capital.

Presented below is the allocation of the purchase price based on the opening balance for the business combinations made in the third quarter of 2018. The purchase prices have been allocated at the fair value of the assets and liabilities of the acquired companies.

(Amounts in NOK million)	**NSS Holding AS**	**Gunnar Knutsen AS**
Date of acquisition	11.09.2018	28.09.2018
Share of ownership	100% *	100 %
Estimated cash settlement	65	133
Fair value of consideration shares in NRC Group ASA	64	92
Cash/debt in target	-11	-17
Net settlement	**118**	**208**
Property, plant and equipment	90	48
Intangible asset: Customer contracts and relations	18	19
Non-current assets	0	0
Current assets	87	67
Tax payable and deferred tax	-18	-10
Interest-bearing debt	-79	-11
Other current liabilities	-55	-47
Net identifiable assets and liabilities	**43**	**65**
Non-controlling interests *	-2	0
Goodwill (majority share)	**77**	**143**
Consolidated revenue from date of acquisition	31	0
Consolidated profit/loss before tax from date of acquisition	3	0
Transaction costs expensed as other operating expenses	2	2

* The acquisition of 100% of the shares in NSS Holding AS includes the 100% ownership in Norsk Saneringsservice AS and 70% ownership in Miljøvakta AS.

Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The allocations were not finalised by 30 September 2018. Preliminary estimates are made regarding the opening balance sheet and estimated purchase price. The acquisition of NSS Holding was financed by 50% cash and 50% issuance of 850,745 new shares in NRC Group at a fixed price of NOK 66.10 per share (NOK 56 million). Fair value of the NRC share on the transaction day was NOK 75.47, leaving a fair value adjustment of the consideration of NOK 8 million.

The shares are subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 24 months and the remaining for 36 months.

The acquisition of NSS Holding AS resulted in an estimated goodwill of NOK 77 million.

Goodwill is related to the fair value of expected synergies arising from the organisation's competence within project - and site management as well as decommissioning, remediation and waste logistics. The acquisition will strengthen NRC Group's overall capabilities, enabling NRC Group to undertake larger, more complex and simultaneous projects.

Intangible assets related to the acquisition of NSS Holding AS include customer contracts and customer relations acquired through the business combination of NOK 18 million. They are recognized at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method over their estimated useful life. The allocation of the purchase price resulted in a change in the fair value of provision of NOK 2 million related to contract guarantees, included as other current liabilities.

The enterprise value is based on a consolidated estimated average EBIT for 2018 and 2019 of NOK 20 million. The seller has guaranteed an average EBIT at this level and any deviation will result in a subsequent adjustment to the final purchase price.

The acquisition of Gunnar Knutsen AS was financed by 60% cash and 40% in shares by using 405,000 own shares in addition to issuing 847,677 new shares in NRC Group at a fixed price of NOK 68.92 per share (NOK 86 million). Fair value of the NRC share on the transaction day was NOK 73.67, leaving a fair value adjustment of the consideration of NOK 6 million.

The shares are subject to a lock-up period, whereby 1/2 of the shares are subject to a lock-up period of 24 months and the remaining for 36 months.

The acquisition of Gunnar Knutsen AS resulted in an estimated goodwill of NOK 143 million.

Goodwill is related to the fair value of expected synergies arising from the organisation's competence within project - and site management as well as decommissioning, remediation and waste logistics. The acquisition will strengthen NRC Group's overall capabilities, enabling NRC Group to undertake larger, more complex and simultaneous projects.

Intangible assets related to the acquisition of Gunnar Knutsen AS include customer contracts and customer relations acquired through the business combination of NOK 19 million. They are recognized at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method over their estimated useful life. The allocation of the purchase price resulted in a change in fair value of fixed assets of NOK 3 million and a provision of NOK 2 million related to contract guarantees, included as other current liabilities.

The enterprise value is based on an aggregate EBIT for the second half of 2018 and the full year of 2019 of NOK 45 million. The seller has guaranteed an aggregate EBIT at this level and any deviation will result in a subsequent adjustment to the final purchase price.

Segments

Norway operations (NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
External	418	253	960	547	761
Inter-segment	3	2	9	5	10
Total revenue	**421**	**255**	**968**	**552**	**771**
EBITDA	45	19	69	23	40
EBITA	36	13	47	8	18
EBIT	32	8	35	-2	2

Sweden operations (NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
External	433	523	1 246	1 152	1 612
Inter-segment	0	1	1	1	1
Total revenue	**433**	**525**	**1 247**	**1 153**	**1 613**
EBITDA	32	96	86	157	219
EBITA	23	89	63	141	196
EBIT	17	84	55	125	177

Parent and holding companies (NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
External	0	0	0	0	0
Inter-segment	3	3	8	7	10
Total revenue	**3**	**3**	**8**	**7**	**10**
EBITDA	-19	-4	-30	-20	-30
EBITA	-19	-4	-30	-20	-30
EBIT	-19	-4	-30	-20	-30

Discontinued operations

In 2016, most of the companies in the former Geo business were divested and the remaining Geo companies were presented as discontinued operations as per year-end 2016. The remaining operations were sold during the first half year of 2017. Reference is made to note 24 in the annual report for 2017.

Transactions between related parties

NRC Group ASA had no significant related party transactions other than ordinary cause of business in the third quarter 2018. Note 6 and 7 in the annual report for 2017 provides further disclosures on the size and types of related party transactions during the previous years. NRC Group ASA has signed agreements with Visento AS and and Hermia AS to provide consultancy services on an hourly basis related to the acquisition VR Track Oy. The chairman of the board, Helge Midttun, is the owner of Visento AS. The board member Harald Arnet is the majority owner of Hermia AS. Any related party transactions are carried out on arm’s length terms.

Contract announcements

The table presented below provide an overview of the Stock Exchange announced contracts during third quarter 2018.

(Amounts in NOK million)

Client	**Estimated value**	**Country**
Bane NOR	110	Norway
Trafikverket	71	Sweden
Flekkefjord kommune	36	Norway
Consto AB	78	Sweden
Total	**295**	

Events after the end of the period

On 2 October, with reference to the acquisition of Gunnar Knutsen AS and resolution by the board of directors 847,677 new shares was issued in the company as partial consideration to the seller of Gunnar Knutsen AS. The company's new registered share capital is 44,026,270 divided on 44,026,270 shares, each with a nominal value of NOK 1.

On 11 October, NRC Group ASA entered into an agreement for the acquisition of VR Track Oy, a Finnish company in the VR Group engaged in the business of railway construction, maintenance services and design, with operations in Finland and Sweden. The purchase price is based on an enterprise value of VR Track of EUR 225 million on a cash and debt free basis with a normalized working capital. 65% of the purchase price shall be paid in cash while the remaining 35% of the purchase price shall be paid in the form of 9,877,953 consideration shares in NRC Group ASA at an agreed price per share of NOK 75.31. The share price represents the volume weighted average price of the NRC Group share on Oslo Børs the last thirty trading days prior to signing. The cash portion of the purchase price will be fully financed by a new bank debt facility.

Based on the transaction VR Group will obtain an ownership in NRC Group representing approximately 18% of the total number of issued shares in NRC Group following completion of the Transaction.

Completion of the Transaction is conditional upon anti-trust approval in Sweden, certain regulatory approvals in Finland and certain other customary closing conditions. Closing of the Transaction is expected to take place in early January 2019, subject to satisfaction of the closing conditions.

On 5 November, the Extraordinary General Meeting approved to increase the share capital in connection with the acquisition of VR Track Oy. Additionally, Rolf Jansson and Eva Nygren were elected as new Board members with effect from early January 2019.

IR Policy

The company's objective is to serve the financial market precise and relevant information about the company to ensure that the share price reflects the underlying values and future prospects.

The company discloses price sensitive information relating to significant contracts and investments or other material changes or events in NRC Group to investors and other market players through the Oslo Stock Exchange, www.newsweb.no, and the company's website, www.nrcgroup.com. In addition, the company intends to publicly disclose all tenders awarded with value exceeding NOK 30 million. All tenders awarded are normally subject to a 10-days appeal period before the award is definitive. The company's policy is to not inform the market of expiry of any such appeal period unless an actual appeal has been filed and the company is informed by the customer that the appeal is being considered and that this may lead to a delay or cancellation of the contract. Information about other tenders awarded will be updated quarterly as part of the company's order backlog.

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.

Alternative performance measures and definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by group management and Board of Directors to measure the company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement.

CONTRACT VALUE
The amount stated in the contract for contract work excluding VAT.

EBT
Profit before tax.

EBIT
Operating profit.

EBIT%
Operating profit in relation to operating revenues.

EBITA
Operating profit plus amortisations.

EBITDA
Operating profit plus depreciations and amortisations.

EBITDA (%)
EBITDA in relation to operating revenues.

EBIT, EBITA or EBITDA ex M&A
EBIT, EBITA or EBITDA plus expensed costs related to merger and acquisitions.

EBITDA ex M&A (%)
EBITDA ex M&A in relation to operating revenues.

M&A EXPENSES
Expensed costs related to merger and acquisitions.

EQUITY RATIO
Total equity in relation to total assets.

INVESTMENTS
Cash proceeds for purchase of property, plant and equipment and net cash proceeds for acquisitions of subsidiaries.

NET CASH/ NET DEBT
Cash and cash equivalents minus interest-bearing liability.

ORDER BACKLOG
Total nominal value of orders received less revenue recognised on the same orders.

ORDER BACKLOG FROM JVs
Our relative ownership of the total nominal value of orders received less revenue recognised on the same orders for joint contracts operated in joint ventures/ associated companies without eliminating any intercompany transactions.

ORDER INTAKE
Total nominal value of orders received.

Bridge key figures before and after M&A expenses:

(Amounts in NOK million)	Q3 2018	Q3 2017	YTD 2018	YTD 2017	FY 2017
EBITDA	58	111	125	159	229
M&A expenses	14	2	14	4	6
EBITDA ex M&A	72	113	139	164	236
EBITA	40	98	79	129	184
M&A expenses	14	2	14	4	6
EBITA ex M&A	54	100	93	133	190
EBIT	30	89	60	103	149
M&A expenses	14	2	14	4	6
EBIT ex M&A	44	91	74	107	156

NRC Group ASA

Company information

Visiting address

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NO - 1366 Lysaker

Postal address

P.O. Box 18

NO - 1324 Lysaker

Board of Directors

Helge Midttun	Chairman of BoD
Brita Eilertsen	Board member
Kjersti Kanne	Board member
Harald Arnet	Board member
Mats Williamson	Board member

Management

Øivind Horpestad	CEO
Dag Fladby	CFO
Pär Tingström	MD Sweden
Hans Olav Storkås	MD Norway

/ FINANCIAL CALENDAR 2018 RESULTS

13 February 2019 **4th quarter 2018 result report and presentation**