



NRC Group

ANNUAL REPORT
2018



WE BUILD THE NATION

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.



NRC Group

PICTURE THEME

In this year's annual report the pictures represent the environmentally-friendly, sustainable and resilient infrastructure solutions that NRC Group deliver every day.

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KEY FIGURES

(Amounts in NOK million)	2018	2017
Income Statement		
Revenue	3,176	2,373
EBITDA*	132	236
EBITA*	57	190
EBIT*	29	156
EBITDA* (%)	4.2%	9.9%
Other income and expenses	28	6
EBITDA	104	229
EBITA	29	184
EBIT	1	149
Other		
Employees (full time equivalent)	879	619
Investments	153	252
Order backlog	2,748	1,948
Order backlog from JVs	600	460
Balance Sheet		
Non-current assets	1,703	1,335
Cash and cash equivalents	396	409
Other current assets	841	740
Equity	1,442	1,357
Non-current liabilities	486	344
Current liabilities	1,012	783
Net debt	219	29
Equity ratio	49%	55%



WE HAVE REACHED OUR GOAL TO BECOME
THE LARGEST RAIL INFRASTRUCTURE
ENTREPRENEUR IN THE NORDICS

* Before other income and expenses

CASH POSITION
AT NOK

396
MILLION

EQUITY
RATIO OF

49
%

EBITDA* OF NOK

132
MILLION

GROWTH IN
ORDER BACKLOG

41
%

REVENUE
OF NOK

3.2
BILLION

ORDER BACKLOG
OF NOK

2.7
BILLION

CEO'S LETTER

BUILDING FOR THE FUTURE

In 2011, when we started what later became NRC Group, we had a vision and a set of ambitions that remain with us today.

Firstly, we saw the need for more railways, trams and metro lines, as growing populations and expanding cities require effective and environmentally friendly transport.

Secondly, we saw a fragmented market for railway construction and maintenance that offered the potential to create a Nordic champion.

Thirdly, we saw that becoming a leader in sustainable infrastructure development could create significant value for our customers, employees, shareholders and the society at large.

At the end of our first year we were a mere seven employees. Now, we are more than 2,450 dedicated rail- and transport enthusiasts in Norway, Sweden and Finland, making NRC Group the undisputed Nordic market leader. We have built competencies across the whole value chain for rail and transport infrastructure and are recognised as a valuable partner delivering quality services to our customers.

COMMITMENT TO THE CUSTOMERS, COMMUNITIES AND COUNTRIES WE SERVE

This journey could only be possible through the continuous hard work put forth by our employees and the support from our customers, partners, suppliers and owners. I'd like to thank all of you for your commitment and support throughout 2018. I also extend a special welcome to our new colleagues from Finland, who joined NRC Group from VR Track this January. We are stronger together!

The acquisition of VR Track doubled our size and significantly strengthened NRC Group's position as the largest private Nordic railway and infrastructure company. VR Track adds significant expertise within the maintenance market to our core competencies and both companies are based upon common Nordic values, where a sustainable and responsible approach to the way we solve our projects and how we act together with our clients, employees and all other stakeholders, is high on our agenda.

On that note, we have established environment as a core area of expertise with the acquisitions of NSS AS and Gunnar Knutsen AS giving us capabilities and capacity in environmental services and waste logistics for the building and construction industry.

We want to be able to offer our customers the best possible and most efficient solutions. To develop the Group and our offerings, acquisitions continue to play an important role. We will remain a market consolidator seeking accretive add-on acquisitions within infrastructure construction and maintenance services.

AMBITIOUS AND RESPONSIBLE APPROACH TO LONG-TERM GROWTH

We have always been focused on minimising external impact when executing projects and have clear ambitions to continue to improve our service offering. Environment and sustainability are increasingly important factors in public tenders for infrastructure development.

The political consensus in Norway, Sweden and Finland supports more investments in development and maintenance of railway systems and to further develop tramways and metro lines. This provides a strong foundation for long-term growth in our core markets. We have successfully built an organisation with the relevant people, competencies and capacity to execute projects throughout the value chain, from planning and design to construction and maintenance. For us to succeed against this positive market backdrop, we must continue to deliver outstanding project execution, continue to develop our sustainable services offering and capture the significant synergies available from becoming a truly Nordic champion.

We address these challenges from a strong market position. Our operations generated record revenue in 2018 and we had a satisfying order backlog at the end of the year. VR Track in Finland added further revenue equivalent to NOK 2.9 billion and a value of contracts to be executed of NOK 3.4 billion.

While we have reached our goal of becoming the leading Nordic entrepreneur within railway infrastructure, we are far from content. We can grow and improve - and as we move forward, we can proudly say we are an integral part of building and maintaining infrastructure which we all rely on for sustainable growth and prosperity.

Oslo, 19 March 2019

Øivind Horpestad
CEO

A full-page portrait of Øivind Horpestad, a middle-aged man with short, graying hair, wearing a dark suit jacket over a light blue button-down shirt. He is standing in front of a large window with vertical blinds, looking slightly to the right of the camera with a neutral expression. His hands are in his pockets, and a watch is visible on his left wrist.

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 Team Bane AS (later NRC Rail AS), which was later developed into NRC Group. Øivind Horpestad has more than 11 years' experience in management, leadership and business development from the railway industry.

Prior to the establishment of Team Bane, 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 Nordic infrastructure company, developing and supplying products and services for the entire value chain for construction and maintenance of transport related infrastructure, including railway-based systems, harbours and roads. The service offerings include design, safety, groundwork, specialised trackwork, electro, telecom, signalling systems and environmental solutions.

NRC Group has experienced continuous growth since its inception in 2011, and upon completion of the acquisition of VR Track Oy in January 2019 it became the largest Nordic entrepreneur within railway infrastructure with operations in Norway, Sweden and Finland. NRC Group provides its customers a complete set of capabilities and services from planning and project management, to construction and maintenance, making it uniquely positioned to execute complex rail, road and harbour infrastructure projects.

NRC Group's vision is "to become a leading entrepreneur in the infrastructure segment in the Nordics", with a clear ambition to grow organically as well as by consolidation of a fragmented Nordic market for infrastructure services. Sound business conduct and a clearly defined environmental profile are enablers to achieve this, together with the knowledge, skills and experience that represent NRC Group's key competitive advantages.

NRC Group continues to see a long-term positive outlook for its construction and maintenance activities. Market fundamentals are supported by favourable trends in population growth and urbanisation, and environmental challenges will add to already increasing maintenance backlogs. These factors lead to increasing budget allocations to infrastructure investments across the Nordic region.

THE GROUP OPERATES BY A SET OF VALUES WHICH ARE SHARED THROUGHOUT THE ORGANISATION:



CARING

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



CREDIBLE

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



ENTREPRENEURIAL

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

The Group has a decentralised 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 society at large relies on safe, efficient and environmentally sustainable railways and roads for growth and progress, and the services and solutions provided by NRC Group leave tracks that last for decades. NRC Group's ambition is to contribute positively by building sustainable infrastructure with the minimum environmental footprint, for the benefit of current and future generations in the Nordic region. That is why NRC Group defines its purpose as "We build the nation".

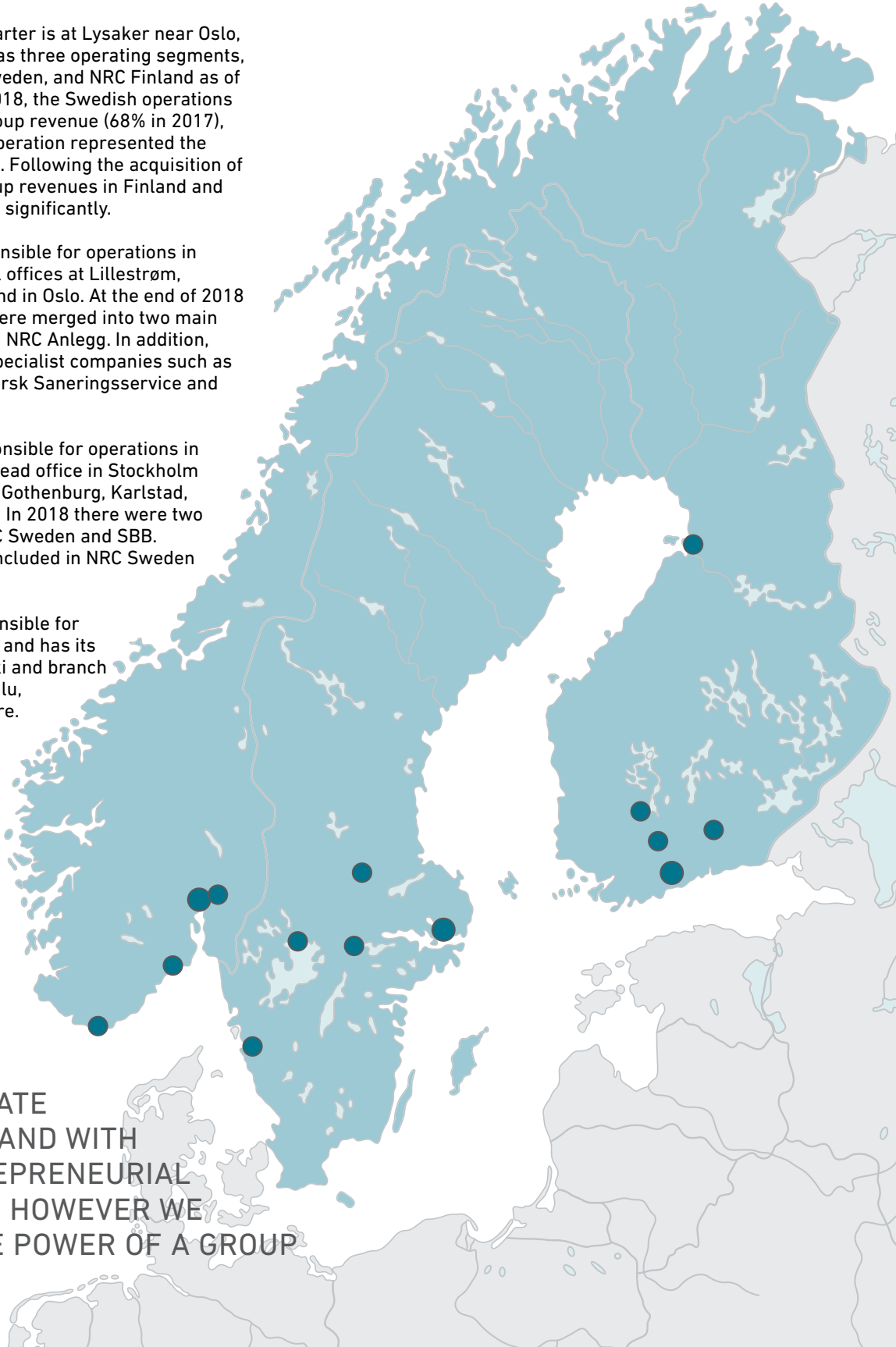
GROUP STRUCTURE

NRC Group's headquarter is at Lysaker near Oslo, Norway. The Group has three operating segments, NRC Norway, NRC Sweden, and NRC Finland as of 7 January 2019. In 2018, the Swedish operations generated 50% of Group revenue (68% in 2017), and the Norwegian operation represented the remaining 50% (32%). Following the acquisition of VR Track Oy, the Group revenues in Finland and Sweden will increase significantly.

NRC Norway is responsible for operations in Norway and has local offices at Lillestrøm, Porsgrunn, Mandal and in Oslo. At the end of 2018 several companies were merged into two main units – NRC Bane and NRC Anlegg. In addition, the Group includes specialist companies such as Fibertech, Gravco, Norsk Saneringservice and Gunnar Knutsen.

NRC Sweden is responsible for operations in Sweden and has its head office in Stockholm and branch offices in Gothenburg, Karlstad, Örebro and Borlänge. In 2018 there were two operating units – NRC Sweden and SBB. NRC Underhåll was included in NRC Sweden from early 2019.

NRC Finland is responsible for operations in Finland and has its head office in Helsinki and branch offices in Kouvola, Oulu, Riihimäki and Tampere.



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

OPERATIONS

NRC Group is a fully integrated infrastructure contractor operating in Norway, Sweden and Finland, with in-house capabilities to deliver complex projects. The Group offers a complete set of design-, construction-, maintenance- and environmental services for transport related infrastructure covering railroads; including train, metro and tram, harbours and roads. Additional markets served include groundworks, fibre, and water and wastewater.

NRC Group holds all necessary approvals to work within the train, tram/light-rail and metro segments, including installation approval of electrical installations. The Group has specialist capabilities across the entire spectre of rail services. In addition to railroads, this includes terminals and stations, and related infrastructure such as tunnels, bridges and crossings.

RAILROAD CONSTRUCTION WORK CAN BE DIVIDED INTO FIVE MAIN CATEGORIES:

Substructure: Substructure ensures stable tracks and railroads. The substructure is the foundation

of the railway track. It consists of the mass that the railway track is placed upon top, in addition to different technical constructions. Substructure includes groundwork, tunnels, bridges, culverts etc.

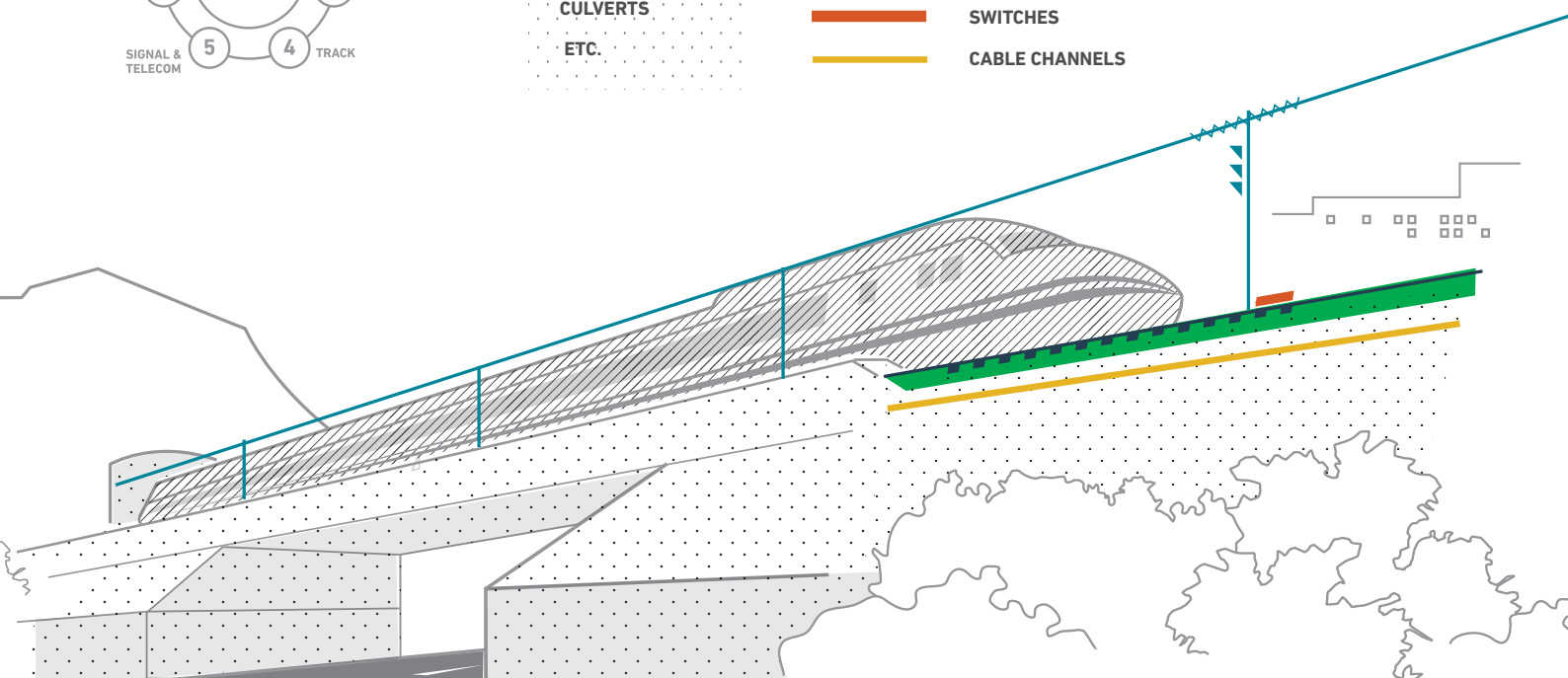
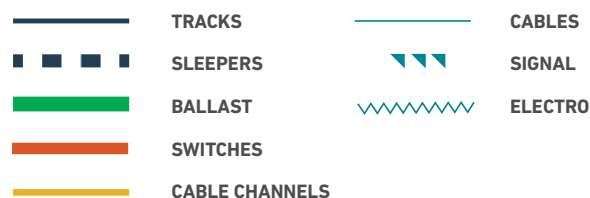
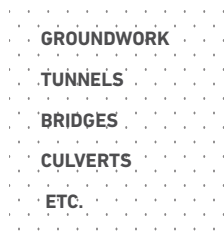
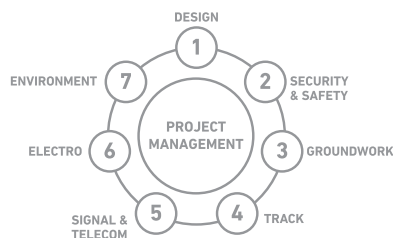
Superstructure: Superstructure ensures the interaction between the train and the track, and makes sure trains move safely, comfortably and fast at the same time. The superstructure consists of ballast, sleepers, rails, switches, cable channels, etc.

Signalling system: Ensures safety, speed and time management for trains on the move. Includes signalling systems.

Tele: Provides required telecommunication, including cables for fibre and telecom.

Power supply system: Secures continuous power transfer to the trains. Includes all electro and catenary.

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.



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.

Design: NRC Group provides multi-discipline engineering and consulting services for the whole railway life cycle including railway, electricity and signalling systems. Complete design services also offered for roads, streets and area planning projects.

Security and Safety: NRC Group may 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 are required for all work in the proximity of the catenary.

Groundwork: NRC Group delivers products and services covering the entire spectre of groundworks for the transport related infrastructure industry, including surveying, excavation, concrete works, carpentry, culvert, bridges and tunnels. The Group also provides specialist water and wastewater work relating to rail developments in urban areas.

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

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. The Group also provides specialist fibre services related to railways.

Electro: NRC Group is approved by the Norwegian Directorate for Civil Protection (DSB) and the Swedish Elsäkerhetsverket for engineering, building and maintenance of complete technical installations. This includes low and high voltage, catenary, and fibre installation.

Environment: NRC Group delivers services within decommissioning and waste logistics for both internal and external projects. In addition to the services described above, the Group offers services within railroad infrastructure such as stations, terminals and related infrastructure such as tunnels, bridges and crossings.



KEY PROJECTS – BUILDING TOMORROW'S INFRASTRUCTURE TODAY

NRC Group contributes to the construction and maintenance of transport related infrastructure, including rail-based systems, harbours and roads. By building sustainable infrastructure through environmentally conscious operations, NRC Group helps to promote greener, safer and more efficient transportation of people and goods.

Tramway: Storgata, Oslo

NRC Group is upgrading the tram line through Storgata in Oslo as part of a major city-wide tramway development programme. Project execution is focused on minimising environmental impact. NRC Group is utilising electric excavators and trucks, and other machinery is fuelled by biodiesel. The contract is valued at around NOK 360 million.

Start: November 2018
Completion: July 2021
Client: Oslo Kommune Bymiljøetaten

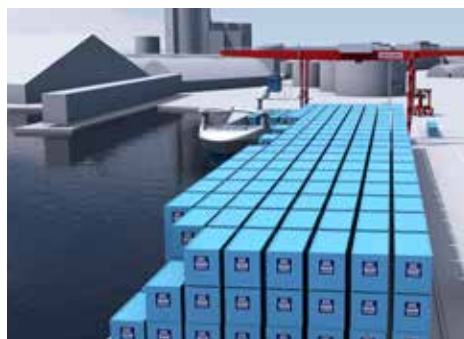


Photo©Bymiljøetaten

Port: Terminal for first autonomous container ship at Herøya, Norway

NRC Group will build the new terminal for Yara Birkeland, which is the world's first autonomous and zero-emission container vessel. Yara Birkeland will reduce NOx and CO2 emissions and improve road safety in a densely populated urban area in Norway. The contract is valued at NOK 92 million.

Start: November 2018
Completion: November 2019
Client: Yara Norge AS



Photo©Yara International ASA

Railway: Alingsås Station, Sweden

In 2018, NRC Group completed a project announced at SEK 172 to extend the turn-track at Alingsås station to reduce traffic disturbances and increase peak capacity on Västra Stambanan, the main railway between Stockholm and Gothenburg. The development included construction of a new passenger platform, a railway bridge and an underground passage-way for pedestrians and bikers. The project involved rail services such as groundwork, track, electro and signal/telecom.

Start: Q3 2017
Completion: Q1 2019
Client: Trafikverket



Light rail: Tampere, Finland

NRC Group oversees design and construction of a new light rail line in Finland's second biggest city between the city centre, Hervanta and Tampere University Hospital. The line will increase public transport capacity in some of the fastest growing areas of the city and provide a safe, environmentally friendly and easy-to-use connection between residential areas and work places, educational establishments, the railway station and the University Hospital and retail districts. Work includes construction of the light rail line and stations, groundworks, depot construction, power supply, bridges and all technical systems.

The project is conducted in two phases: The first phase (285 MEUR) is under construction and will be completed in 2021. The second part (~80 MEUR) is under design and the construction works are due to begin in 2021 and completed in 2024.

The light rail project is executed in alliance model, where NRC Finland works with two other Finnish infrastructure companies. The decision regarding the construction of the phase 2 will be done by the customer after the development phase has completed. NRC's share of the budget is about 50%.








Photo©Tampereen kaupunki & Idis design

Start: 2015
Completion: 2024
Client: Tampere Tramway Ltd (City of Tampere)

MARKET

NRC Group addresses a growing market for specialist infrastructure services. Population growth, urbanisation and the need for environmentally friendly and efficient transport solutions are strong macro- and socio-economic factors driving this development. In addition, there is significant and growing maintenance deficit in the public railroad, tramway and metro systems following years of underinvestment.

KEY MARKET FIGURES		SWEDEN	NORWAY	FINLAND
	Installed railway	12,000 km	4,200 km	6,000 km
	Annual railway passenger journeys	219 million	74 million	86 million
	Annual railway freight volume (tons)	68 million	33 million	36 million
	Maintenance backlog* (NOK)	18 billion	19 billion	11 billion
	Employees approximately	600	400	1,450

The main customers are national transport authorities on a state, regional and municipal level. The national agencies for railway services; Bane NOR in Norway, Trafikverket in Sweden and the Finnish Transport Agency in Finland are NRC Group's largest clients. Increased light rail and metro development activities have in recent years increased the relative importance of municipalities. Additionally, there are also some private clients within industry, logistics and natural resources.

The market development is largely a function of annual budget allowances to rail-based and other transport infrastructure in the national budgets and at a municipal level in the larger cities such as Stockholm and Gothenburg in Sweden, Oslo and Bergen in Norway, and Tampere and Helsinki in Finland.

The Governments of Norway and Sweden develop their transportation systems according to long-term National Transport Plans (NTP), which are updated and approved by Parliament every fourth year. In Finland, the framework for rail infrastructure spending currently is set by parliament over four-year periods. However, preparatory work has been initiated to develop 12-year NTPs as in Norway and Sweden.

According to the most recent Norwegian NTP approved in 2017, the Norwegian Government plans railway investments of NOK 330 billion for the 12-year period 2018 - 2029. This represents a historical step-up in railway infrastructure investments and includes major projects like the Inter-City development in the greater Oslo area. 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% from 2018.

Proposed spending on investment, maintenance and renewal lag are behind average levels outlined in the 2018-29 National Transport Plan (NTP) for a second consecutive year and the maintenance backlog is increasing. These factors indicate continued growth in railway infrastructure investments and activity.

In Sweden, the Government approved a new NTP in June 2018, 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 (2018-2029) compared to the previous NTP. The market in Sweden was weaker than expected in 2018, with an estimated decline in investments of 12% compared to 2017. The Swedish national budget was approved in December and shows SEK 11.4 billion in new investments, an increase of 26% from 2018, and maintenance investments of SEK 9.3 billion, an increase of 6% from the year before.

In Finland, the rail and light rail (tram) infrastructure market is forecasted to grow by 8% in average per year up to 2022 driven by investments in light rail developments.

The Norwegian and Swedish NTPs confirm broad political commitment to increase spending on developing, maintaining and modernising railroad, tramways and metro lines in the cities, as well as improving roads and other key components of the national transport infrastructure. While, Finland currently has shorter planning cycles, the same underlying factors support long-term growth in infrastructure investments and maintenance as in Norway and Sweden.

The public aspect of transport 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.

Several significant development and upgrade projects are underway in Norway, Sweden and Finland which have been approved nationally and locally.

In Norway, several large rail development projects are planned or underway including the Intercity development to improve connectivity between the major cities in the populous areas surrounding Oslo. Other major regional projects are also identified in the NTP around the cities of Trondheim, Bergen and Stavanger and for various rail lines such as Sørlandsbanen, Kongsvingerbanen and Gjøviksbanen. In Sweden, a major upgrade programme is underway on the Stockholm-Gothenburg railway link, and several investment projects are planned in the south of Sweden and around Stockholm.

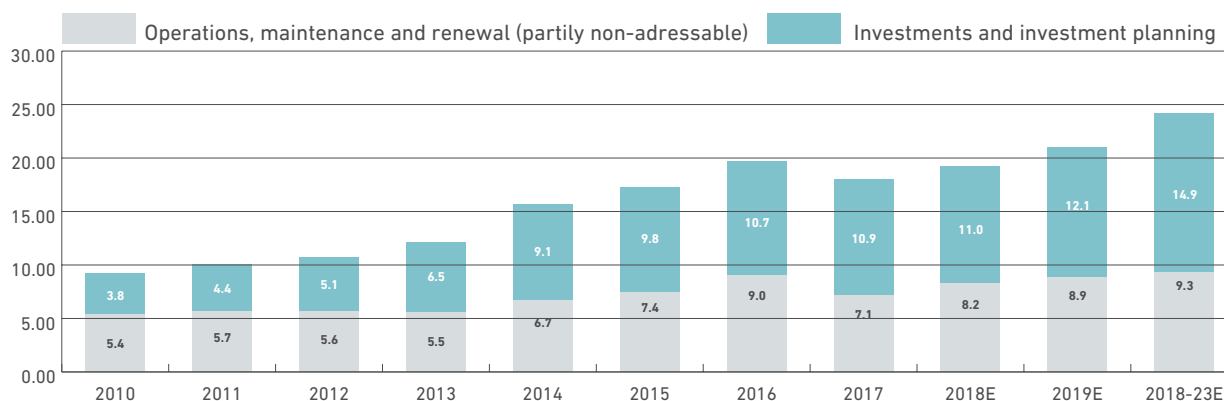
Additionally, in Norway, significant investments will be made for new, and already planned for, major upgrades and maintenance projects on the Oslo and Akershus county tram- and metro system. Similarly, in Sweden, a more than SEK 30 billion metro line development is progressing in Stockholm and several tram upgrade projects are planned in Gothenburg.

Growth in the Finnish rail construction market is driven by large light-rail projects and several such developments are in various stages of planning. NRC Group already holds a lead role in the consortium building a light rail system in Tampere and is an alliance partner for other projects nearing approval.

The NTPs and local plans for investments in transport related infrastructure in Norway, Sweden and Finland support expectations for continued long-term growth in NRC Group's core markets.

LONG-TERM RAILWAY SPENDING DEVELOPMENT - NORWAY*

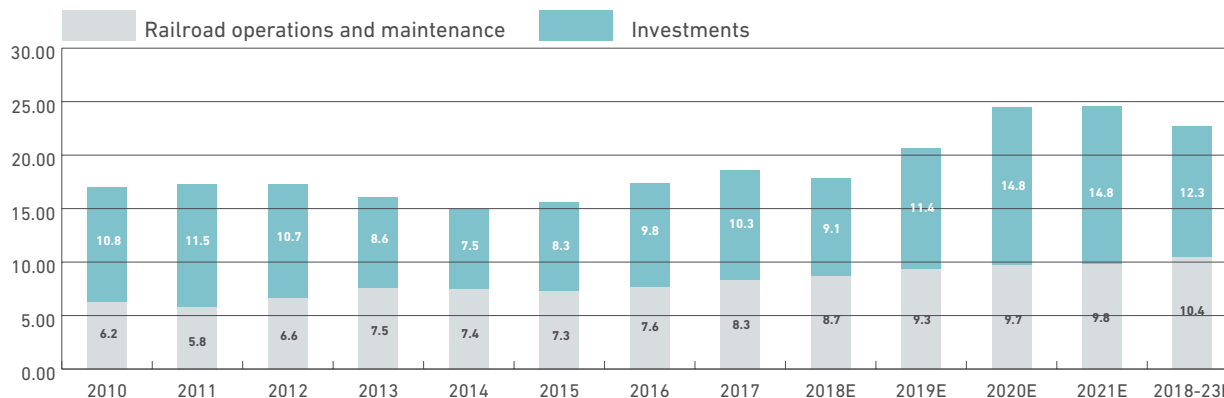
NOK billion per year



*)Sources: The Norwegian national budget, national accounts and most recent NTP

LONG-TERM RAILWAY SPENDING DEVELOPMENT - SWEDEN**

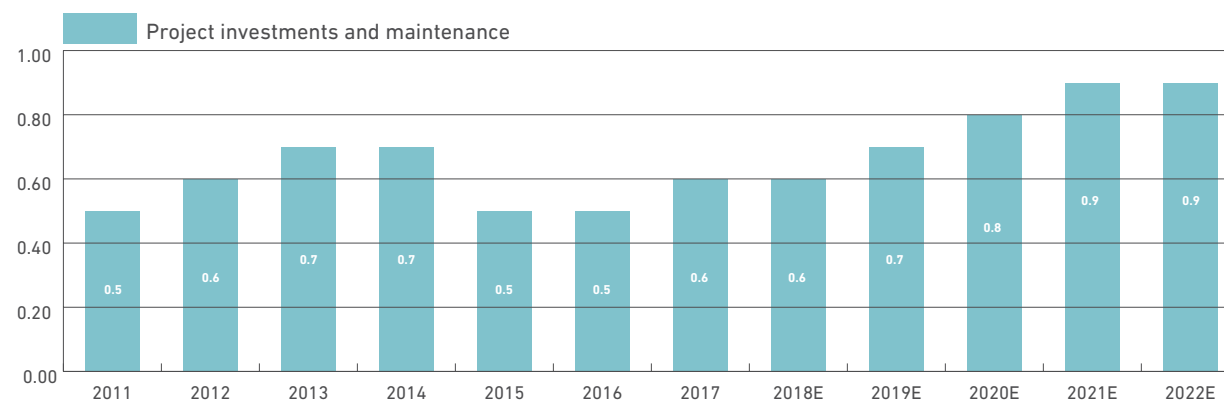
SEK billion per year



**)Sources: 2010-2021E Swedish national budget & accounts: Investment plan for Trafikverket and Maintenance of State transport infrastructure, 2018-23 NTP annual averages. Investments based on named projects exceeding SEK 100 million each

LONG-TERM RAILWAY SPENDING DEVELOPMENT - FINLAND***

EUR billion per year



***)Source: Finnish Transportation Agency, NRC Group estimates

MANAGEMENT TEAM

ØIVIND HORPESTAD, CEO NRC GROUP ASA

Øivind Horpestad has more than 11 years' experience in management, leadership and business development from the railway industry. Horpestad is one of the original founders of NRC Group, and has previously held positions within Team Bane, VRS Rail AS and Coast Capital.

DAG FLADBY, CFO NRC GROUP ASA

Dag Fladby has a broad managerial background from different industries, including CEO and CFO with Scandinavian Beverage Group, Investment Director with Norwegian Property ASA, CFO at Holta Invest and Finance Director with the Norwegian Armed Forces Logistical Organisation (FLO).

HANS OLAV STORKÅS, MANAGING DIRECTOR OF NRC NORWAY

Hans Olav Storkås has more than 25 years' experience from the construction industry. He has held leading positions as Director in AF Gruppen and Lemminkäinen. In addition, Storkås founded a construction company that was sold to Lemminkäinen. Storkås holds a Master of Civil Engineering Degree (NTH 1989).

LARS ÖHMAN, MANAGING DIRECTOR OF NRC SWEDEN

Lars Öhman has more than five years of experience within the railway sector, most recently as managing director of NRC Underhåll AB and at Infranord AB. He has held management positions at Heidelberg Cement AG and NCC AB. Öhman holds a Master of Civil Engineering Degree (KTH 1981).

HARRI LUKKARINEN, MANAGING DIRECTOR OF NRC FINLAND

Rolf Lukkarinen has more than 20 years of railway industry experience. He has been CEO of VR Track Oy and director for infrastructure projects at CMC Terasto Oy which was part of Pöyry Group. He has also served as a management team member of VR Group. Lukkarinen has been Managing Director of NRC Finland since January 2019.





Creating the largest rail infrastructure company in the Nordic region

Acquiring VR Group was a natural extension to NRC Group's strategy of consolidating the fragmented Nordic market for railway- and related infrastructure services.

The acquisition makes NRC Group the leading Nordic rail infrastructure company with significant operations across the value chain from design and planning to construction and maintenance.

Growth, both organically and by acquisitions, is an integrated part of the group strategy.

Environment and sustainability

The environment and sustainable operations have had high priority in NRC Group since inception.

The acquisitions of NSS Holding and Gunnar Knutsen in 2018 have provided competence and capacity to provide a full range of services in decommissioning, remediation and waste logistics, and strengthened the competitive position in Norway.

The ambition for 2019 is to further develop competencies and procedures for sustainable operations and strengthen the group's competitiveness for building green infrastructure for the future.

Setting new records!

Positive underlying market fundamentals and consolidation continued to drive growth at NRC Group, leading to record revenue of NOK 3.18 billion in 2018, an increase of 34% from 2017. At the end of the year the group had 879 employees.

At the start of 2019, NRC Group expanded even further with the inclusion of VR Track bringing the total organisation to a record 2,450 employees across Norway, Sweden and Finland, all engaged in construction and maintenance of sustainable transport systems for the future.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Access to sustainable and well-developed infrastructure solutions is increasingly important as the Nordic population grows and rapidly becomes urbanised. NRC Group contributes to the construction and maintenance of transport related infrastructure, including rail-based systems, harbours and roads, which all are critical components for modern and developing societies. By building sustainable infrastructure in an environmentally conscious manner, we help make a difference through greener, safer and more efficient transportation of people and goods.

As a group, we believe that responsible and ethical behaviour is a prerequisite for a sustainable and long-term profitable business. This goes beyond compliance and regulation, reflecting good citizenship and an ambition to create long-term value for all our stakeholders. By providing safe and meaningful jobs, we create value for our employees, and by effective and profitable project execution we create value for our customers and shareholders. We also recognise our responsibility of taking care of our environment by always seeking to minimize the environmental impact from day to day operations. This way we lay the foundations for prosperity - both today and for future generations.

We say we build the nation - because it means something to all of us.

FOCUS AREAS AND TARGETS

We have identified drivers and risks that have a material impact on long-term value creation for our business. These form the foundation and focus areas for our sustainability strategy, reporting and related measurement. We have emphasised the long-term commercial, social and environmental impact of NRC Group's efforts and the significance of these drivers and risk factors for our main stakeholders. Our relevant stakeholder group is defined to include our employees, customers, suppliers, investors, local communities and the society at large. Additionally, we seek through our operations to contribute to the United Nations' Sustainable Development Goals.

The main drivers for our business are urbanisation, population growth, the need for environmentally sustainable transport solutions and significant and growing maintenance backlogs

in all our operating countries. Our main identified operational risks include potential accidents and harm to people; harmful spills to the external environment; ethical breaches in forms of bribery; violations of competition laws or misconduct in the supply chain; and the loss or lack of key employees to pursue successful projects. NRC Group works continuously with appropriate and effective risk management and to improve the framework for handling the various risk factors.

In 2018, our key priorities were to strengthen the internal health and safety work across the Group and implement corporate social responsibility (CSR) related policies developed in 2017 to all Group subsidiaries. We have increased our environmental focus by developing an environmental action plan with clear targets and activities to be completed and have built environmental competencies by hiring relevant people. We continued to execute on the Group acquisition strategy and added know-how and capabilities within environmental and sustainability services for the infrastructure industry and thereby broadened our capabilities as a turnkey contractor in the Nordic region.

Group-wide implementation of our environmental action plan and our ethical business conduct processes and policies will be a focus area for 2019 and the following years. We actively seek to develop our competencies and internal culture. We will also integrate the VR Track Oy organisation with the aim of identifying and adopting best practices across our operations in Norway, Sweden and Finland. Moreover, we will revise NRC Group's sustainability strategy, objectives and ethical guidelines to ensure our framework addresses our own and our stakeholders' expectations.

SUPPORT TO GLOBAL INITIATIVES

In addition to following Norwegian reporting requirements, NRC Group has chosen to endorse global initiatives and international guidelines such as the UN Global Compact, UN Sustainable Development Goals and the UN Declaration of Human Rights to promote sustainable development and long-term value creation through responsible business operations.







UN GLOBAL COMPACT

The UN Global Compact is based on ten principles in the areas of human rights, labour rights, the environment and anti-corruption. NRC Group considers the Global Compact as an important compass for companies to uphold their basic responsibilities to people and the planet, and to build a platform for long-term success.

Principle	Relevance for NRC Group	NRC Group activities 2018-2019
Human rights		
Support and respect protection of internationally proclaimed human rights.	NRC Group complies with all applicable laws and respects internationally recognised human rights.	NRC Group supports internationally recognised human rights and labour standards as defined by the International Labour Organization's (ILO) fundamental conventions and the UN Declaration of Human Rights by acting responsibly in all areas of its business.
Make sure business is not complicit in human rights abuses.	NRC Group does not trade with companies that are in any way involved in violations of human rights.	Some of NRC Group's contractors and business partners carry out extensive work on behalf of NRC Group and act as an extension of Group operations. These parties are expected to adhere to the content of the NRC Group Code of Conduct when working for the company.
Labour rights		
Uphold freedom of association and right to collective bargaining.	Through close collaboration with trade unions and employee representatives, all employees in NRC Group are entitled to freedom of association, including activities of worker representation.	NRC Group developed a multi-language information campaign in Norway during 2018, aiming to implement a unified employee representative system across the organisation in 2019.
Support elimination of all forms of forced and compulsory labour.	All employees are remunerated in accordance with national laws and trade unions. All new employees and sub-contractors are required to read and confirm compliance with NRC Group's ethical guidelines.	During 2018, NRC Group's ethical guidelines was included in all employment contracts.
Support effective abolition of child labour.	NRC Group does not use child labour in its projects and will reject to use any company (particularly transnational companies) that have goods and services chains that involve the financial exploitation of children.	NRC Group has not identified any suspected or actual cases of child labour in any of our projects or with any of our suppliers.
Eliminate discrimination in employment and occupation.	NRC Group shall have a working environment free from prejudice, discrimination, verbal abuse and persecution.	NRC Group has established an anonymous whistle-blower channel where any incidents may be reported. No such incidents were reported during 2018.
Environment		
Support a precautionary approach to environmental challenges.	NRC Group continuously works to minimise its environmental impact. NRC Group shall comply with the core principles in the environmental standard ISO 14001.	NRC Group requires that all projects are subject to risk analysis to map any potential environmental challenges prior to commencement. All employees participating in our project shall be informed about preventive measures and how to avoid, prevent and counteract environmentally damaging situations.
Undertake initiatives to promote greater environmental responsibility.	NRC Group has formulated environmental principles to promote greater environmental responsibility.	NRC Group has formulated an environmental action plan for 2019-2023, based on the key environmental principles.
Encourage the development and diffusion of environmentally friendly technologies.	NRC Group continuously work to find the best environmentally friendly solutions for executing our projects.	NRC Group has started to phase in environmentally friendly construction machines and equipment. NRC Group shall strive to choose the most environmentally friendly solutions in purchasing and production. In 2018, we acquired two electric excavators and multiple electrical vehicles to be used in Norway.
Anti-corruption		
Work against all forms of corruption.	NRC Group has zero tolerance for corruption and is a strong opponent of all kinds of bribery. NRC Group's Code of Conduct outlines our attitude towards corruption, price collusion and bribery.	NRC Group established routines for whistleblowing in 2018. No instances of corruption were identified during the year.

CONTRIBUTION TO UN'S SUSTAINABLE DEVELOPMENT GOALS

The UN Sustainable Development Goals (SDGs) were agreed by all 193 UN member states in 2015, and guide governments, civil society and the private sector in a collaborative effort for change towards sustainable development. NRC Group see the SDGs as important guidelines for our business, and the SDGs described below are those considered the most material, i.e. those where we as a group can have the greatest impact, but we also contribute to other SDGs. Here are examples of how these goals come into action through our daily operations:

UN Goal	UN definition	Examples on NRC Group's contribution
 5 GENDER EQUALITY	Ensure women have equal opportunities to participation and management positions at all decision-levels of political, economic and public life.	<ul style="list-style-type: none"> Gender equality is a Group priority Implementation of the SHE-index to measure group-wide gender distribution with the aim to develop and improve over time
 8 DECENT WORK AND ECONOMIC GROWTH	Create conditions that allow people to have quality jobs that stimulate the economy while not harming the environment.	<ul style="list-style-type: none"> Strong focus on health and safety across the Group, and developed HSE Handbook to make our common rules easily accessible to subcontractors, employees and temporary workers Offer an inclusive working environment with no tolerance for discrimination Provide trainee positions to inspire young people and offer diverse career opportunities
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Build resilient infrastructure, promote sustainable industrialisation and foster innovation.	<ul style="list-style-type: none"> Developing green and highly efficient public transportation infrastructure Providing solutions for proper landfill and waste disposal Continuous focus on innovation to improve project execution and reduce external impact of operations
 11 SUSTAINABLE CITIES AND COMMUNITIES	To make cities inclusive, safe, resilient and sustainable. With the number of people living within cities projected to rise to 5 billion people by 2030, it's important that efficient urban planning and management practices are in place to deal with the challenges brought by urbanization.	<ul style="list-style-type: none"> Targeting infrastructure projects with high sustainability impact, including railway, trams and metro lines, as well as road safety, harbour development and renovation Constant focus on site waste management and recycling, environmental decontamination and soil waste management
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Ensure sustainable consumption and production patterns, i.e. promoting resource and energy efficiency, sustainable infrastructure and providing access to basic services, green and decent jobs and better quality of life for all (doing more and better with less).	<ul style="list-style-type: none"> Prioritising use of environmentally friendly materials Established routines for responsible supply chain Use of electric excavators and other innovative and environmentally friendly machinery
 13 CLIMATE ACTION	Take urgent action to combat climate change and its impacts.	<ul style="list-style-type: none"> Able to execute complex, high-profile fossil-free construction projects such as the Storgata tram redevelopment in Oslo supported by unique competencies as turnkey entrepreneur Investing in innovative zero-emission equipment and machinery Optimising soil waste logistics with local solutions

OUR PEOPLE

At NRC Group, we recognise that our employees are the company's most important resource. The Group culture is built on values which are shared throughout the organisation; caring, credible and entrepreneurial. Good business practices, sound working conditions, openness, honesty and respect for other people form the basis for all operations.

WORKING CONDITIONS AND DIVERSITY, TALENT ATTRACTION AND RETENTION

Working conditions are well regulated in Norway, Sweden and Finland, and we work closely with employee representatives and trade unions to ensure a safe and good working environment for all employees. NRC Group supports internationally recognised human rights and labour standards as defined by the International Labour Organization's (ILO) fundamental conventions and the UN Declaration of Human Rights by acting responsibly in all areas of its business. We require subcontractors and partners to follow applicable laws and regulations.

NRC Group appreciate diversity and inclusion, and offers equal opportunities regardless of gender, age, sexual orientation, ethnicity, religion, political opinions or social background. During 2018, we grew by 260 new employees, and as at 31 December¹ we had 879 highly competent professionals (2017: 619), whereof 40% were employed in Sweden (2017: 54%) and 60% in Norway (2017:46%). In addition, temporary workers are hired on a project-basis.

NRC Group operates in a male-dominated industry, which is reflected in the Group's gender composition, particularly among skilled workers. Women represented 7.8% of the employees at the end of the year (2017: 7.8%). The four members of corporate management were all males. In Sweden we have worked to improve the gender balance; various regional initiatives have been made to encourage women to apply for vacant positions, including a pay gap analysis to ensure equal pay regardless of gender. When recruiting new employees, women are encouraged to apply. In Sweden, women represented 9.2% of the employees at the end of the year (2017: 7.2%).

In 2019, we will focus to improve the gender balance in all three countries. Our commitment to promoting gender equality is among other reflected by NRC Group joining the SHE Index, a biannual indicator that measures gender balance

in management and workforce as well as the existence of policies promoting gender equality of Norway's largest companies with aim of motivating companies to work on improving the leadership gender gap.

In 2018, two of the five shareholder-elected Board members were women (two out of four). As of the beginning of 2019, three of seven shareholder-elected Board members are women. The Board of Directors will continue its efforts to ensure the Group is compliant with requirements involving equal opportunities at any given time.

NRC Group considers competence and knowledge development as important factors for building a shared company culture, as well as to attract and retain employees. We believe that by investing in our employees we achieve a more skilled, loyal and efficient work force. Their passion, dedication and expertise are essential for delivering high quality projects. In addition to practical training, NRC Group has, among other, a separate management development programme in Norway. The programme is founded on the Group values, ethical guidelines and profitability targets and focus on developing leadership expertise and how to strengthen the company culture, and thereunder HSE. To stimulate internal communication, the company's intranet is actively used across the Group.

NRC Group seeks to offer competitive remuneration to all employees, reflecting their education, experience and professional qualifications. The company has implemented a share programme for all employees to promote long-term engagement and involvement, and participation in the Company's value creation. Through the share programme, all employees are given an opportunity to buy a certain number of shares at a discount of 20% to the current market price. The 2018 programme was postponed to the first quarter of 2019 to include employees from the newly acquired VR Track and thereby give all employees the same opportunity to participate. In 2018, NRC Group also established a share option programme for employees in management positions to motivate, attract and retain key individuals with the desired competence.

¹ Following the acquisition of VR Track Oy on 7 January 2019, NRC Group had approximately 2,450 employees.

FUTURE PRIORITIES

NRC Group will work to improve the group-wide gender balance at all levels in the organisation. The participation in SHE-index provides transparency on key factors such as gender composition at leadership level, remuneration and requirement. These form basis for actions to reduce the gender gap across the organisation by ensuring equal treatment of men and women related to recruitment, career development and pay.

SAFE WORKPLACE AND HEALTHY EMPLOYEES

NRC Group aims to provide a safe and secure working environment for all employees and subcontractors, and the Group's primary goal is to have zero injuries. A continuous effort is made to prevent injuries and illness among staff, and our working environment shall be characterised by job satisfaction and a sense of inclusion for everyone. Quality management is an integrated part of our operations. NRC Groups policies on HSE and quality are available from the Company's website.

The Group continuously carries out preventive measures to improve the working environment, including risk analysis, planning, training and safety inspections. If an undesired incident occurs, it is registered and investigated to determine the underlying cause and establish preventive measures. Lessons learned sheets are made for the most serious incidents and are shared across the Group to avoid similar incidents to happen again.

We have organised all projects with a separate contingency plan, to minimise serious incidents and ensure all incidents are handled professionally. By focusing on uniform and effective work methods and processes, we ensure the expected level of quality is met. We facilitate clarification and shared understanding of roles and responsibilities and support continuous improvement throughout the business. We also require our subcontractors and partners to meet the same standards as NRC Group. For each project, a separate project plan is required including measures to avoid contractual errors, prevent environmental damages and to minimise work-related injuries.

NRC GROUP'S ANNUAL HSE WEEK

Health and safety have top priority at NRC Group, and our primary goal is that everyone who works for us comes home safe and sound. During the first week of January 2019, we conducted our first HSE-week for all employees in Norway. This will be an annual event going forward.

Key topics were critical work operations, human-machine interface, electricity and voltage, and use of eye protectors. The key messages were presented to all employees as part of building a solid and unified HSE-culture through various activities including training, inspections and videos at all construction sites and office premises. In addition, Ahlsell, our supplier of protective equipment, participated and demonstrated various equipment and its proper use.

During 2018, NRC Group developed Health, Safety and Environment (HSE) guidelines to establish a joint set of rules for safety work across the Group and for subcontractors that work on our projects. With acquisitions of several companies in recent years, we have considered it imperative to establish one group-wide HSE-culture from the same set of guidelines, rules and procedures. Another initiative was to increase capacity and competence of our HSEQ engineering staff through recruitment and internal training.



Carey – our HSE Mascot

As part of our HSE culture-building and internal and external communication, we have designed a mascot that can be used as a visual profile for our work with health, working environment, safety and the external environment. The mascot is called Carey and is to be associated with the word "care" which is one of our core values; "caring".

The idea for the mascot is to provide a friendly reminder to follow our common rules for health, working environment, safety and external environment.

Carey may be used for internal or external HSE communications.



"Guide"



"Stop"

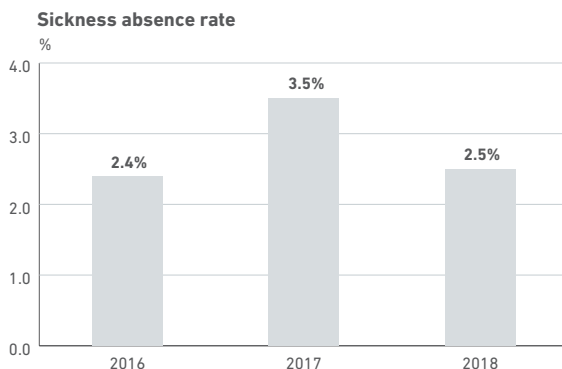


"Environment"



SICKNESS ABSENCE

Absence due to illness may be considered an indicator of the state of the working environment. We work continuously to ensure that all employees experience job satisfaction and wellbeing, targeting zero sickness related to their work at NRC Group. In 2018, we established new routines for closer follow-up of employees on sick leave and making necessary adaptations to facilitate their prompt return to work. The average sickness absence rate including injury related absence was 2.52% in 2018 (3.5%). This is considered a normal level and below industry average.



In 2017, NRC Group started to measure the Group LTI frequency which is considered the most important KPI for safety work. The LTI-1 frequency is defined as the number of injuries resulting in absence per million man-hours. For 2018, the LTI-1 frequency decreased to 4.95 from 5.61 in 2017. Subcontractors are included in the figures. The Group immediately registers, handles and follows up on all unwanted incidents to learn from them. Preventive measures are then taken to avoid unwanted incidents to be repeated and lessons learned are shared throughout the Group. A total of 4 serious injuries were reported for the year (3). There were no fatal incidents in 2018.

FUTURE PRIORITIES

We will continue to follow up the implementation of our common rules for health, working environment and safety and external environment and ensure that all new members of the Group adhere to these rules and procedures for safety work and takes part in our HSE culture. We will further work towards ISO 45001 Occupational health and safety, ISO 9001 Quality management and ISO 14001 Environmental management certifications for all business units in the Group.

ETHICAL BUSINESS CONDUCT

NRC Group will conduct its business to the highest ethical standards, promoting values such as integrity, credibility and openness. We take a zero-tolerance stance to bribery and corruption, and it is mandatory to comply with regional, national and international rules, laws and conventions. To be a successful company we must assume responsibility for our impact on the environment and the society at large. Profitable growth and short-term priorities must be balanced with the interests of our stakeholders. Our business ethics policy is available from our website.

In general, the construction industry involves an inherent risk of bribery, competition law violations and misconduct in the supply chain of subcontractors. Following a comprehensive compliance and corporate governance review during 2016 and 2017, NRC Group implemented a tailor-made compliance programme in 2017. A code of conduct was prepared with special attention to priority areas such as anti-corruption and anti-bribery, fair competition and supply chain integrity, and routines and systems for whistleblowing were established, in accordance with the Working Environment Act. The compliance project also included a new corporate governance policy and a revision of related governance documents.

The key features of our code of conduct and whistle-blowing system have been communicated to all Group employees to strengthen internal awareness about NRC Group's policy on business ethics. All policies and guidelines are available on our intranet. Workshops and training have been conducted with all managers in Norway and Sweden to prepare them for handling potential conflict situations, including how to identify and act in relation to attempts of corruption such as being offered private services and kickbacks.

In 2018, NRC Group conducted an updated and in-depth risk analysis of all companies acquired during 2017 and 2018. Based on the findings, an action plan was formulated to implement adequate mitigating measures and initiatives. Separate workshops with the management teams from the various business areas in Norway and Sweden were arranged with an external compliance expert, discussing corruption and other relevant risk factors related to NRC Group's operations and ethical business conduct. Best practice risk management and legislation on bribery and corporate criminal liability under Norwegian and Swedish law were also addressed.

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 of Directors

and management are not aware of any violations to this respect.

FUTURE PRIORITIES

Going forward, NRC Group will continue to implement the policies and procedures across the business operations and create awareness among all employees through training, systematic communication and compliance programme testing (e-learning) to ensure high ethical standards throughout our business activities. We will ensure that the required resources are dedicated to the process, and the efficiency of our policies and procedures will be monitored and evaluated on a continuous basis.

THE ENVIRONMENT

NRC Group seeks to contribute to safeguarding the world for future generations. We continuously work to minimise our impact on the environment, and activities are carried out in accordance with applicable laws, regulations, standards and other environmental requirements. We recognise that while we construct effective and environmentally friendly transport solutions, our operations may have a negative impact on the external environment in the form of emissions, noise, dust, vibration, fluid discharges and other environmental effects. Activities may also entail intrusion on and changes to landscape and nature. NRC Group has established a group-wide environmental policy to ensure that our main principles are available and known for all our employees and stakeholders. NRC Group's environmental policy is available from our website.

In accordance with ISO 14001, internal guidelines and procedures shall ensure focus on the environment throughout the entire project lifetime.

OUR MOST IMPORTANT ENVIRONMENTAL PRINCIPLES

- All leaders shall promote environmental consciousness across the organisation and all employees are required to assume responsibility for the climate, environment and society
- We shall work systematically to reduce our greenhouse gas emissions and waste
- We shall seek to choose the most environmentally friendly solutions in purchasing and production

The use of environmentally-friendly alternatives for job execution shall always be considered, for example emissions-free machinery for both groundwork and construction work, transport logistics, use of materials etc. All of our projects shall be organised using a preparedness system, so that the consequences are reduced if negative environmental impact should occur.

The majority of NRC Group's energy consumption and emissions are related to machines and transport. In 2018 we formulated an environmental action plan for 2019-2023, building on the Group's key environmental principles. The action plan includes sub-goals and activities to reduce emissions from machinery and transport used in the construction industry and by internal transport and minimise waste by careful project planning, sorting and recycling. Sustainable procurement is also a priority and we will continue with strengthening our expertise in this field. We are also looking into alternative and more environmentally friendly machinery and equipment and have ordered two electric excavators to be delivered in the first quarter of 2019.

Driven by increasing environmental regulations, requirements and expectations, NRC Group acquired two new companies specialising within environmental services in 2018. Adding competence and capacity within demolition and environmental remediation, construction waste logistics and environmental consultancy, we can provide a full range of services from planning and project management to the actual physical work of decommissioning, remediation and moving

debris and loose masses to sorting for deposit or recycling. We continuously seek to improve our internal environmental expertise to meet current and future needs.

FUTURE PRIORITIES

Moving into 2019 we will commence the implementation of the environmental action plan, which is expected to be completed by 2023. Part of the plan includes to define selected KPIs and related targets, to measure performance going forward.

SPONSORSHIPS AND COMMUNITY ENGAGEMENT

We want to be a positive contributor to the local communities where we operate, and the company provides sponsorships and economical support to selected projects.

In 2018, NRC Group sponsored several children- and youth sport clubs and were involved in charity such as handing out clothes to homeless children during the annual visit to the Liv og Lys orphanage in Bucharest, Romania.

In a more commercial setting, NRC Group is the main sponsor of a few sports clubs such as IFK Göteborg and Vålerenga Fotball in what historically has a connection with the main local communities of NRC Group.

Sustainability key figures	2018	2017
Our people		
Number of employees		
Group total	879	619
Norway/ Sweden	60%/40%	46%/54%
Gender split (female/male)		
Group total	7.80%	7.80%
Group senior management	0/100%	0/100%
Board of Directors	40%/60%	50%/50%
Health and safety		
Sickness absence rate	2.50%	3.50%
LTI-1 rate ²	4.95	5.61
Ethical business conduct		
Reported incidents (whistleblowing)	0	0
The Environment		
Harmful spills	0	-

² Subcontractors are included when measuring LTI-1 frequency for 2018

CORPORATE GOVERNANCE REPORT

1. CORPORATE GOVERNANCE IN NRC GROUP ASA

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 management, the Board of Directors and shareholders. The Company's framework for corporate governance is intended to decrease business risk, maximise value and utilise the Company's resources in an efficient, sustainable manner, to the benefit of shareholders, employees and society at large.

CORPORATE GOVERNANCE FRAMEWORK AND REPORTING

The Company seeks to comply with the Norwegian Code of Practice for Corporate Governance (the "**Code of Practice**"), last revised on 17 October 2018, which is available at the Norwegian Corporate Governance Committee's web site - www.nues.no. Application of the Code of Practice is based on the "comply or explain" principle, which stipulates that any deviations from the code, should be explained.

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 Company's corporate governance framework is subject to annual reviews and discussions by the Board of Directors.

In accordance with reporting requirements for stock exchange listed companies, the Board of Directors prepares a report on the Company's corporate governance practices and how NRC Group has complied with the Code of Practice in the preceding year. This report is included in the annual report. In the Company's own assessment, NRC Group did not deviate from any sections of the Code of Practice at year-end 2018.

The following sections provides a discussion of the Company's corporate governance in relation to each section of the Code of Practice.

2. BUSINESS

The Company's business is defined in the Company's articles of association section 2:

"The Company's business is investment in, and operational management of, companies that provides

services within transportation and infrastructure related work".

The Board of Directors has established objectives, strategies and risk profile for the business within the scope of the definition of its business, to create value for its shareholders. The Company's objectives, strategies and risk profile are subject to annual review by the Board. The Company's objectives and principal strategies are further described in the Company's annual reports and the Company's website www.nrcgroup.com.

NRC Group has adopted various policies providing business practice guidance within several key areas such as HSE, quality, the environment, 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, Sweden and Finland are conducted in accordance with applicable internal and external regulatory framework, and how these relate to value creation by the Company.

3. EQUITY AND DIVIDENDS

EQUITY AND CAPITAL STRUCTURE

At 31 December 2018, the Company's consolidated equity was NOK 1,442 million, which is equivalent to 49% of total assets, and a debt-to-equity ratio of 1.04. The Board of Directors considers the current capital structure to be satisfactory in relation to the Company's objectives, strategy and risk profile.

DIVIDEND POLICY

NRC Group 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 adopted 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 (AGM) resolves the annual dividend, based on the proposal by the Board of Directors. Based on the 2018 results, the significant growth and the acquisition of VR Track, the Board of Directors will not propose a dividend for 2018. Normalised dividend distribution is expected from fiscal year 2019. NRC Group paid a dividend of NOK 1.75 per share for 2017, corresponding to a dividend pay-out ratio of 47%.

SHARE CAPITAL INCREASES AGAINST NEW ISSUANCE OF SHARES

At the Company's AGM on 19 April 2018, a general authorisation was granted for the Board of Directors to issue shares and to increase the share capital by a maximum of NOK 8,465,568. The authorisation is valid until the AGM in the spring of 2019, but no later than 30 June 2019. At 31 December 2018, NOK 1,698,422 were utilised.

At the Company's Extraordinary General Meeting (EGM) on 5 November 2018, an authorisation was granted for the Board of Directors to issue shares and to increase the share capital up to NOK 9,877,953 by issuance of new shares as consideration for the purchase of all shares in VR Track Oy. The authorisation was used, and new shares issued as partial consideration for VR Track Oy, in connection with the settlement of the transaction 7 January 2019.

SENIOR MANAGEMENT SHARE OPTION PLAN

On 12 May 2016, the Company's AGM approved implementation of an option programme for senior management comprising an aggregate of 600,000 share options over two years. The Company's AGM on 3 May 2017 increased the share option programme to comprise an aggregate of 900,000 share options over two years. At 31 December 2018, a total 394,157 share options have been granted and are outstanding.

SHARE OPTION PROGRAMME FOR KEY EMPLOYEES

At the Company's AGM on 19 April 2018, an authorisation was granted for the Board of Directors to issue shares and to increase the share capital up to NOK 400,000 in connection with option programme for key employees. The authorisation is valid until 19 April 2020. At 31 December 2018, a total of 238,000 share options have been granted to key employees under the existing authorisation.

PURCHASE OF OWN SHARES

At the Company's AGM on 19 April 2018, an authorisation was granted to the Board of Directors to acquire own shares in NRC Group ASA for a maximum of NOK 4,232,784, calculated based on the shares' nominal value. The authorisation applies from registration and up until the AGM in the spring of 2019, but no later than 30 June 2019. The Company has not utilized the authorisation in 2018. In 2018, NRC Group transferred 405,000 treasury shares as part settlement for an acquisition. At 31 December 2018, the Company held 372 treasury shares.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

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. In 2018, NRC Group issued consideration shares as settlement for two acquisitions, where the shareholders pre-emption rights were set aside by existing board authorisations. For details, see stock exchange releases from 2018.

TRADING IN OWN SHARES

In the event of a share buy-back programme, 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 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. If there is limited liquidity in the Company's shares, the Company shall consider other ways to ensure equal treatment of all shareholders.

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 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. There were no significant transactions with close associates in 2018. For information regarding related party transactions, see Note 27 in the annual report.

5. FREELY NEGOTIABLE SHARES

NRC Group has one class of shares and all shares carry equal voting rights. The shares of the Company are freely transferable. There are no restrictions on owning, trading or voting for shares pursuant to the Company's 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 Meeting, thereby making the General Meeting an effective forum for the views of shareholders and the Board of Directors. EGM can be called by the Board of Directors if deemed necessary or be requested by the Company's auditor or shareholders representing at least 5% of the Company's share capital.

NOTIFICATION

The Board of Directors will ensure that the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific to allow shareholders to form a view on

all matters to be considered at the meeting and that any deadline for shareholders to give notice of their intention to attend is set as close to the date of the meeting as possible.

PARTICIPATION AND EXECUTION

As a general rule, the Board of Directors and the chairman of the nomination committee shall be present at General Meetings. The auditor will attend the AGM and any EGM to the extent required by the agenda items or other relevant circumstances.

While the chairman of the Board normally will chair the General Meeting, the Board of Directors will ensure that the General Meeting also is able to appoint an independent chairman.

Shareholders can vote on each individual matter, including on each individual candidate nominated for election. Shareholders unable to attend may vote by proxy. The Company will 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.

In 2018, NRC Group held its AGM on 19 April, and held one EGM on 5 November.



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 of Directors and management of the Company. The General Meeting stipulates the guidelines for the duties of the committee and elects its chair and members for a term of two years. The General Meeting also determines the committees' remuneration.

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. Each proposal shall be justified on an individual basis. All shareholders are entitled to nominate candidates to the Board of Directors, and information on how to propose candidates can be found on the Company's website.

At 31 December 2018, the nomination committee consisted of the following three members: Kristian Lundkvist (committee leader), Albert Collett and Vegar Urnes. The members were elected by the General Meeting with a term until the Company's AGM in 2020. 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. At 31 December 2018, the Board of Directors consisted of the following five members: Helge Midttun, Brita Eilertsen, Kjersti Kanne, Harald Arnet and Mats Williamson. The chairman of the board has been elected by the General Meeting. The members of the Board of Directors are elected for a term of two years at a time and may be re-elected.

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

The Company's annual report and the website provides information to illustrate the expertise of the members of the Board of Directors.

The EGM held 5 November 2018 elected Rolf Jansson (President and CEO of VR Group) and Eva Nygren (independent) as new members to the Board of Directors conditional upon and effective from the time of completion of the Company's acquisition of all shares in VR Track Oy. The acquisition was completed 7 January 2019.

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 executive 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 chief executive officer shall at least once a month, by attendance or in writing, inform the

Name	Role	Considered independent	Served since	Term expires	Participation Board Meetings 2018	Shares in NRC (direct/ indirect)
Helge Midttun	Chairman	Yes	02.12.2015	AGM 2019	100%	105,000
Brita Eilertsen	Board member	Yes	28.05.2015	AGM 2019	88%	
Harald Arnet	Board member	No	11.08.2015	AGM 2019	100%	5,200,000 ¹
Kjersti Kanne	Board member	Yes	27.09.2015	AGM 2019	100%	1,500
Mats Williamson	Board member	Yes	01.07.2018	AGM 2020	100%	

¹ Mr. Arnet is the general manager of Datum AS, holding 5,100,000 shares and additionally the owner of Hato Invest AS, holding 100,000 shares.

Board of Directors about the Company's activities, position and profit trend.

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 by the Company.

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. At 31 December 2018, the audit committee consisted of the following two Board members: Harald Arnet and Brita Eilertsen.

The main 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 other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The audit committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

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. At 31 December 2018, the remuneration committee consisted of the following two members: Helge Midttun and Kjersti Kanne.

The primary purpose of the remuneration committee is to assist and facilitate the decision-making of the Board of Directors in matters related to the remuneration of the executive management of the Group, review recruitment policies, career planning and management development plans, and prepare matters relating to other material employment issues with respect to the executive management. The remuneration committee reports and makes recommendations to the Board of Directors, but the Board of Directors retains responsibility for implementing such recommendations.

PROJECT COMMITTEE

The Board of Directors has established a project committee for larger projects composed of two Board members. At 31 December 2018, the project committee consisted of the following members: Helge Midttun and Mats Williamson.

The main purpose of the project committee is to assist and evaluate the risk in tender offerings with total value exceeding NOK 150 million. The committee shall assess whether the Group has made necessary work in connection with tender offerings to eliminate risk and ensure good project execution prior to submission. Further, the committee assesses whether the project is coherent with the strategies and frameworks the Board of Directors has decided that NRC Group shall work within.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors shall on an ongoing basis assess the Company's risks. Each year, as a minimum, the Board of Directors will undertake a thorough assessment of the significant parts of the Group's business and outlook, 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. The annual review will be carried out together with the Board of Directors' review of the annual accounts, and the Company's auditor is expected to attend this meeting.

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

The Board of Directors has established policies and procedures to address risks related to NRC Group's activities and to ensure that these also incorporates considerations related to integrating stakeholders in relation to the Company's value creation. 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 policies and procedures are based on a thorough risk analysis of NRC Group's subsidiaries in Norway and Sweden which lead to a tailor-made compliance programme targeting specific risks pertaining to each subsidiary. The relevant policies and procedures have been prepared in both Norwegian and Swedish language.

NRC Group recently performed in-depth risk-analysis of all companies acquired in 2017 and 2018. Furthermore, an action-plan to implement adequate risk-mitigating measures was outlined and various initiatives and actions were executed in 2018. An external compliance expert arranged separate workshops with the regional management teams for Norway and Sweden. The agenda included discussions on corruption and other relevant compliance risks pertaining to the businesses of NRC Group. Best practice risk management and legislation on bribery and corporate criminal liability under Norwegian and Swedish law were also addressed.

The implementation will continue in 2019 focused on operationalising the policies and procedures within the organisation's business operations and to create awareness among the employees through training, systematic communication and compliance programme testing. Implementation is an ongoing activity and NRG Group will ensure that the required resources are dedicated to these activities.

NRC Group has also initiated a process to ensure that the businesses of VR Track in Finland and Sweden are aligned with the policies and procedures applicable to NRC Group. The respective in-house counsels of VR Track in Finland and Sweden will participate in this process.

THE BOARD OF DIRECTORS' REPORTING ROUTINES

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. An in-depth review of the Company's financial status and corporate social responsibility activities will be presented in the annual report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors is decided by the Company's General Meeting, based on a recommendation from the nomination committee. The proposal from the nomination committee will be submitted to the Company's shareholders together with the notice for the General Meeting.

The remuneration shall reflect the Board of Directors' responsibility, expertise, time commitment and the complexity of the Company's activities. Board members who participate in Board committees receive separate compensation for this. The remuneration is not linked to the Company's performance and does not contain any share options. Detailed information on the remuneration of the Board members is specified in the annual report.

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 of Directors, but if they do, this shall be disclosed to the full Board. The remuneration for such additional duties will be approved by the Board of Directors.

12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

The Board of Directors has prepared key principles to be applied in determining the salary and other remuneration of the CEO and executive management, including convergence of the financial interests of the executive management and the shareholders. The principles are described in the Company's annual report.

In 2016, the Board of Directors approved a share option programme for senior management, which was further expanded in 2017 and 2018. The programme is linked to value creation for shareholders or the Company's earnings performance over time and is based on quantifiable factors which the employee in question can influence. Details regarding the programme are available in the notice documents of the AGM in 2016, 2017 and 2018, as well as

in the annual report. In 2018, NRC Group also implemented a share option programme for key employees comprising a total of 400,000 shares over two years. As at 31 December 2018, a total of 238,000 options have been granted in connection with the programme.

13. INFORMATION AND COMMUNICATIONS

NRC Group complies with the Oslo Børs' IR recommendation, last revised 1 March 2017. The Board of Directors has adopted an investor relations policy, to clarify roles and responsibilities related to financial reporting and regulate contact with shareholders and the investor market. This policy is based upon the key principles of openness and equal treatment of market participants to ensure they receive correct, clear, relevant and up-to-date information in a timely manner. The IR policy is available from the Company's website. In addition, the Board has adopted a separate manual on disclosure of information, which sets forth the Company's disclosure obligations and procedures.

Interim reports are published on a quarterly basis, in line with Oslo Børs' recommendations. In connection with the quarterly reporting, presentations are given to provide an overview of the operational and financial developments, market outlook and the Company's prospects. All information distributed to the Company's shareholders is published in English on the Company's web site at the same time as it is sent to Oslo Børs and www.newsweb.no.

14. TAKE-OVERS

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 characterised by specific and one-off situations which make a guideline challenging to prepare.

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. The Board of Directors will further consider the relevant recommendations in the Code of Practice and whether the concrete situation entails that the recommendations in the Code of Practice can be complied with or not.

15. AUDITOR

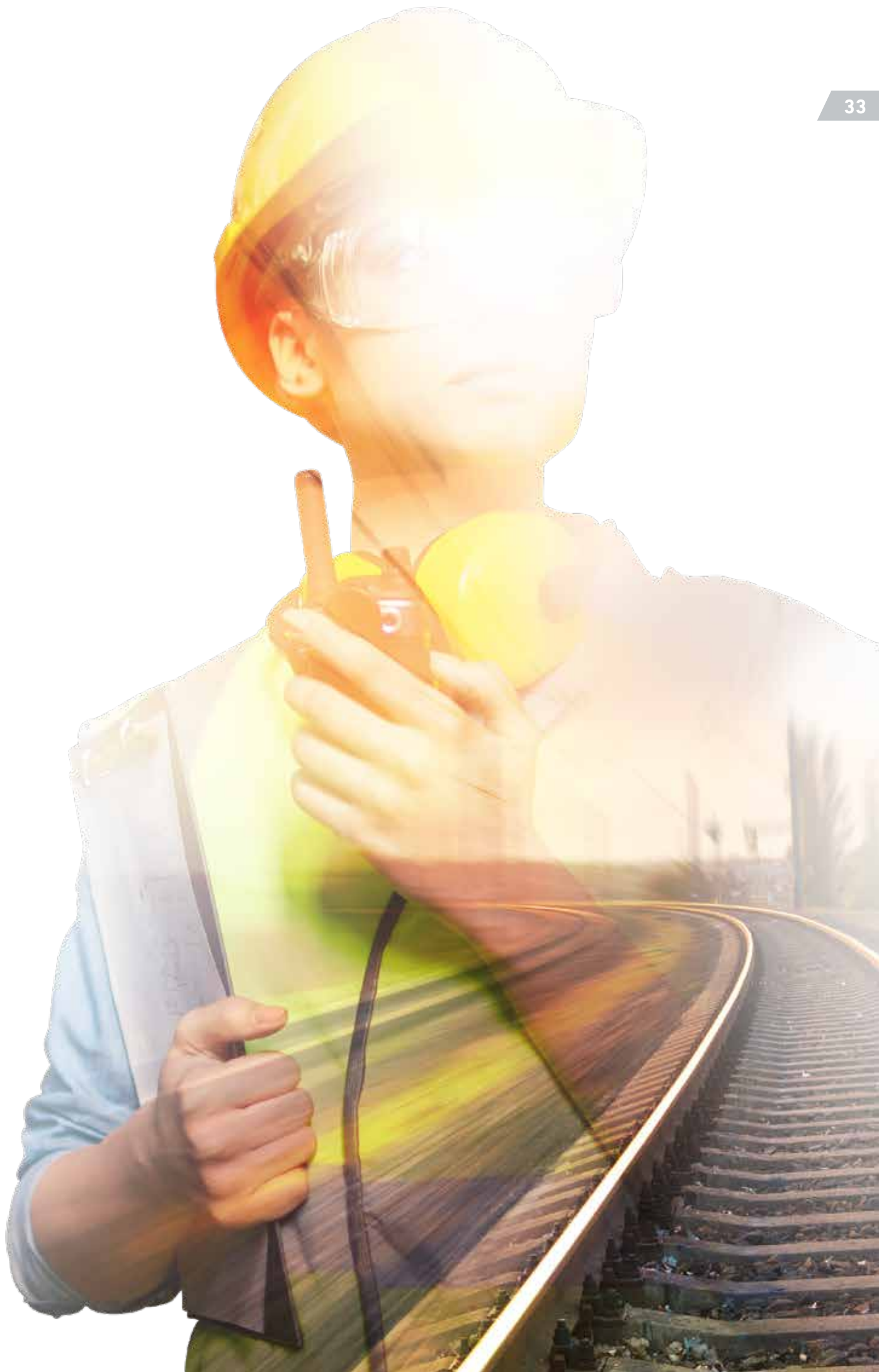
The Company's external auditor is EY.

The Board of Directors requires 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 audit plan for the Company.

Furthermore, the Board of Directors requires 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 will 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 is approved by the AGM. The Board of Directors will report to the General Meeting details of fees for audit work and any fees for other specific assignments.



BOARD OF DIRECTORS' REPORT

INTRODUCTION

In 2018, NRC Group made significant progress in developing the Group's core competencies and capabilities. The acquisition of VR Track Oy represented the realisation of the Group's aim of becoming the leading Nordic entrepreneur within railway infrastructure.

VR Track engages in railway construction, maintenance and design in Finland and Sweden and is highly complementary to NRC Group's businesses. The combined Group has strong capabilities across the railway value chain, and the ability to leverage these capabilities across borders creates new project opportunities and enables NRC Group to offer larger turnkey projects to a wider customer group.

Earlier in the year, NRC Group acquired two companies to establish a strategic position in Norway within environmental and sustainability services, thereby addressing an increasingly important factor in public tenders for infrastructure development.

The Group has in recent years expanded its capabilities to include products and services for the entire spectre of groundworks for transport-related infrastructure. The ability to execute substructure work is essential for larger turnkey railway, tramway and metro projects and opens for execution of a wider range of transport infrastructure projects, including harbours and roads. The Group also provides specialist water and wastewater work related to rail developments in urban areas and fibre optics which is a key component of the new signalling systems.

NRC Group is well positioned to grow the combined operations by capitalising on increasing rail, light rail (tram) and metro line investments in Norway, Sweden and Finland, as well as maintenance projects. This will be done by leveraging VR Track's extensive maintenance experience as market leader in Finland and the third biggest maintenance contractor in Sweden. The Group will also selectively target adjacent growing infrastructure markets supported by its specialist civil engineering capabilities.



NRC Group reported record revenues for 2018 on the back of both organic growth and acquisitions of companies. The order backlog was at an all-time high at year-end. Among the key contracts signed in 2018 were two large turnkey assignments for the NOK 4.1 billion tramway-upgrade in Oslo, representing a contract value of NOK 764 million for NRC Group. The ability to execute to high environmental and sustainability standards was a decisive factor in these tenders.

In Sweden, NRC Group signed its first five-year railway maintenance contract for the area around Hallsberg. The scope includes preventive maintenance and corrective measures on the track lines, and involves rail services such as track, electro, signal and groundwork. The contract is valued at SEK 357 million and starts in the second half of 2019. It represents the entry into a new market segment in Sweden for NRC Group. The maintenance market presence was significantly expanded with the acquisition of VR Track with its extensive maintenance operations and experience in Finland and Sweden.

The Norwegian operations reflected strong growth and good project execution with increased profitability. Tendering activity in Norway was high in a firm underlying market which led to several contract wins to NRC Group. Overall railway activity in the Swedish market was weaker than expected in 2018, with an estimated decline in investments of 12% compared to 2017. The market also reflected some degree of uncertainty as the national budget was not approved until 19 December pending formation of a new government after the September election.

NRC Group conducted a thorough review of the Swedish operations in the fourth quarter to optimise the organisation and Group strategies, realising synergies and improving operational execution. A new country management team was established.

The Group management team at the end of 2018 consisted of Øivind Horpestad as chief executive officer (CEO), Dag Fladby as chief financial officer (CFO) and Hans Olav Storkås as the managing director in NRC Norway. Following the VR Track acquisition, Lars Öhman was appointed managing director at NRC Sweden and Harri Lukkarinen became managing director for NRC Finland. Öhman was previously head of VR Track in Sweden, while Lukkarinen was the CEO of VR Track. Both formally assumed their positions at the start of 2019.

The AGM on 19 April elected Mats Williamson to the Board of Directors of NRC Group. Following the completion of the transaction of VR Track Oy, VR Group holds approximately 18% of the shares issued in NRC Group. VR Group is owned by the

Finnish State. The EGM on 5 November elected Rolf Jansson as a new Board member to represent VR Group, whereas Eva Nygren was elected as a new independent member to the Board. Both joined the Board in January 2019.

NRC Group maintains constant focus on health and safety and on its commitment to provide quality services to all clients. The process of improving internal routines and risk management is continuous. For 2019, the ambition is to further develop a framework for ensuring that NRC Group in its operations minimises the impact on the external environment and contributes to sustainable infrastructure development.

ACQUISITIONS AND INTEGRATION

NRC Group has a stated ambition to be a consolidator of the fragmented Nordic market for railway- and related infrastructure services. Growth is an integrated part of the Group strategy, both organically and through acquisitions, and M&A activities have played an important role in expanding the Group's core competencies and capacity.

The VR Track acquisition was announced in October and completed on 7 January 2019. The purchase price was based on an enterprise value of VR Track of EUR 225 million on a cash and debt free basis with normalised working capital. The basis for the purchase price was 65% in cash and the remaining 35% in shares in NRC Group. The cash portion of the purchase price was financed by new long-term bank loans.

Construction and infrastructure development are associated with major climate and environmental responsibility, and there is a clear trend of stricter regulations and higher expectations from the authorities related to sustainability and environmental impact. The same trend can be seen among customers and other stakeholders, leading to a higher weighting of environmental and safety considerations in tendering processes.

In September, NRC Group acquired NSS Holding AS, the sole shareholder of Norsk Saneringsservice AS ("NSS") and the owner of 70% of Miljøvakta AS. NSS is one of Norway's largest companies within demolition and environmental remediation, and Miljøvakta offers environmental consultancy and remediation services.

Also, in September, NRC Group acquired Gunnar Knutsen AS (GK), one of Norway's leading companies within transportation of loose materials for the building and construction industry in Norway. GK has a large and loyal customer base of public and private construction companies within the greater Oslo area.

The acquisitions of NSS and GK strengthen NRC Group's Norwegian operations and broadens the overall capabilities as a turnkey contractor in the Nordic region. Completing the integration and capturing the synergies from the VR Track acquisition and the acquisitions of NSS and GK will be a key focus area for the Group in 2019.

OPERATIONS

The Group had an order intake of NOK 3,977 million in 2018, up from NOK 2,910 million in 2017. Backlog at the end of the year amounted to NOK 2,748 million compared to NOK 1,948 million at the end of 2017 excluding our relative ownership of order backlog in associated companies and joint ventures that increased from NOK 460 million to NOK 600 million in the same period. The table below shows examples of two major project wins in 2018:

Sweden: Hallsberg maintenance contract

A five-year maintenance contract awarded by Trafikverket in Sweden. NRC Group will perform preventive maintenance and corrective measures on track lines in the Hallsberg area. The work involves rail services such as track, electro, signal and groundwork. The SEK 357 million contract has an option to extend for an additional two years. It was the first maintenance contract awarded to NRC Group in Sweden.

Norway: Oslo Tramway - Storgata

A NOK 360 million contract for rehabilitation of Storgata in Oslo. The project involves street improvement works and tram infrastructure upgrades, as well as modernisation of parts of the water and wastewater network. NRC Group will provide rail services such as track, electro and groundwork with completion scheduled for July 2021. The project is part of Sporveien's tram and investment program which comprises the procurement of 87 new trams, infrastructure and tram track upgrades, and development work at the tram bases. The Tram Program has a cost framework of NOK 4.1 billion approved by Oslo City Council.

NRC Group had 879 employees as of 31 December 2018, compared to 619 employees at the end of 2017. When including VR Track, the Group has approximately 2,450 employees.

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

Sickness absence reported by the Group was 2.5% in 2018 compared to 3.5% in 2017. A total of 4 serious injuries were reported for the year, compared to 3 such injuries in 2017. The Group immediately registers, deals with and follows up on all unwanted incidents.

NRC Group managed a wide variety of projects throughout 2018 and recorded a revenue growth of 34% compared to previous year. The full-year revenue growth reflects continued market expansion in Norway and continued delivery on the consolidation strategy, partly offset by lower activity for track renewals and a slow market in the second half of 2018 in Sweden.

DECLARATION REGARDING THE FINANCIAL STATEMENTS

The Board of Directors believes that the financial statements provide a true and fair view of the Group's result for 2018 and the financial position at year end.

PROFIT AND LOSS

The Group's revenue amounted to NOK 3,176 million in 2018, compared to NOK 2,373 million in 2017. EBITDA for 2018 was NOK 104 million with a margin of 3.3 %, compared to NOK 229 million and a margin of 9.7% in 2017. Group operating profit (EBIT) totalled NOK 1 million in 2018, compared to NOK 150 million in 2017. Net profit for 2018 was NOK 0 million, compared to NOK 156 million in 2017. Non-recurring expenses related to the restructuring in Sweden including such expenses and losses in SBB significantly impacted the net income for 2018. The net income also includes M&A expenses of NOK 28 million compared to NOK 6 million in 2017.

Tax income amounted to NOK 10 million. This amount includes income from capitalisation of prior years' unrecognised deferred tax assets of NOK 20 million and expenses due to reduced tax rate related to deferred tax assets.

CASH FLOW

Net cash flow from operating activities was NOK 192 million, compared to NOK 133 million in 2017. The difference from profit before tax mainly consists of depreciations and favourable development in net working capital despite the increased activity.

Net cash flow from investing activities was NOK -141 million (2017: NOK -243 million), including payments for acquisitions net of cash in targets of NOK 139 million (2017: NOK 217 million). Capital expenditures amounted to NOK 14 million (2017: NOK 35 million). Cash inflow from sale of shares and fixed assets amounted to NOK 12 million (2017: NOK 5 million).

Net cash flow from financing activities was NOK -60 million (2017: NOK 92 million). New loans as part of the acquisitions amounted to NOK 145 million (2017: NOK 231 million). Repayment of borrowings and financial lease liability amounted to NOK 129 million (2017: NOK 84 million). Dividend paid amounted to NOK 73 million (2017: NOK 31 million).

Total net change in cash flow amounted to NOK -9 million. Including effect of SEK exchange rate changes, the total cash position was reduced from NOK 409 million at the end of 2017 to NOK 396 million at end of 2018.

FINANCING AND BALANCE SHEET

Total non-current assets increased by NOK 368 million to NOK 1,703 million in 2018. The increase mainly relates to acquisitions amounting to NOK 430 million, but netted off by net depreciations, currency adjustments and reduced deferred tax assets. Deferred tax assets of NOK 45 million (2017: NOK 70 million) relate to the net deferred tax position in Norway and include full recognition of deferred tax assets.

Total current assets amount to NOK 1,237 million (2017: NOK 1,149 million). The increase is mainly related to effect of the acquisitions netted off by improved collections of accounts receivables.

The total equity ratio is 49% (55%). The equity increased by NOK 85 million to NOK 1,442 million in 2018. The increase is mainly related to the capital increases for consideration shares as part of the acquisitions amounting to NOK 127 million in total and sale of consideration shares of NOK 30 million, reduced by the dividend payment of NOK 73 million. Net cash amounted to NOK -219 million (2017: NOK -30 million). The Group had NOK 396 million in cash equivalents at the end of 2018, compared to NOK 409 million at the end of the previous year. At year end, the Group had NOK 200 million in unused credit facilities.

The Group's liquidity is satisfactory and is subject to continuous monitoring. The Group has a strong financial position to support continued operations for the next 12 months.

SEGMENTS

Total revenue in Norway amounted to NOK 1,587 million (2017: NOK 761 million). A significant part of the growth is organic. Consolidated revenues from acquired business in 2018 amounted to NOK 228 million. The full year revenue effect for businesses acquired in 2017 comes in addition. EBITDA excluding other income and expenses for Norway amounted to NOK 136 million (8,5%) compared to NOK 43 million (5,6%) in 2017.

Total revenue in Sweden amounted to NOK 1,589 million (2017: NOK 1,612 million). The reduction is mainly related to a slower market, with an estimated decline in investments of 12% compared to 2017. The market also reflected some degree of uncertainty as the national budget was not approved until 19 December pending formation of a new government after the September election. EBITDA excluding other income and expenses amounted to NOK 26 million (2017: NOK 221 million). In the third quarter a close review of the project portfolio in the Swedish subsidiary SBB took place, leading to changes in cost estimates affecting the EBITDA negatively with NOK -18 million. The development in SBB also resulted in an impairment loss related to intangible assets of customer relationships of NOK 6 million. As a consequence of the planned VR Track acquisition, the Group in 2018 resolved to reorganise its Swedish operations further, including termination of approximately 90 employees. The related expenses and losses negatively affected the Group's EBITDA in Sweden, amounting to approximately NOK -60 million in fourth quarter of 2018. The slow market also caused a higher cost base and lower margins. Furthermore, the weakening of SEK versus NOK affected the consolidated profit in Norwegian kroner negatively compared to 2017.

CORPORATE SOCIAL RESPONSIBILITY

NRC Group recognises that its employees are the most important resource within the Group 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 provide 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 sustainability report and corporate social responsibility statement.



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 17 October 2018.

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

GOING CONCERN STATEMENT

Pursuant to Section 3-3 of the Accounting Act, the Board confirms 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 2019 and the Group's long-term strategic forecast for the coming years.

DIVIDEND

NRC Group shall over time give shareholders a competitive return on their investment in the shares of the company, as a combination of dividends and share price returns. Provided that the underlying financial performance of NRC Group is satisfactory, it is NRC Group's ambition over time to distribute a dividend of minimum of 30% of the profit for the year. NRC Group paid a cash dividend of NOK 1.75 per share in May 2018, based on the 2017 financial results. Based on the 2018 results, the significant growth and the acquisition of VR Track, the Board of Directors will not propose dividend for 2018. Normalised dividend distribution is expected from fiscal year 2019.

ALLOCATION OF PROFIT/LOSS FOR THE PARENT COMPANY

The Board of Directors proposes the following allocation of the annual loss:

Transfer from share premium NOK -8 million.

RISK AND UNCERTAINTY FACTORS

NRC Group is exposed to various types of market, operational and financial risks. The Group continuously monitors risk factors at a corporate and subsidiary level and takes appropriate action when needed to eliminate or mitigate any potential negative impact on operational and financial performance. Please also refer to the prospectus

dated 22 November 2018 available at www.nrcgroup.com for a more detailed description of risk factors.

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 an established track record, construction capabilities and strong long-term client relationships. The Group has established a leading position in the Nordic rail infrastructure market.

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 involved in any governmental, legal or arbitration proceedings, which may have, or in recent past have had, significant negative impact on the Group's financial position or profitability.

The Group's activities involve various types of financial risk: market risk (currency and interest rate), credit risk, liquidity risk and risk related to asset management. NRC Group 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 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 23 of this report for a more detailed review of financial risk.

EVENTS AFTER THE BALANCE SHEET DATE

On 7 January 2019, NRC Group completed the acquisition of VR Track through its wholly owned subsidiary NRC Holding Finland Oy. A total of 9,877,953 new shares were issued at NOK 75.31 per share as partial consideration to VR Group Ltd., the seller of VR Track. The shares were issued pursuant to an authorization granted by the EGM on 5 November 2018. Effective from time of

completion, the Board of Directors was expanded with two new Board members as approved by the 5 November EGM.

NRC Group has up to 19 March 2019 announced 7 contracts since the end of 2018 with a combined total value of NOK 694 million. The three largest are;

A contract with Trafikverket in Sweden for track-related work on the connection between Åstorp and Teckomatorp (Söderåsbanan) in Sweden. The contract is valued at approximately SEK 221 million, and involves rail services such as track, electro, signal/telecom and groundwork.

A maintenance contract with Tampere Tramway Ltd. through the Tampere Tramway Alliance, in which NRC Finland Oy is a participant. The contract is divided into two phases for execution from 2019 to 2029 with a total value of approximately EUR 21.8 million, of which NRC Group has a 50% share.

A contract with Trafikverket in Sweden for track renewal on the connection between Älmhult and

Olofström in Sweden. The contract is valued at SEK 173 million, and will involve rail services such as track, electro, signal/telecom and groundwork.

OUTLOOK

NRC Group operates in markets where urbanisation, population growth and the need for environmentally sustainable transport solutions provide favourable fundamentals. The demand for rail-based transport systems is expected to grow in coming years in Norway, Sweden and Finland. This is supported by upgrade and expansion projects already sanctioned by the authorities, increased tendering activity and a growing maintenance backlog related to the installed rail infrastructure.

Railways, light rail and metro lines are highly effective systems for environmentally friendly and sustainable transport of people and goods. Public plans to expand and modernise rail systems at a national and city level reflect political consensus.



The 12-year national transport plans approved in Norway (2017) and Sweden (2018), current long-term plans in Finland, as well as ongoing activity levels, reflect this ambition and indicates growth to already historically high budgets and investments in coming years.

The Board of Directors acknowledges the uncertainty related to political processes and potential impact on timing of new contracts. This risk, however, is likely to be short-term considering the communicated political ambitions. The effectiveness of railway construction and maintenance will be required to improve over time to meet these ambitions. Awarding larger turnkey projects will continue to be one of the important measures to achieve improved effectiveness in all markets, as will increased sustainability requirements in project execution.

NRC Group remains committed to its strategic focus on consolidating the fragmented Nordic market for rail and transport infrastructure construction and maintenance. Through

acquisitions, NRC Group has expanded into new market segments including environmental services and new geographies. It has also enabled the Group to build expertise and capacity as a turnkey railway and ground entrepreneur. The Group is therefore well positioned for larger upcoming contracts in its core markets, while also providing flexibility to utilise capacity on a wider range of transport infrastructure projects in the Nordic region.

NRC Group has clearly defined strategic priorities and a continuous focus on developing core competencies. Combined with a strong financial position and well-established risk reduction and quality assurance procedures, the Group has established a solid platform for further growth.

Oslo, 19 March 2019

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Harald Arnet
Board member

Kjersti Kanne
Board member

Mats Williamson
Board member

Rolf Jansson
Board member

Eva Nygren
Board member

Øivind Horpestad
CEO

BOARD OF DIRECTORS



CHAIRMAN OF THE BOARD **Helge Midttun**

Helge Midttun has wide experience from many industries. He has served as CEO of Fjord Seafoods ASA, President and CEO of Det norske Veritas and Aker Biomarine ASA. He has also served on the Boards of Statoil ASA, Aker Kværner ASA and Rieber & Søn ASA (CoB) and is currently Chairman of Aibel, Hent, Sonans, Atlantis Vest. Midttun holds 105,000 shares in NRC Group. He has held the position as Chairman of the Board of Directors in NRC Group since December 2015.



BOARD MEMBER **Brita Eilertsen**

Brita Eilertsen has more than 15 years of experience from investment banking and consulting. She has held Board positions in several listed and private companies within different industries since 2005. Eilertsen is currently a Board member of Pareto Bank, Axactor and Next Biometrics, in addition to NRC Group. She holds a Master of Economics and Business Administration from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst. Eilertsen currently holds no shares in the company. Member of the Board of NRC Group since May 2015.



BOARD MEMBER **Harald Arnet**

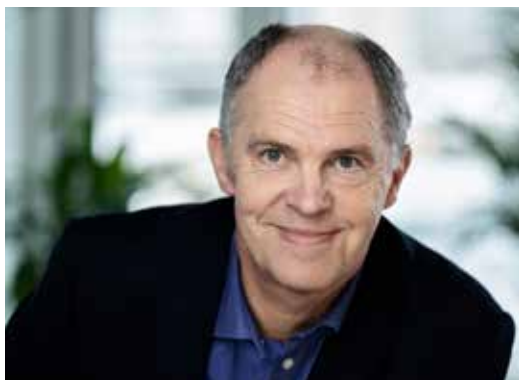
Harald Arnet is the CEO and a partner at Datum AS and has more than 30 years of national and international experience within corporate finance, industrial and financial investments. Arnet represents Datum Invest AS which holds 5,100,000 shares in NRC Group. Arnet holds 100,000 shares in NRC Group. Member of the Board of NRC Group since August 2015.



BOARD MEMBER

Kjersti Kanne

Kjersti Kanne has 25 years of operational experience and technical expertise from the oil & gas industry. She is Director for Digital Engineering of the Oilfield Equipment division of Baker Hughes, a GE company, and has previously held various senior positions in General Electrics, ABB and VetcoGray. Kanne holds a Master of Science (MSc) from the Norwegian University of Science and Technology. Kanne holds 1,500 shares in NRC Group. Member of the Board of NRC Group since September 2015.



BOARD MEMBER

Mats Williamson

Mats Williamson has more than 35 years of experience from various positions within the Skanska Group. Williamson has been Executive Vice President for the Skanska Group, Business Unit President for Skanska's construction activities in Sweden and UK and Project Director for the Öresund Bridge. Williamson holds a MSc in Civil Engineering from Lund Institute of Technology and has an AMP from Harvard Business School. He has held positions as Board member in several companies in Sweden. Williamson currently holds no shares in the company. Member of the Board of NRC Group since July 2018.



BOARD MEMBER

Rolf Jansson

Rolf Jansson is currently President and CEO of VR Group, Finnish Railways. Earlier he was Senior Vice President of Corporate Development and Logistics at VR Group. Before joining VR Group Jansson worked in investment banking at Nordea Corporate Finance and holds extensive experience from management consulting primarily at Booz Allen Hamilton. Jansson is currently a Board member at Sarlin Group, Varma Mutual Pension Insurance Company and East Office of Finnish Industries. Jansson represents VR Group Oy which holds approximately 18% of the shares in NRC Group. Jansson currently holds no shares in the company. Member of the Board of NRC Group since January 2019.



BOARD MEMBER

Eva Nygren

Eva Nygren has more than 35 years of operational experience in the building and civil engineering industry, including as Director of Investment at Swedish Transport Administration, President and CEO of Rejlers and President of Sweco Sverige. She is currently active as a professional Board member and Chairman in several stock exchange listed, private and state-owned companies in the Nordics. Nygren currently holds no shares in the company. Member of the Board of NRC Group since January 2019.

SHAREHOLDER INFORMATION

SHARE PRICE DEVELOPMENT

NRC Group ASA has one class of shares. There were 44,026,270 shares issued at the end of 2018, each with a nominal value of NOK 1.00, compared to 42,327,848 shares issued at the end of 2017. In 2018, the Group's shares traded between NOK 53.4 and NOK 85.8 per share. In total 22.2 million shares were traded in 2018.



MAJOR SHAREHOLDERS AND VOTING RIGHTS

NRC Group had 2,257 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2018, whereof the 20 largest shareholders owned 69.5%. The percentage of issued shares held by foreign shareholders was 43.6%, compared with 34.0% at year-end 2017. 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 2018:

Investor	Number of shares	% of shares	Country
DATUM AS	5,100,000	11.58%	NOR
MIDDELBORG INVEST AS	4,401,454	10.00%	NOR
ARCTIC FUNDS PLC	2,329,034	5.29%	IRL
CARNEGIE INVESTMENT BANK AB	2,241,414	5.09%	SWE
NORDEA NORDIC SMALL CAP FUND	1,976,397	4.49%	FIN
VERDIPAPIRFONDET ALFRED BERG GAMBA	1,434,590	3.26%	NOR
CHARLOTTE HOLDING AS	1,329,688	3.02%	NOR
NORDNET BANK AB	1,302,577	2.96%	SWE
GUNNAR KNUSTEN HOLDING AS	1,252,677	2.85%	NOR
NORRON SICAV - TARGET	1,228,869	2.79%	LUX
LGA HOLDING AS	1,168,102	2.65%	NOR
SOGN INVEST AS	1,018,807	2.31%	NOR
HANDELSBANK NORDISKA SMABOLAGSFOND	950,771	2.16%	SWE
HAUGO RIVING AS	850,745	1.93%	NOR
DNB NOR BANK ASA EGENHANDELSKONTO	736,151	1.67%	NOR
CATELLA SMÅBOLAGSFOND	699,546	1.59%	SWE
DANSKE BANK A/S	694,243	1.58%	SWE
E.K HOLDING AS	668,102	1.52%	NOR
SKANDINAVISKA ENSKILDA BANKEN AB	641,350	1.46%	SWE
VERDIPAPIRFONDET ALFRED BERG NORGE	571,787	1.30%	NOR
Total number owned by Top 20	30,596,304	69.50%	
Other shareholders	13,429,966	30.5%	
Total number of shares	44,026,270	100%	

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

CORPORATE ACTIONS

Corporate action	Date
Grant of share options to senior management	19.03.18
Annual General Meeting	19.04.18
Dividend payment date of NOK 1.75 per share	03.05.18
Agreement to acquire NSS Holding AS	14.08.18
Agreement to acquire Gunnar Knutsen AS	30.08.18
Issuance of consideration shares, settlement of NSS Holding acquisition	13.09.18
Transfer and sale of treasury shares, partial consideration for Gunnar Knutsen acquisition	28.09.18
Issuance of consideration shares, partial settlement of Gunnar Knutsen acquisition	02.10.18
Agreement to acquire VR Track Oy	11.10.18
Extraordinary General Meeting	05.11.18
Approved prospectus	22.11.18

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. Based on the 2018 results, the significant growth and the acquisition of VR Track, the Board of Directors will not propose a dividend for 2018. Normalised dividend distribution is expected from fiscal year 2019. NRC Group paid a dividend of NOK 1.75 per share for 2017, corresponding to a dividend pay-out ratio of 47%.

ANALYST COVERAGE

Seven analysts representing Norwegian and Nordic investment banks had active coverage of NRC Group ASA in 2018, an increase from five analysts in 2017. For contact details, please see the company website www.nrcgroup.com.

GENERAL MEETINGS AND BOARD AUTHORISATIONS

The 2018 AGM granted the Board of Directors the following authorisations:

- 1) Authorisation to increase the share capital by up to NOK 400,000 in connection with option programme for senior management.
- 2) Authorisation to acquire treasury shares in NRC Group ASA for up to a maximum nominal value of NOK 4,232,784.
- 3) Authorisation to increase the share capital by a maximum of NOK 8,465,568. The capital increase may be paid in cash, by set-off or by contributions in assets other than money.

The EGM on 5 November 2018 granted the Board of Directors the following authorisation:

- 1) Authorisation to increase the share capital by up to NOK 9,877,953 through issuance of up to new shares as consideration for the purchase of all shares in VR Track Oy.

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

FINANCIAL CALENDAR 2019



IR POLICY

NRC Group's IR policy can be found at www.nrcgroup.com.

GROUP ACCOUNTS

CONSOLIDATED INCOME STATEMENT

NRC GROUP

1 JANUARY - 31 DECEMBER

(Amounts in NOK million)			
	Note	2018	2017
Operating revenue	4	3,176	2,373
Cost of materials and subcontractors	4	2,041	1,407
Salaries and personnel costs	5/6	661	493
Depreciation, amortisation and impairment	12/13	103	79
Other operating and administrative expenses	8	342	238
Operating profit before other income and expenses		29	156
Other income and expenses	8	-28	-6
Operating profit		1	150
Finance income		6	5
Finance expense		-17	-11
Net financial items	9	-11	-6
Profit before tax		-10	144
Tax expense / income (-)	10	-10	-19
Profit from continuing operations		0	163
Loss from discontinued operations	24	0	-7
Net profit for the year		0	156
Profit/loss attributable to:			
Shareholders of the parent		0	156
Non-controlling interests		0	0
Net profit / loss		0	156
EARNINGS PER SHARE			
Earnings per share in NOK (ordinary):			
From continuing operations	11	0.01	4.04
From discontinued operations	11	0.00	-0.17
From profit/loss for the year		0.01	3.87
Earnings per share in NOK (diluted):			
From continuing operations	11	0.01	4.04
From discontinued operations	11	0.00	-0.17
From profit/loss for the year		0.01	3.87

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

NRC GROUP

1 JANUARY - 31 DECEMBER

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(Amounts in NOK million)			
	Note	2018	2017
Net profit/loss for the year		0	156
Items that may be reclassified to profit or loss:			
Translation differences		-20	32
Net gain on hedging instruments	23	18	0
Other comprehensive income		-2	32
Total comprehensive income for the year		-2	188
Total comprehensive income attributable to:			
Shareholders of the parent		-2	188
Non-controlling interests		0	0



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NRC GROUP

31 DECEMBER

(Amounts in NOK million)			
ASSETS	Note	2018	2017
Deferred tax asset	10	45	70
Goodwill	2/12	1,192	950
Customer contracts and other intangible assets	2/12	39	28
Total intangible assets		1,275	1,048
Property, plant and equipment	13	418	278
Other non-current assets	22	11	9
Total non-current assets		1,703	1,335
Trade receivables	14	557	503
Contract assets	1/4	186	146
Other current receivables	14	76	91
Other current financial assets	22/23	23	-
Total receivables		841	740
Cash and cash equivalents	15	396	409
Total current assets		1,237	1,149
TOTAL ASSETS		2,940	2,484

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NRC GROUP

31 DECEMBER

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(Amounts in NOK million)			
EQUITY AND LIABILITIES	Note	2018	2017
Paid-in capital:			
Share capital	16	44	42
Treasury shares		-0	-0
Other paid-in capital		1,009	927
Other equity:			
Translation reserves		-6	14
Hedge reserve	23	18	0
Retained earnings		375	374
Total equity attributable to owners of the parent		1,440	1,357
Non-controlling interests		2	0
Total equity		1,442	1,357
Interest-bearing non-current liabilities	18	440	317
Deferred tax	10	20	27
Other non-current liabilities	2	25	0
Total non-current liabilities		486	344
Interest-bearing current liabilities	18	175	121
Total interest-bearing current liabilities		175	121
Trade payables		317	275
Contract liabilities	1/4	163	197
Public fees payable		74	62
Tax payable	10	12	22
Other current liabilities	19	273	106
Total other current liabilities		838	662
Total current liabilities		1,012	783
Total liabilities		1,498	1,127
TOTAL EQUITY AND LIABILITIES		2,940	2,484

Oslo, 19 March 2019

Helge Midttun
Chairman of the Board

Kjersti Kanne
Board member

Eva Nygren
Board member

Brita Eilertsen
Board member

Mats Williamson
Board member

Øivind Horpestad
CEO

Harald Arnet
Board member

Rolf Jansson
Board member

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NRC GROUP

(Amounts in NOK million)									
	Share capital	Treasury shares	Other paid-in capital	Hedge reserve	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						156	156		156
Other comprehensive income for the period					32		32		32
Increase share capital	4		206				209		209
Costs related to capital increase			-1				-1		-1
Share-based payments			1				1		1
Dividend paid			-31				-31		-31
Acquisition and sale of treasury shares		0	-23				-23		-23
Total changes in equity	4	0	152		32	156	343		343
Equity at 31 December 2017	42	0	927		14	374	1,357		1,357
IFRS 15 implementation effect ¹⁾						1	1		1
Equity at 1 January 2018	42	0	927	-	14	375	1,358	-	1,358
Profit/loss for the period						0	0	0	0
Other comprehensive income for the period				18	-20		-2		-2
Increase share capital	2		125				127		127
Costs related to capital increase			-1				-1		-1
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	2	0	81	18	-20	0	81	2	84
Equity at 31 December 2018	44	0	1,009	18	-6	375	1,440	2	1,442

¹⁾ Please refer to note 1 regarding revenue recognition and contracts with customers for further information.

CONSOLIDATED STATEMENT OF CASH FLOW

NRC GROUP

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Indirect model (amounts in NOK million)			
	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit before tax		-10	144
Depreciation, amortisation and impairment	12/13	103	80
Income taxes paid	10	-12	-19
Change in trade receivables		91	-56
Change in trade payables		-29	64
Change in other accruals and unrealised foreign exchange		49	-81
Net cash flow from operating activities – continuing operations		192	133
Net cash flow from operating activities		192	133
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	12/13	-14	-35
Payments for acquisition of subsidiaries, net of cash acquired	2	-139	-217
Proceeds from sale of shares, other investments and equipment		12	5
Net cash flow from investing activities – continuing operations		-141	-247
Net cash flow from investing activities – discontinued operations	24	0	4
Net cash flow from investing activities		-141	-243
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from sale of treasury shares		0	2
Proceeds from borrowings	18	145	231
Repayment of borrowings	18	-81	-51
Payment of finance lease liabilities	18	-48	-33
Acquisition of treasury shares		-3	-26
Dividend paid		-73	-31
Net cash flow from financing activities – continuing operations		-60	92
Net cash flow from financing activities		-60	92
Net change in cash and cash equivalents		-9	-18
Cash and cash equivalents as at 1 January		409	418
Effects of exchange rate changes on cash and cash equivalents		-4	9
Cash and cash equivalents as at 31 December	15	396	409
Cash and cash equivalents – continuing operations	15	396	409





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NOTES TO THE ACCOUNTS NRC GROUP

NOTE 01/

CORPORATE INFORMATION AND BASIS OF PREPARATION

CORPORATE INFORMATION

NRC Group ASA (the Company) including its subsidiaries (the Group) is a major contractor within infrastructure related to public transportation in Norway, Sweden and Finland. The Group is a supplier of all rail, harbor and road related infrastructure services, including groundwork, specialised track work, safety, electro, telecom, signaling systems, maintenance and environmental services, and is one of the leading Nordic entrepreneurs within railway infrastructure.

NRC Group ASA is a public limited company registered and domiciled in Norway. The office address is Lysaker Torg 25, 1366 Lysaker, Norway. NRC Group is listed on Oslo Stock Exchange (ticker NRC). The company has subsidiaries in Norway, Sweden and Finland.

The consolidated financial statements for NRC Group ASA were approved by the company's Board of Directors on 19 March 2019.

SIGNIFICANT 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.

BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2018. 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 target company. Subsidiaries are consolidated from the point in time when control is transferred to the Group and eliminated from consolidation when such control ends. If the Group loses control over a subsidiary, it derecognises the related assets

(including goodwill) and liabilities, while any resultant gain or loss is recognised in profit or loss.

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.

BUSINESS COMBINATION AND GOODWILL

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Direct expenses associated with the acquisition are expensed when they incur and presented as Other income and expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes that are a result of additional information the Group obtained after that date about facts and circumstances that existed at the acquisition date are measurement period adjustments that will adjust the purchase price allocation until this is final and no later than 12 months after the acquisition day. Other changes resulting from events after the acquisition day, such as meeting earning targets, will be accounted for as:

- Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.
- Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9 and presented as Other income and expenses.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

An associated company is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The Group's investments in associates are accounted for using the equity method.

NOTE 01/

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.

Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

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.

CURRENT VERSUS NON-CURRENT CLASSIFICATION

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle, held primarily for the purpose of trading or expected to be realised within twelve months after the reporting period. Cash or cash equivalent are current unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the normal operating cycle, it is held primarily for the purpose of trading or it is due to be settled within twelve months after the reporting period. The Group classifies all other liabilities as non-current, unless there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

MATERIAL ACCOUNTING JUDGEMENTS, 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 the 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 the carrying amount of assets or liabilities in future periods.

Revenue from contracts with customers

The Group's business mainly consists 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 revenue over time using the input method, e.g. contract costs incurred, resources consumed, or hours spent in relation to the total expected input to fulfil the performance obligation. For projects in progress, the uncertainty is mainly linked to the estimate of total expenses and value of any project modifications including any disputes and contractual disagreements. As of 31 December 2018, we have recognised a total of NOK 4 700 million (2017: NOK 3 767 million) in accumulated revenue to date on projects in progress at yearend. For further information, see note 4.

Goodwill and other intangible assets

The Group performs annual tests to assess the impairment of goodwill with a carrying amount at 2018 year-end of NOK 1 192 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. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future net cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units, are disclosed and further explained in note 2 and 12.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

NOTE 01/

The Group has total tax losses carried forward in Norway of NOK 461 million and in Sweden of NOK 64 million (2017: a total of NOK 487 million) corresponding to deferred tax assets of NOK 101 million in Norway and NOK 13 million in Sweden (2017: a total of NOK 112 million) that can be used to reduce future tax payments. As of 31 December 2018, all deferred tax assets have been recognised. The deferred tax assets have been recognised as it is assumed probable that they can be utilised against deferred tax positions and future taxable profit based on forecasts and projections for a five-year period. Further details on taxes are disclosed in note 10.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The Group measure the fair value of equity-settled transactions with employees at the grant date, using a binomial model and a Black Scholes model. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 7.

Accounting for contingent consideration in business combinations

Contingent consideration to be transferred will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is subsequently measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. The contingent consideration can include facts and circumstances not available at the balance sheet date or assumptions related to future events such as meeting earning targets. Estimating the fair value of contingent consideration require determination of all facts and information available and how this will impact on the calculations. The key assumption is to consider the most likely outcome based on the current state of the target.

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 Board of Directors together with the CEO. The internal financial reporting follows current IFRS standards as described in these notes to the Group accounts. The reportable segments are unchanged from 2017. For further information see note 3.

REVENUE FROM CONTRACTS WITH CUSTOMERS

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. The new standard combines, enhances and replaces specific guidance on recognizing revenue with a single standard. It defines a new five-step model to recognise revenue from customer contracts. The Group accounts for a contract with a customer when the contract is approved, each party's rights are identified including the payment terms, the contract has commercial substance and it is probable that the Group will collect the consideration. For a major part of the contract with customers, the criteria for recognizing revenue over time according to IFRS 15 have been met. According to the previous standard IAS 11, a major part of the Group's revenues was recognised using the percentage of completion method and consequently no significant changes were made implementing IFRS 15.

The transaction price is the contractual agreed price. Any variable consideration is estimated based on the sum of probability-weighted amounts or the single most likely outcome, depending on which method better predicts the amount of consideration, and is consistently applied throughout the contract.

For each performance obligation that is satisfied over time, revenue is recognised over time by measuring the cost 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 recognised based on the entity's input in fulfilling the performance obligation (e.g. contract costs incurred, resources consumed, hours spent) in relation to the total expected input to fulfil the performance obligation. The value and pricing of the Group's services are founded on the different resourced consumed, and consequently the input method best reflects the revenue recognition of the transfer of goods and services.

The aggregated amount of project revenue incurred to date, 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 (prepayments) are presented as contract liabilities. Contract assets are the Group's right to consideration in exchange for goods or services that the entity has transferred to a customer. Unconditional rights to considerations are presented separately as a receivable. Contract asset and receivables are considered for impairment in accordance with IFRS 9. A contract liability is when the Group has

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received prepayments or has an unconditional right to consideration before the Group has transferred goods or services to the customer.

A contract modification is the change in scope and/or price of a contract and both parties have agreed a modification that either created new or changes existing enforceable rights and obligations of the parties. A contract modification may exist even though there is a dispute about the scope and/or price of the modification, or the parties have approved a change in the scope of the contract but have not yet determined the corresponding change in price. The contract modification is accounted for as a separate contract, if the scope of the contract increases due to distinct goods or services and the price increase reflects the stand-alone selling price, or as part of the original contract.

Contract costs are cost to fulfil the contract. These are cost directly related to the contract assuming the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future and are expected to be recovered. Costs directly related to the contract include direct materials, direct labour, sub-contractors, allocated indirect costs and costs explicitly chargeable. Incremental costs of obtaining a contract that is expected to be recovered and that would not incur if the contract had not been obtained, is capitalised and amortised as a contract cost.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately according to IAS 37. The Group generally provides 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.

The Group implemented IFRS 15 effective from 1 January 2018 using the modified retrospective method of adoption (IFRS 15.C3(b)). Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group elected to apply the standard only to contracts not completed as at 1 January 2018. For further information see section below regarding changes in accounting principles.

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. Deferred tax is determined by means of the tax rates and tax laws that have been enacted or substantially 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 or deferred taxes will be available against which the unused tax losses and unused tax credits can be utilised. The deferred tax assets are recognised to the extent it is probable that they can be utilised against deferred tax positions and future taxable profit based on forecasts and projections for a five-year period.

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.

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

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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 per month. 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 on net investments in foreign operations are recognised in other comprehensive income. When a net investment is disposed of, the related cumulative amount of translation differences 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 initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination. For this purpose, the Group has two cash generating units at the end of 2018; Sweden and Norway.

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 between 1 and 6 years, depending on the type of assets.

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, if 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. All other repair and maintenance costs are recognised in the income statement in

the period when the costs are incurred, except for certain regular major inspections as described below.

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

- Buildings 15 - 50 years
- Machinery and fixtures 3 - 20 years

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, an 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.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses arising on derecognition of the asset 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.

If regular major inspections for faults or overhauls, regardless of whether parts of the item are replaced, is a condition of continuing to operate the equipment or to extend its economic lifetime, the related periodic maintenance can be capitalised and depreciated on a straight-line-basis until the next expected periodic maintenance is required. At the end of 2018, no such expenses were capitalised.

LEASES

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

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. Lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. The interest element is recognised as a financial expense and the principal element reduces the lease liability.

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The interest expense is recognised in the income statement under financial items. The lease liability is classified as other non-current liabilities, except for payments due within 12 months that are classified as current. 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

The Group has initially applied IFRS 9 *Financial Instruments* from 1 January 2018. There are no changes in classification and measurement for the Group's financial assets or liabilities. The implementation of IFRS 9 did hence not affect the Group's financial position or profit/loss.

Financial assets

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, at fair value through other comprehensive income or fair value through profit or loss. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

In general, financial assets 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. At initial recognition, an entity shall measure trade receivables that do not have a significant financing component at their transaction price.

Financial assets measured at amortised cost are financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. This category includes the Group's Trade and other receivables, Loans included under Other non-current financial assets and Cash and cash equivalents.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Most relevant to the Group is loans and borrowings or payables and consists of current and non-current interest-bearing loans and trade and other payables. Financial liabilities are recognised initially at fair value net of directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method. If terms in the financial liability contract changes, e.g. changes in interest margin, the

difference between the initial amortised cost and the updated amortised cost calculation using the updated cash flows and the initial effective interest rate, is booked to profit or loss.

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 AND HEDGE ACCOUNTING

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the statement of profit or loss. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as OCI while any gains or losses relating to the ineffective portion are recognised in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

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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.

STATEMENT OF CASH FLOWS

The statement of cash flows is prepared using the indirect method. Acquisitions of subsidiaries are presented as investing activities net of cash in target. Interests paid are presented as part of operating activities.

Share capital, share premium and other 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 and proceeds from any sale as an increase. A loss or gain is not recognised in the income statement for any purchase, sale, issue or cancellation of own shares.

PENSIONS

The Group has several defined contribution plans. 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.

The Group also has 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 through premiums paid by participating employers. Because the scheme's administrator is not providing information to identify the participating employer's share of financial position and performance with sufficient reliability, the AFP scheme is accounted for as a defined contribution scheme. Premiums for 2018 are fixed at 2.5% of salary up to approximately NOK 688 000.

PROVISIONS AND CONTINGENT LIABILITIES***Claims and disputes***

The Group recognises provisions when there is a present legal or constructive obligation as a result of past 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 are 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

Provisions for warranty-related costs are recognised when the project is delivered to the customer. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

NOTE 01/

CHANGES IN ACCOUNTING POLICIES

The Group has implemented IFRS 15 by using the modified retrospective method of adoption (IFRS 15.C3(b)). The cumulative effect of initially applying IFRS 15 is recognised at the date of initial application as an adjustment to the opening balance of retained earnings. Comparative numbers for 2017 have hence not been restated in the Group financial statements. In the table below, we have presented relevant balance sheet accounts at the end of 2017 and 2018 using both standards. The implementation of IFRS 15 at 1 January 2018 resulted in increased consolidated equity by NOK 1 million, as illustrated below.

(Amounts in NOK million)	31 December 2017		31 December 2018	
	IAS 11	IFRS 15	IAS 11	IFRS 15
Assets				
Trade receivables	649	503	743	557
Contract assets		155		186
Other	91	91	76	76
Total receivables	740	749	819	819
Liabilities				
Gross amounts due to customers for projects	197	0	163	
Contract liabilities		204		163
Other	465	465	676	676
Other current liabilities	662	669	839	839

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 recognised 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 recognised 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". 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 balance sheet.

For one specific contract the Group under IAS 11 recognised revenue based on an output method. When implementing IFRS 15, 1 January 2018, the Group changed measuring method to measure progress to recognise revenue from contracts over time using input methods for all contracts. The value and pricing of the Group's services are founded on the different resourced consumed, and consequently the input method best reflects the revenue recognition of the transfer of goods and services. On adoption of IFRS 15, the Group increased contract assets of NOK 8,5 million and increased contract liabilities of NOK 7,2 million. As the implementation effect has been immaterial and only a limited part of the NRC Group's revenue has been affected, there have been no significant changes in timing of revenue during 2018 compared to 2017, consequently no comparable numbers according to IAS 11 have been disclosed.

NOTE 01/

IFRS STANDARDS, AMENDMENTS AND INTERPRETATIONS NOT YET EFFECTIVE

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. 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 amortisation expense on the right-of-use-asset. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.

The Group has assessed the expected implementation effect of IFRS 16 on the consolidated financial statements 1 January 2019. The Group will implement the standard by applying the modified retrospective approach, which requires the recognition of the cumulative effect of initially applying IFRS 16, as of 1 January 2019, to the retained earnings and not restate prior years. When doing so, the Group also made use of the practical expedient to not recognise a right-of-use asset or a lease liability for leases for which the lease term ends within 12 months of the date of the initial application. Since the Group expects to recognise the right-of-use asset at the amount equal to the lease liabilities (as per IFRS 16.C8 (b)ii), there is no impact on retained earnings.

The Group has elected to use the two exemptions proposed by the standard on the following contracts:

- Lease contracts with a duration of less than 12 months
- Lease contracts for which the underlying asset has a value when new below NOK/SEK 100,000.

Options (extension / termination) on lease contracts have been considered on a case by case basis following a regular management assessment. The borrowing rates used for IFRS 16 purposes have been defined based on the underlying countries and asset classes related risks. The Group's expected weighted average incremental borrowing rate is 4.04 % for Norway and 2.94 % for Sweden.

The estimated impact of IFRS 16 on the opening balance sheet as of 1 January 2019 would lead in:

- the lease liability at 1 January 2019 is estimated to approximately NOK 76 million
- assuming application of IFRS 16.C8 (b)ii, the amount of the right-of-use-assets would be the same
- the rent expense for 2019 would be reduced by approximately NOK 21 million
- the interest expense would increase by approximately NOK 2 million
- the depreciation expense of the right-of-use-assets would increase by approximately NOK 19 million

The increase in estimated impact of IFRS 16 compared to estimates presented in last year's annual report is due to acquired companies during the year as well as normal fluctuations in the operational leasing portfolio.

Including the financial leased assets already presented as part of the consolidated statement of financial position (NOK 253 million), the right-of-use assets as of 1 January 2019 will be presented as:

Groups of right-of-use assets	Financial lease	Adjust.	IFRS 16
Right-of-use: Intangible assets		5	5
Right-of-use: Land, offices and buildings		62	62
Right-of-use: Machinery, cars and equipment	253	9	9
Total right-of-use assets at 1 January 2019	253	76	329

NOTE 01/

The following reconciliation to the opening balance for the operating lease liabilities due to implementation of IFRS 16 as at 1 January 2019 is based upon the operating lease obligations as at 31 December 2018:

Reconciliation (NOK million)	
Operating lease obligations at 31 December 2018, ref. note 20	89
Relief option for short-term assets and low-value assets	-4
Gross lease liabilities at 1 January 2019	85
Effect of discounting	-9
Lease liabilities at 1 January 2019	76

For further information about the Group's operating lease agreements, see note 20.

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

NOTE 02/

BUSINESS COMBINATIONS

BUSINESS COMBINATIONS IN 2019

The transaction presented below was completed after year-end, hence it is not a part of the consolidated accounts for 2018.

VR Track Oy

On 7 January 2019, NRC Group completed the transaction to acquire VR Track Oy at an estimated net settlement of NOK 2,127 million based on an enterprise value of EUR 225 million on a cash and debt free basis with a normalised working capital.

VR Track Oy is a Finnish company engaged in the business of railway construction, maintenance services and design with operations in Finland and Sweden.

Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The allocations in VR Track were not finalised by the date of the annual report. Preliminary estimates are made regarding certain aspects of the opening balance sheet and the estimated purchase price.

The acquisition of VR Track Oy was financed by cash and issuance of 9,877,953 consideration shares in NRC Group at a fixed price of NOK 75.31. The fair value of the consideration shares on the transaction day amounted to NOK 659 million. Subject to any applicable securities laws, the consideration shares will be freely transferable. The estimated cash settlement amounts to NOK 1,468 million. The cash amount is mainly financed with a EUR 89 million and NOK 550 million (exchanged to a fixed exchange rate forward contract at 9.5535) loans in Danske Bank.

The acquisition of VR Track Oy will result in an estimated goodwill of NOK 1,582 million. Goodwill is related to the expected synergies arising from the acquired entities' competence within project - and site management as well as construction technique within the groundworks segment. Additionally, it will improve the Group's competence within maintenance and design. The acquisition will strengthen the NRC Group's overall capabilities, enabling the NRC Group to undertake larger, more complex and simultaneous projects. The acquisition will also improve the competitiveness of the Group's Finnish and Swedish operations.

Intangible assets related to the acquisition of VR Track Oy include customer contracts acquired through the business combination of NOK 113 million. They are recognised 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 provision of NOK 1 million related to contract guarantees and a provision of NOK 17 million for loss-making projects, included as other current and non-current liabilities.

NOTE 02/

Presented below is the allocation of the purchase price based on the opening balance for the business combination made in the first quarter of 2019. The purchase price has been allocated at the fair value of the assets and liabilities of the acquired company.

(Amounts in NOK million)	
	VR Track Oy
Date of acquisition	07.01.2019
Share of ownership	100%
Estimated cash settlement	1,468
Fair value of consideration shares in NRC Group ASA	659
Cash/debt in target	10
Net settlement	2,137
Property, plant and equipment	255
Intangible asset: Customer contracts and relations	113
Non-current assets	0
Current assets	906
Non-current liabilities	-11
Tax payable and deferred tax	-35
Interest-bearing debt	0
Other current liabilities	-672
Net identifiable assets and liabilities	555
Goodwill (majority share)	1,582
Transaction costs included in other income and expenses in 2018	17

Further transaction expenses will incur in 2019, amongst other fees and stamp duty contingent of the transaction being completed at approximately NOK 46 million.

BUSINESS COMBINATIONS IN 2018

NSS Holding AS

On 11 September, the Group completed the transaction to acquire NSS Holding AS at an initial 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 normalised working capital. The estimated net settlement has subsequently been adjusted to NOK 144 million, with a similar adjustment to goodwill.

The acquisition strengthens NRC Group's operations and services in Norway with additional decommissioning and remediation expertise and capacity.

Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The allocations in NSS were not finalised by 31 December 2018. Preliminary estimates are made regarding certain aspects of the opening balance sheet and the 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 resulted in an estimated goodwill of NOK 113 million.

NOTE 02/

Goodwill is related to the 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 include customer contracts and customer relations acquired through the business combination of NOK 18 million. They are recognised 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 estimated net settlement is based on a consolidated estimated average EBIT for 2018 and 2019 of NOK 33 million. Any positive or negative deviation will result in a subsequent adjustment to the final purchase price by approximately the deviation multiplied by 2.2. Any positive adjustment will be settled in cash, while any negative adjustment will be settled 50% in cash and 50% in shares.

Gunnar Knutsen AS

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 normalised working capital.

Gunnar Knutsen AS is one of Norway's leading companies within transportation of loose materials for the building and construction industry.

Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The allocations in Gunnar Knutsen were not finalised by 31 December 2018. Preliminary estimates are made regarding certain aspects of the opening balance sheet and the estimated 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 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 recognised 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. Any negative deviation will be multiplied by 6.6 and will be settled 50% in cash and 50% in shares. Any positive deviation will be multiplied by 6.6 and will be settled in cash.

NOTE 02/

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 and an updated assessment as of year-end. 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	90	133
Fair value of consideration shares in NRC Group ASA	64	92
Cash/debt in target	-11	-17
Net settlement	144	208
Property, plant and equipment	90	48
Intangible asset: Customer contracts and relations	18	19
Non-current assets	0	0
Current assets	74	67
Tax payable and deferred tax	-15	-10
Interest-bearing debt	-79	-11
Other current liabilities	-55	-47
Net identifiable assets and liabilities	33	65
Non-controlling interests *	-2	0
Goodwill (majority share)	113	143
Consolidated revenue from date of acquisition	162	66
Consolidated profit/loss before tax from date of acquisition	11	3
Transaction costs included in other income and expenses	2	2

* The acquisition of 100% of the shares in NSS Holding AS includes the 100% ownership in Norsk Saneringservice AS and 70% ownership in Miljøvakta AS. The non-controlling interests in Miljøvakta is measured at the proportionate share of the identifiable net assets.

If the combinations had taken place at the beginning of the year, revenue from continuing operations for the Group would have been NOK 3,541 million and profit before tax for the Group would have been NOK 38 million in 2018.

NOTE 02/

BUSINESS COMBINATIONS IN 2017

HAG Anlegg AS (HAG)

On 7 April 2017, NRC Group acquired 100% of the shares in HAG for a total consideration of NOK 108 million. HAG carries out construction work and project- and site management within transport and infrastructure, specializing in surface work and concrete constructions. The project management expertise from HAG will complement the existing knowhow and capacity of NRC Group within the groundworks segment. It will further strengthen NRC Group's overall capabilities, enabling the Group to undertake larger and more complex projects simultaneously.

The acquisition was financed by a combination of cash and issuance of 775 862 new shares in the Group. The shares were subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 24 months, 1/3 for 30 months and the last 1/3 for 36 months.

The purchase price allocation for HAG resulted in a goodwill of NOK 92 million. Goodwill is related to the expected synergies arising from the organisation's competence within project management and construction technique within the groundworks segment. The acquisition will strengthen the Group's overall capabilities, enabling the Group to undertake larger, more complex projects simultaneously. It will further improve the Group's position for projects related to the planned upgrade of the tram and metro infrastructure in Oslo. The goodwill is not tax deductible.

Intangible assets related to the acquisition of HAG include customer contracts and customer relations acquired through the business combination of NOK 12 million. They are recognised 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 provision of NOK 2 million, related to contract guarantees, included as other current liabilities. The purchase price allocation has been finalised.

During 2018 HAG merged with ALTi Bygg og Anlegg AS and changed name to NRC Anlegg AS.

ALTi Bygg og Anlegg AS (ALTi)

On 6 July 2017, NRC Group acquired 100% of the shares in ALTi for a total consideration of NOK 200 million. ALTi carries out ground and construction work, as well as project- and site management, within both private and public sector. The acquisition of ALTi will further strengthen the competitiveness of the Group's Norwegian operations in the growing rail infrastructure market where project management and ground- and construction expertise are key. The project management expertise from ALTi, will complement the existing knowhow and capacity of the Group. It will further strengthen the Group's overall capabilities, enabling the Group to undertake larger and more complex projects simultaneously.

The acquisition was financed by a combination of cash and issuance of 1,724,137 new shares in the Group. The shares were subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 24 months, 1/3 for 30 months and the last 1/3 for 36 months.

The purchase price allocation for ALTi resulted in a goodwill of NOK 162 million. Goodwill is related to the expected synergies arising from the organisation's competence within project- and site management as well as construction technique within the groundworks segment. The acquisition will strengthen the Group's overall capabilities, enabling the Group to undertake larger, more complex and projects simultaneously.

Intangible assets related to the acquisition of ALTi include customer contracts and customer relations acquired through the business combination of NOK 10 million. They are recognised 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 value of fixed assets of NOK 4 million and a provision of NOK 1 million related to contract guarantees, included as other current liabilities. The purchase price allocation has been finalised.

During 2018 ALTi merged with NRC Anlegg AS.

NOTE 02/

Signal and Banbyggarna i Dalarna Aktiebolag (SBB)

On 10 July 2017, the Group acquired 100% of the shares in SBB at an estimated enterprise value of SEK 115 million. SBB carries out construction work and project- and site management within railway infrastructure and signalling, as well as groundwork. The acquisition of SBB improves the competitiveness of the Group's Swedish operations. It will widen the geographical footprint to include Stockholm, Skåne and Northern Sweden, adding to the Group's already established position in the regions of Karlstad and Gothenburg.

The net settlement was adjusted to NOK 122 million including net debt settlement and based on pre-closing estimates of net debt and working capital adjustments. The final consideration was contingent of the EBITDA for SBB for 2017. The final purchase price, including net debt settlement, was NOK 103 million based on reported results for 2017. The difference between the preliminary and final settlement has been repaid.

The acquisition was financed by a combination of cash and issuance of 561,604 new shares in the Group. The shares were subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 18 months, 1/3 for 24 months and the last 1/3 for 36 months.

The purchase price allocation for SBB resulted in a goodwill of NOK 48 million. Goodwill was related to the expected synergies arising from the organisation's competence within construction work and project- and site management within railway infrastructure and signalling as well as groundwork.

Intangible assets related to the acquisition of SBB include customer contracts and customer relations acquired through the business combination of NOK 10 million. They were recognised at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method over their estimated useful life, until the third quarter of 2018 when the remaining book value was impaired. The allocation of the purchase price resulted in a provision of NOK 1.0 million related to contract guarantees, included as other current liabilities. The purchase price allocation is completed.

Fibertech AS

On 10 October 2017, the Group announced that it had agreed to acquire all outstanding shares in the Norwegian infrastructure company Fibertech for an enterprise value of NOK 62 million. Fibertech carries out cable installations, hauling and floating work. Fibertech currently has employees with extensive experience from project management within cable installation and related infrastructure work and are considered specialists on fibre infrastructure for railway. The transaction was completed on 24 October 2017.

Following pre-closing adjustments for cash, debt and working capital on closing, the total purchase price was estimated to NOK 70 million. NOK 39 million was settled in cash, of which NOK 6 million was placed in escrow and the remaining NOK 31 million was settled by issuance of 512,895 new shares in the company at a subscription price of NOK 61.5 per share. The shares are subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 18 months, 1/3 for 24 months and the last 1/3 for 36 months.

The sellers of Fibertech have guaranteed a minimum EBIT in 2017 and 2018 of NOK 12 million, which entails that if the actual EBIT is lower, there will be an adjustment to the purchase price. No adjustment has been assumed.

The initial purchase price allocation for Fibertech resulted in a goodwill of NOK 49 million. Goodwill is related to the expected synergies arising from the organisation's competence within construction work and project- and site management within railway infrastructure and signalling as well as competence within cable installation and fibre infrastructure for railway including groundwork. The acquisition will improve the competitiveness of the Group's Norwegian operations.

Intangible assets related to the acquisition of Fibertech include customer contracts and customer relations acquired through the business combination of NOK 4 million. They are recognised 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 purchase price allocation is completed.

NOTE 02/

(Amounts in NOK million)

	Hag Anlegg AS	ALTi BA AS	SBB AB	Fibertech AS
Date of acquisition	7 April	6 July	10 July	24 October
Share of ownership	100%	100%	100%	100%
Cash settlement	63	100	60	39
Value of issued shares in NRC Group ASA	45	100	33	31
Cash/debt in target	-6	-52	28	-15
Net settlement at closing	102	148	122	55
Estimated adjustments to the settlement	0	0	-18	0
Estimated purchase price	102	148	103	55
Property, plant and equipment	2	8	37	4
Intangible asset: Customer contracts and relations	12	10	10	4
Non-current assets	5	0	0	0
Current assets	23	27	71	8
Tax payable and deferred tax	-3	-6	-1	-4
Interest-bearing debt	-1	-5	-27	0
Other current liabilities	-28	-50	-35	-6
Net identifiable assets and liabilities	10	-15	55	6
Goodwill	92	162	48	49
Estimated purchase price	141	99	124	6
Estimated purchase price	12	14	2	1
Estimated purchase price	1	1	2	1

If the combinations had taken place at the beginning of the year, revenue from continuing operations for the Group would have been NOK 2 567 million and profit before tax for the Group would have been NOK 127 million in 2017.

NOTE 03/

SEGMENT REPORTING

For management purposes, the Group is organised in business units based on geographical areas. The Group is a contractor within infrastructure related to public transportation in Norway and Sweden. The Group is also a supplier of rail, harbour and road related infrastructure services, including groundwork, specialised track work, safety, electro, telecom, signalling systems, maintenance and environmental services. As all these products are related to infrastructure services, none are considered as separate segments. Segments are reported in the same manner as internal financial reporting to the Group's highest decision-maker. The Executive Management, who is responsible for the allocation of resources, and the assessment of earnings in the operating segments, is defined as the Board of Directors and the CEO. The internal financial reporting follows current IFRS standards as described in these notes to the Group accounts. Based on this, the Group has two geographical operating segments, Norway and Sweden.

The Executive Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on EBITDA, EBITA and EBIT before other income and expenses (see note 8). Adjusted for other income and expenses according to note 8, the EBIT is consistent with the operating profit in the consolidated financial statements. The Group's financing (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTE 03/

The largest customers of the Group are Trafikverket, aggregating 71% (2017: 68%) of the segment revenues in Sweden, and Bane Nor, aggregating 21% (2017: 39%) of the segment revenues in Norway for 2018. No other customers aggregate more than 10% of the Group's total revenues.

(Amounts in NOK million)	Norway operations		Sweden operations		Others and eliminations		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017
External	1,587	761	1,589	1,612	0	0	3,176	2,373
Inter-segment	11	10	2	1	-13	-11	0	0
Total revenue	1,598	771	1,591	1,613	-13	-11	3,176	2,373
EBITDA*	136	43	26	221	-31	-28	132	236
Depreciation	40	22	35	23	0	0	75	45
EBITA*	96	21	-9	198	-31	-28	57	191
Amortisation and impairment	20	16	8	18	0	0	28	34
EBIT*	76	5	-16	180	-31	-28	29	157
Other income and expenses	7	3	0	2	21	2	28	6
Operating profit	69	2	-16	178	-52	-30	1	150
Current assets	403	417	717	753	117	-21	1,237	1,149
Non-current assets	1,012	803	646	671	46	-139	1,703	1,335
Total assets	1,415	1,220	1,363	1,424	162	-160	2,940	2,484
Current liabilities	651	415	533	516	-172	-147	1,012	783
Non-current liabilities	190	42	423	462	-127	-160	486	344
Total liabilities	841	457	956	978	-299	-308	1,498	1,127

* Before other income and expenses. See note 8 for further information regarding other income and expenses.

Others and eliminations include activities in the Parent and holding companies as well as eliminations. The negative inter-segment revenue of NOK 13 million (2017: NOK -11 million) compounds of internal revenue in the parent company amounting to NOK 10 million (2017: NOK 10 million) and eliminations of internal revenue of NOK 23 million (2017: NOK 21 million). There are no further eliminations besides eliminations in operating expenses.

The amortisation and impairment include an impairment loss of NOK 6 million in Sweden. For further information see note 12.

For 2018, assets and liabilities are shown gross per segment and eliminations are shown separately. Comparable numbers for 2017 are changed respectively. The aggregated information on Others and eliminations consists of the following:

(NOK million)	Parent and holding companies		Eliminations		Others and eliminations	
	2018	2017	2018	2017	2018	2017
Current assets	1,093	697	-976	718	117	-21
Non-current assets	370	205	-325	-345	46	-139
Total assets	1,463	903	-1,301	-1,062	162	-160
Current liabilities	827	643	-999	-791	-172	-147
Non-current liabilities	198	184	-325	-345	-127	-160
Total liabilities	1,025	828	-1,324	-1,135	-299	-308

NOTE 04/

REVENUES AND PROJECTS IN PROGRESS

(Amounts in NOK million)		
	2018	2017
Revenue		
Contract revenue recognised during the year	3,164	2,362
Other revenue	13	11
Total revenue	3,176	2,373
Revenue from public customers	2,478	1,694
Revenue from private customers	698	678
Total revenue	3,176	2,373
Projects in progress at year end	2018	2017
Contract costs plus profit less losses to date	4,700	3,767
Less progress billings including advances	4,677	3,817
Work in progress, net	23	-50
Gross amounts due to customers for contract work (contract liabilities)	163	197
Gross amounts due from customers for contract work (contract assets)	186	146
Total contract value, ongoing contracts	6,994	5,678
Revenue recognised at year-end	4,700	3,767
Revenues not recognised	2,294	1,911
Expected to be recognised next 12 months	1,796	1,391
Expected to be recognised later	499	520
Other information	2018	2017
Billed amounts retained by customers	73	46
Provision for loss-making projects	0	0
Remaining revenue on loss making projects	6	1
	2018	2017
Order backlog	2,748	1,948
Order backlog in JVs	600	460

All revenue included in the contract liabilities in the beginning of the period has been recognised in the period. There have been no significant revenues recognised in the period related to performance obligations satisfied in previous periods.

The performance obligations are satisfied over-time and payments are generally due in instalments over the production period, based on the contractual agreement.

Order backlog in JV's is 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.

NOTE 05/ SALARIES AND PERSONNEL COSTS

(Amounts in NOK million)		
	2018	2017
Salaries	500	363
Social security taxes	115	87
Pension expenses	31	20
Other personnel costs	15	23
Total	661	493
Full time equivalent employees	758	557

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 OF DETERMINING SALARY AND OTHER REMUNERATION FOR EXECUTIVE PERSONNEL FOR THE FINANCIAL YEAR 2018

The Group'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 Group to attract the best qualified persons to key positions.

In addition to their base salary, some executive personnel, can receive a variable bonus of up to 35% of gross annual salary and participate in the senior management share option program. The size of the bonus paid to the individual employees and the number of options will depend partly on the achievement of individual targets and partly on the performance of the Group. The targets for the CEO are set by the Board of Directors. The CEO has established targets for other executive personnel.

Executive personnel are eligible for the following benefits; a mobile phone with subscription, internet, newspapers and a fixed mileage allowance when using their private car. Executive personnel are members of the Group's defined contribution pension scheme in the same manner as other employees. The Group believes that the performance-based bonus agreement for executive personnel has a motivational effect and therefore is beneficial for the Group and its shareholders.

Implemented executive remuneration policy for 2018

The remuneration of executive personnel in 2018 has been in accordance with the declaration that was presented to the general meeting in 2018.

NOTE 06/

COMPENSATION TO EXECUTIVE PERSONNEL

Salary and other remunerations to executive personnel in 2018:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Bonus paid	Other remuneration	Pension expenses	Share option expense	Total	Notice period
Øivind O. Horpestad	CEO	2,400	564	197	164	442	3,767	18 months
Dag Fladby	CFO	1,920	504	197	164	221	3,006	12 months
Geir Nilsen	Managing Director NRC Norway (to 01.03.18)	281	0	31	9	208	529	6 months
Hans Olav Storkås	Managing Director NRC Norway (from 01.03.18)	1,433	0	6	109	70	1,618	6 months
Daniel Pettersson	Managing director NRC Sweden (to 20.09.18)	1,179	523	68	275	-132	1,913	12 months
Pär Tingström	NRC Sweden (from 20.09.18)	337	0	22	67	0	426	6 months

The notice period includes any non-compete periods subsequent to the ordinary notice period, during which they will receive the basic salary and other remuneration and participate in the Group pension plan.

Based on the Group's achievement in 2018, 37.750 share options will be granted related to 2018. All share options will be awarded to Hans Olav Storkås. The weighted average fair value of options granted to executive personnel during the year was NOK 8.12 each.

Salary and other remunerations to executive personnel in 2017:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Bonus paid	Other remuneration	Pension expenses	Share option expense	Total	Notice period
Øivind O. Horpestad	CEO	2,300	805	208	162	221	3,696	18 months
Dag Fladby	CFO	1,920	672	202	162	132	3,088	12 months
Geir Nilsen	Managing Director NRC Norway (from 01.06.17)	1,004	164	41	51	104	1,364	6 months
Daniel Pettersson	Managing director NRC Sweden	1,680	588	97	305	132	2,802	12 months

Based on the Group's achievement in 2017, 400 000 share options were granted related to 2017. Out of this, 100 000 share options were awarded to CEO Øivind Horpestad and 75 000 share options to each of the following group executives; Dag Fladby, Geir Nilsen and Daniel Pettersson. The weighted average fair value of options granted during the year was NOK 9.27 each. The share option expense is allocated over the service period assumed in the option program. For further information see note 7.

NOTE 06/

COMPENSATION TO BOARD OF DIRECTORS

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

(Amounts in NOK)		
	2018	2017
Helge Midttun	425	765
Mats Williamson, from July 2018	63	0
Kristian Lundkvist, until May 2017	0	250
Brita Eilertsen	263	425
Harald Arnet	245	410
Kjersti Kanne	203	385
Mats Olof Mikael Paulsson, from May-November 2017	0	166
Total	1,198	2,401

For 2018, the estimated remuneration is NOK 500 000 for the chair and NOK 250 000 for the members. Additional remuneration for the audit committee is NOK 50 000 – 75 000, for the remuneration committee NOK 15 000 – 25 000 and for the project committee NOK 15 000 – 25 000.

During 2017 the Group changed payment terms for the compensations to the Board of Directors from annual to quarterly payments. The remuneration for 2017 includes the annual payment for the year ending at the 2017 general assembly and two quarterly payments in October and December for the next period.

In 2018, the Group signed agreements with Visento AS and Hermia AS to provide consultancy services on an hourly basis related to the acquisition of VR Track. Board member, Harald Arnet, is the majority owner of Hermia AS, while the Chairman Helge Midttun, is the owner of Visento AS. All related party transactions are carried out on arm's length terms.

NOTE 07/

SHARE-BASED PAYMENTS

The expenses recognised for equity-settled share-based payment transactions for employee services received during the year is shown in the following table:

(Amounts in NOK million)		
	2018	2017
Senior Management Share Option Plan	1.2	0.7
Key Employee Share Option Program	0.2	0.0
General Employee Share Program	0.0	1.2
Total	1.4	1.9

General Employee Share Programme

There have been no employee share offerings in 2018.

During 2017, the Group gave employees the opportunity to purchase a certain number of shares at a 20% discount to the trading price at exercise. The discount was recorded as salaries.

On 6 September 2017, a total of 23,677 shares were sold under this offer with a total discount of approximately NOK 250,000. On 28 September 34,000 shares were sold for a total discount of approximately NOK 1,900,000 as part of the bonus scheme in Sweden for 2016. The amount was provided for in 2016. On 1 December 2017 a total of 55,116 shares were sold with a total discount of approximately NOK 600,000. All the shares sold were treasury shares.

NOTE 07/

Senior Management Share Option Plan (equity settlement)

On 12 May 2016, the Company's annual general meeting approved implementation of an option program for senior management comprising an aggregate of 600,000 share options over two years. The Company's annual general meeting on 3 May 2017 increased the share option program to comprise an aggregate of 900,000 share options over two years.

The strike price for the options is set to 105% of the weighted average of the share price of the Company during the last 30 days prior to the general meeting in which the option program was approved. The strike price will be adjusted for any dividends paid from the time of the establishment of the program until options are exercised. The options have a two-year term so that the last possible award of options pursuant to the option program will be in connection with the Company's annual general meeting in 2019.

Options are awarded based on the Group's achievements of certain quantitative and qualitative goals determined by the Board of Directors and are formally awarded following the Company's annual general meeting each year. The options normally vest over a period of three years, with 1/3 of the aggregate amount of options vesting each year. Options that are not exercised during, or on the date of expiry of, the vesting period, lapse without compensation to its holder.

At year-end, a total of 394,157 options have been granted in connection with the Senior Management Option Program. The weighted average exercise price of the options is NOK 56.53. The expiry date of 31,407 of the options is 6 April 2019, as the expiry date for these options was extended with 12 months. 325,000 of the options expire in May 2021. These options can be vested by 1/3 each year from May 2018 until expiry. The remaining 37,750 of the options expire in May 2022, and these options can be vested by 1/3 each year from May 2019 until expiry.

Vesting period will be by 0-12, 12-24 and 24-36 months (1/3 each) from May 2018. Vesting conditions is full time employment, and the expense is accrued for over the service period for each group of options.

Share option program for key employees

On 19 April 2018, the Company's annual general meeting approved implementation of an option program for key employees comprising an aggregate of 400,000 shares over two years.

As per year-end, a total of 238,000 options have been granted in connection with the option program. The options can be vested over a period of 12 months from autumn 2021 at a strike price of NOK 85.78. The strike price will be adjusted for any dividends paid from the time of the establishment of the program until the options are exercised. The employees paid NOK 1 or SEK 1 for each option.

75,000 options were forfeited during 2018 due to vesting conditions not being satisfied. There were no settlement, cancellations or modifications to the awards in 2018 or 2017.

NOTE 07/

The following table illustrates the number and weighted average exercise prices (WAEP) of share options during the year, including any movements:

(Amounts in NOK million)				
	2018 number	2018 WAEP	2017 number	2017 WAEP
Outstanding at 1 January	431,407	55.8	31,407	54.2
Granted during the year	275,750	82.3	400,000	56.0
Exercised during the year	0		0	
Forfeited during the year	-75,000	55.0	0	
Outstanding at 31 December	632,157	67.5	431,407	55.8
Exercisable at 31 December	139,740		0	

WEAP will be adjusted for any dividend in the period from grant to exercise. Options granted in 2017 have in 2018 been adjusted for dividend of NOK 1.75.

The weighted average remaining contractual life for the share options outstanding as of 31 December 2018, was 2.4 years (2017: 2.2 years).

The weighted average fair value of options granted during the year was NOK 9.06. Total value of the options aggregated NOK 2 million to be allocated over the service period assumed in the option program, of which NOK 0.2 million is recognised in 2018.

The range of exercise prices for options outstanding at the end of the year was NOK 55.00 to NOK 85.78 (2017: NOK 55.00 to NOK 60.20), before any adjustment for future dividends.

The following tables list the inputs to the models used for the plans for the years ended 31 December 2018 and 2017, respectively:

(Amounts in NOK million)		
	2018	2017
Weighted average fair values at the measurement date	9.06	9.27
Expected volatility (%)	23.5	25
Risk-free interest rate (%)	1.83	1.65
Expected life of share options, months	4-45	22-46
Weighted average share price	76.74	65.12
Model used	Binominal and Black Scholes	Binomial

Dividend is not considered as the strike price will be adjusted for any dividends paid from the time of the establishment of the program until options are exercised. Expected volatility is based on actual volatility 24 months (12 months in 2017) back in time.

NOTE 08/

OTHER OPERATING AND ADMINISTRATIVE EXPENSES

(Amounts in NOK million)		
	2018	2017
Travel expenses	106	82
Rent and other office expenses	61	45
External services	59	39
Expenses related to machinery, cars and equipment	63	37
Other operating and administrative expenses	53	34
Total	342	238
Other income and expenses		
Merger and acquisition expenses	28	6
Total other income and expenses	28	6

COMPENSATION TO AUDITORS

(Amounts in NOK 1,000)		
	2018	2017
Statutory audit fees	2.7	3.5
Other assurance engagements	1.3	0.5
Tax related services	0.1	0.1
Other services	0.0	1.3
Total	4.1	5.4

EY was the Group's auditors for 2018 and 2017. Total fees include fees to non-EY auditors amounted to NOK 0.3 million for 2018 (2017: NOK 0.4 million).

NOTE 09/

FINANCIAL INCOME AND EXPENSES

(Amounts in NOK million)		
	2018	2017
Interest income	1	3
Interest expenses	-14	-10
Net foreign currency gains/(losses)	1	1
Net financial items	-11	-6

NOTE 10/

TAXES

(Amounts in NOK million)

Deferred tax relates to the following:	2018	2017
Intangible assets	-8	-8
Property, plant and equipment	-14	-8
Net contract assets/receivables	-41	-13
Tax allocation reserve, Sweden	-26	-33
Tax losses carried forward	115	112
Other temporary differences	-1	8
Total deferred tax assets/ liabilities (-)	24	58
Deferred tax assets not recognised	-	-15
Net deferred tax assets/ liabilities (-)	24	43
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	45	70
Deferred tax liabilities	-20	-27
Net deferred tax assets/ liabilities (-)	24	43

Reconciliation of net deferred tax assets/ liabilities (-)	2018	2016
As of 1 January	43	20
Tax income/ expense (-) during the period	10	39
Tax income/ expense (-) during the period, recognised in OCI	-3	-2
Deferred taxes acquired in a business combination	-29	-15
Effect of foreign currency translation	1	-1
Other	2	2
As of 31 December	24	43

All deferred tax assets have been recognised 2018 as it is probable that they can be utilised against deferred tax positions and future taxable profit based on forecasts and projections for a five-year period. 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 15 million cannot be utilised until 2021.

NOTE 10/

(Amounts in NOK million)

The major components of income tax expense are:	2018	2017
Current income tax charge	2	20
Change in deferred tax	-12	-39
Tax expense (income)	-10	-19
Reconciliation of tax expense and accounting profit:	2018	2017
Net income before tax from continuing operations	-10	144
Profit/(loss) from discontinued operation	0	-7
Accounting profit (loss) before income tax	-10	137
Estimated tax on income before tax	-2	30
Effect of permanent differences	5	4
Effect of tax assets being recognised	-20	-54
Effect of change in tax rate	5	1
Other	2	0
Income tax expense/ income (-)	-10	-19
Income tax reported in income statement	-10	-19
Income tax attributable to discontinued operations	0	0
Total income tax expense/ income (-)	-10	-19

Tax payable in the balance sheet of NOK 12 million relates to taxes of NOK 10 million for 2017 and NOK 2 million for 2018.

The weighted average tax rate (excluding the impact of recognising tax assets) was -97.5% in 2018 (2017: 24.2%).

The tax rate for Sweden is unchanged at 22%. The tax rate will further decrease to 21.4% in 2019 and to 20.6% in 2021. The decreased rates have been considered when calculating the deferred taxes.

The tax rate for Norway changed from 24% in 2017 to 23% in 2018. The tax rate will further decrease to 22% in 2019, being the basis for the deferred tax calculation.

NOTE 11/ EARNINGS AND DILUTED EARNINGS PER SHARE

The earnings per share 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 16.

Earnings per share (ordinary)	2018	2017
From continuing operations, NOK	0.01	4.04
From discontinued operations, NOK	0.00	-0.17
From profit loss for the year	0.01	3.87
Profit/loss from continuing operations, NOK million	0	163
Profit/loss from discontinued operations, NOK million	0	-7
Profit/loss for the year	0	156
Weighted average externally owned shares	42,488,181	40,351,547
Effect of dilution from share options	348,688	23,966
Weighted average externally owned shares adjusted for dilution	42,888,819	40,375,513
Earnings per share (diluted)	2018	2017
From continuing operations, NOK	0.01	4.04
From discontinued operations, NOK	0.00	-0.17
From profit loss for the year	0.01	3.87

NOTE 12/ INTANGIBLE ASSETS

(Amounts in NOK million)

	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2018	950	28	978
Translation differences	-14	0	-14
Acquisitions	256	37	293
Additions	0	2	2
Amortisation for the year	0	-22	-22
Impairment for the year	0	-6	-6
Carrying amount as at 31/12/2018	1,192	39	1,230
Acquisition cost	1,192	138	1,330
Accumulated amortisation	0	-93	-93
Accumulated impairment	0	-6	-6
Carrying amount as at 31/12/2018	1,192	39	1,230

NOTE 12/

(Amounts in NOK million)

	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2017	577	24	601
Translation differences	22	1	23
Acquisitions	351	36	387
Additions	0	1	1
Amortisation for the year	0	-34	-34
Carrying amount as at 31/12/2017	950	28	978
Acquisition cost	950	99	1,048
Accumulated amortisation	0	-71	-71
Accumulated impairment	0	0	0
Carrying amount as at 31/12/2017	950	28	978

Other intangible assets consist of contracts, customer relationships and licenses which are amortised over remaining useful life of each asset. Assets acquired in 2018 have an expected life range of between 1 and 2 years.

The impairment for the year is related to the remaining book value of customer relations in the Swedish subsidiary SBB, that during 2018 had a negative development and is in process of being reorganised. Based on this the recoverable amount is estimated to 0.

ALLOCATION OF GOODWILL TO CASH GENERATING UNITS

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

(Amounts in NOK million)		
	2018	2017
Norway	727	471
Sweden	464	479
Total	1,192	950

The decrease in the carrying amount of goodwill related to Sweden is due to the weakening of SEK vs NOK during 2018. The increase in the carrying amount of goodwill allocated to Norway is related to the acquisitions of NSS Holding AS and Gunnar Knutsen AS, please refer to note 2.

The cash generating units of the Group is based on geographical areas. The cash generating units correspond to how the Executive Management monitors the business for the purpose of making decisions about resource allocation and performance assessment. The Group has made several acquisitions over the past years. These businesses are all within the same business segment and they strengthen the Group's overall capabilities to undertake larger, more complex and projects simultaneously within each country. There is an ongoing process of reorganising the acquired companies. The business units acquired do no longer have cash inflows independent from other group companies or operations, and the expected benefit of the synergies from the combinations will be on country- rather than company level. Due to this, the smallest group of assets generating cash inflows largely independent of cash inflows from other assets or group of assets, are the geographical areas Norway and Sweden respectively.

NOTE 12/

IMPAIRMENT TESTS

The Group considers the relationship between its market capitalization, carrying amounts and other factors when identifying indicators of impairment. On 31 December 2018, the market capitalization of the Group is well above the 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 amortised and therefore must be tested annually for impairment, and specific other assets. The Group performs its annual impairment tests in the 4th quarter. 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 the discounted estimated future cash flows before tax with the relevant discount rate (WACC).

Estimated cash flows for the years 2020 – 2023 are based on estimated revenue growth of approximately 5% and 7,5% in average per year, based on the estimated market growth in Sweden and Norway respectively. EBITDA margins are based on the same level as 2019. For the years subsequent to 2023, a terminal growth of the net cash flow of 2% in Norway and 1.5% in Sweden has been considered.

The discount rate before tax used is 10.53% for Norway and 9.81% for Sweden.

SENSITIVITY

The calculation of value in use is most sensitive to the estimates of revenues, gross margin, discount rate and terminal growth. Reasonable changes in assumptions used in the impairment test would not cause the carrying amount of the cash generating units to exceed the recoverable amount. Changes not leading to impairment are increases in discount rates of 2 percentage points, decrease in revenues of 10 %, decrease in gross margin of 1 percentage point and terminal growth of 0%.

NOTE 13/

PROPERTY, PLANT AND EQUIPMENT

(Amounts in NOK million)	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as of 01/01/2018	30	248	278
Translation differences	-1	-5	-6
Acquisitions	1	136	137
Additions	-	107	107
Disposals/other movements	-3	-21	-24
Depreciation for the year	-1	-74	-75
Carrying amount as of 31/12/2018	26	391	418
Total cost	32	573	606
Accumulated depreciation	-6	-182	-188
Accumulated impairment	-	-	-
Carrying amount as of 31/12/2018	26	391	418

NOTE 13/

(Amounts in NOK million)			
	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as of 01/01/2017	20	124	144
Translation differences	1	6	7
Acquisitions	9	42	51
Additions	1	129	130
Disposals/other movements	0	-9	-9
Depreciation for the year	-1	-44	-45
Carrying amount as of 31/12/2017	30	248	278
Total cost	32	353	384
Accumulated depreciation	-2	-104	-106
Accumulated impairment	0	0	0
Carrying amount as of 31/12/2017	30	248	278

Included in additions for 2017 were the cost price of a new tamping machine at NOK 56 million.

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

(Amounts in NOK 1,000)		
	2018	2017
Total cost carried on the balance sheet	329	177
Accumulated depreciation	-76	-53
Carrying amount as of 31 December	253	124

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. The duration of the agreements is from one to seven years. See also note 18.

NOTE 14/

TRADE RECEIVABLES AND OTHER RECEIVABLES

(Amounts in NOK million)		
	2018	2017
Trade receivables	575	504
Provisions for expected losses	-18	-1
Trade receivables – net	557	503
Contract assets	186	146
Other current receivables	76	91
Other current financial assets	23	0
Total current receivables	841	740

NOTE 14/

Age distribution of trade receivables:

(Amounts in NOK million)		
	2018	2017
Trade receivables not due for payment	361	326
Up to 30 days	89	35
Between 30 and 90 days	21	58
Over 90 days	104	84
Total receivables due for payment	230	177
Total trade receivables	575	503

Trade and other current receivables by currency:

	2018	2017
NOK	527	314
SEK	314	426
GBP	1	0
Total current receivables	841	740

NOTE 15/

CASH AND CASH EQUIVALENTS

(Amounts in NOK million)		
	2018	2017
Cash and bank deposits	377	397
Restricted cash	19	12
Total	396	409

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

Cash and cash equivalents per currency:

	2018	2017
NOK	241	284
SEK	157	126
GBP	0	0
EUR	-2	-1
Cash and cash equivalents	396	409

Negative cash in EUR is related to the Group's cash pool.

NOTE 16/

SHARE CAPITAL AND SHAREHOLDER INFORMATION

NRC Group ASA has one class of shares. Total number at year end were 44,025,898 shares (2017: 41,922,476), excluding own shares, with a nominal value of NOK 1.00 each. The share capital as of 31 December 2018 totalled NOK 44,026,270 (2017: 42,327,848).

At the annual general meeting on 12 May 2016, the Board of Directors was granted the mandate to authorise a share option program for senior management of up to 600,000 shares over two years. At the annual general meeting on 3 May 2017, the Board of Directors was authorised an increase of the share option program for senior management of up to 900,000 shares over two years. This program is further described in note 7.

At the annual general meeting on 19 April 2018, the Board of Directors was granted an authorization to increase the share capital by up to NOK 400,000 as part of the key employee option plan. The subscription price and other subscription terms are determined by the Board of Directors. The authorization only applies to issuances of shares against payment in cash and is valid until 19 April 2020. This program is further described in note 7.

At the annual general meeting on 19 April 2018, the General Meeting granted the Board of Directors an authorisation to acquire shares in the Company for up to a maximum nominal value of NOK 4,232,784.00. The Board of Directors' acquisition of shares pursuant to the authorisation can only take place between a minimum price of NOK 1 and a highest price of NOK 100 per share. The authorisation applies from registration in the Norwegian Register of Business Enterprises and up until the Annual General Meeting in the spring of 2019, but not later than 30 June 2019. Acquisitions and disposals of treasury shares can take place in the manner found appropriate by the Board of Directors

At the annual general meeting on 19 April 2018, the Board of Directors were granted an authorisation to increase the share capital by a maximum of NOK 8,465,568. The subscription price and other subscription terms is determined by the Board of Directors. The capital increase may be paid in cash, by set-off or by contributions in assets other than money. The authorisation includes the right to incur special obligations on behalf of the company, cf Section 10-2 of the Norwegian Public Limited Companies Act. The authorisation includes decisions on merger, cf Section 13-5 of the Norwegian Public Limited Companies Act. The authorisation is valid until the Annual General Meeting in the spring of 2019, but not later than 30 June 2019, and includes the right to change the company's Articles of Association in connection with the share capital increase. As at the end of 2018, NOK 1,698,422 were utilised as part of the acquisition of NSS Holding AS and Gunnar Knutsen AS.

At an extraordinary general meeting on 5 November 2018, the Board of Directors were authorised to increase the share capital by up to NOK 9,877,953.00, through issuance of up to 9,877,953 new shares, each with a par value of NOK 1.00. The authorisation could only be used for issuance of shares to VR-Group Ltd. in connection with fulfilment of the Company's obligations in accordance with the share purchase agreement regarding purchase of all shares in VR Track Oy. The subscription price and other subscription terms are determined by the Board of Directors in accordance with the terms of the share purchase agreement entered into with VR-Group Ltd. The authorization covers share capital increases against contribution in other assets than cash, cf. Section 10-2 of the Norwegian Public Limited Liability Companies Act. The authorization was valid until 30 June 2019 but utilised 7 January 2019 at closing of the acquisition of VR Track Oy.

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

Total number of shares on 1 January 2017	38,753,350
Acquisition of HAG Anlegg AS, 7 April 2017, see note 2	775,862
Acquisition of ALTi Bygg og Anlegg AS, 6 July 2017, see note 2	1,724,137
Acquisition of SBB AB, 10 July 2017, see note 2	561,604
Acquisition of Fibertech AS, 24 October 2017, see note 2	512,895
Total number of shares on 31 December 2017	42,327,848
Acquisition of NSS Holding AS, 11 September 2018, see note 2	850,745
Acquisition of Gunnar Knutsen AS, 28 September 2018, see note 2	847,677
Total number of shares on 31 December 2018	44,026,270

NOTE 16/

TREASURY SHARES

During 2017, the company acquired 500,000 own shares and sold 112,793 to employees. At the end of the year, the company owned 405,372 treasury shares corresponding to 0.96% of the total number of outstanding shares. The company has not acquired own shares during 2018. 405,000 own shares were used in connection with the acquisition of Gunnar Knutsen AS, see note 2. At the end of the year, the company owned 372 treasury shares corresponding to 0.001% of the total number of outstanding shares. The Board of Directors has a mandate until the Annual General Meeting in the spring of 2019, and no later than 30 June 2019, to acquire up to 4,232,784 of the company's own shares.

OWNERSHIP STRUCTURE

The number of shareholders as of 31 December 2018 was 2,257, compared with 2,250 as of 31 December 2017. The percentage of issued shares held by foreign shareholders was 43.6%, compared with 34.0% at year-end 2017.

NRC Group's 20 largest shareholders as of 31 December 2018:

Shareholder	No of shares	% of total
Datum AS	5,100,000	11.6%
Middelbord Invest AS	4,401,454	10.0%
Arctic Funds Plc	2,329,034	5.3%
Carnegie Investment Bank AB	2,241,414	5.1%
Nordea Nordic Small Cap Fund	1,976,397	4.5%
Verdipapirfondet Alfred Berg Gambak	1,434,590	3.3%
Charlotte Holding AS	1,329,688	3.0%
Nordnet Bank AB	1,302,577	3.0%
Gunnar Knutsen Holding AS	1,252,677	2.9%
Norron Sicav - Target	1,228,869	2.8%
LGA Holding AS	1,168,102	2.7%
Sogn Invest AS	1,018,807	2.3%
Handelsbank Nordiska Smabolagsfond	950,771	2.2%
Haugo Riving AS	850,745	1.9%
DNB NOR BANK ASA Egenhandelskonto	736,151	1.7%
Catella Småbolagsfond	699,546	1.6%
Danske Bank A/S	694,243	1.6%
E.K Holding AS	668,102	1.5%
Skandinaviska Enskilda Banken AB	641,350	1.5%
Verdipapirfondet Alfred Berg Norge	571,787	1.3%
Total 20 largest shareholders	30,596,304	69.5%
Other shareholders	13,429,966	30.5%
Total number of shares	44,026,270	100.0%

NOTE 16/

Shares held by members of the Board of Directors and executive management on 31 December 2018 including shares controlled through holding companies and related parties:

		Ordinary shares	Share options
Helge Midttun ¹⁾	Chairman of the Board of Directors	105,000	
Kjersti Kanne	Board member	1,500	
Harald Arnet ²⁾	Board member	100,000	
Øivind Horpestad ³⁾	CEO NRC Group	1,330,389	100,000
Dag Fladby	CFO NRC Group	21,282	92,448
Hans Olav Storkås	Managing director NRC Norway	21,500	37,750

¹⁾ Shares held by Visento AS, a company wholly owned by Helge Midttun.

²⁾ Shares held by Hato Invest AS, a company wholly owned by Harald Arnet.

³⁾ 1,329,688 shares held by Charlotte Holding AS, a company controlled by Øivind Horpestad. In addition, Horpestad has the right to acquire 500 000 shares from DNB Bank ASA under a term contract with DNB Bank ASA.

75,781 share options were exercisable at the year end. See note 7 for further information.

DIVIDEND

Based on the 2018 results, the significant growth and the acquisition of VR Track, the Board of Directors will not propose dividend for 2018. Normalised dividend distribution is expected from fiscal year 2019. Dividend for 2017 was NOK 73 million (NOK 1.75 per share). The dividend was paid 3 May 2018.

NOTE 17/

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.

(Amounts in NOK million)		
Pension expenses	2018	2017
Defined contribution plans	30	19
Contractual pension, multi-employer plan, Norway	1	2
Total pension expenses	31	21
Number of employees covered		
Defined contribution plans	872	573
Early retirement scheme, Norway (AFP)	171	123

NOTE 18/

LOANS AND OTHER NON-CURRENT LIABILITIES

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

(Amounts in NOK million)		
	2018	2017
Interest-bearing non-current liabilities:		
Financial leasing	152	75
Loans and borrowings	287	242
Total interest-bearing non-current liabilities	440	317
Current interest-bearing liabilities:		
Financial leasing	89	48
Loans and borrowings	86	73
Other current interest-bearing liabilities	175	121

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 nominal interest rate on the balance sheet date for the main agreements was as follows:

	NOK	SEK
Financial leasing	3-month NIBOR + 1.45% - 3.60%	3-month STIBOR* + 1.45% - 1.65%
Loans and borrowings	3-month NIBOR + 1.45% - 1.80%	3-month STIBOR* + 1.45% - 1.80%

*Minimum zero

The margin on the bank loans depend on the leverage ratio (net interest-bearing debt to adjusted EBITDA). During 2018 the margin has been 1.45%.

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

(Amounts in NOK million)		
	2018	2017
NOK	431	300
SEK	183	138
Total interest-bearing liabilities	615	438

NOTE 18/

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)							
Year-end 2018	1H 2019	2H 2019	2020	2021	2022	2023	2024 ->
Financial leasing	49	44	66	50	26	12	5
Bank loans	47	46	90	167	37	0	0
Total	96	90	156	217	63	12	5
Hereof interest	7	5	7	4	1	0	0

(Amounts in NOK million)							
Year-end 2017	1H 2018	2H 2018	2019	2020	2021	2022	2023 ->
Financial leasing	29	22	35	21	14	7	2
Bank loans	31	31	61	160	16	8	1
Other liabilities	16	0	1	1	1	0	0
Total	76	53	97	181	30	15	3
Hereof interest	5	4	6	3	1	0	0

The company's term facilities with Danske Bank ASA contains standard market terms and covenants. The loans include restrictions on interest coverage ratio (>3.0 compared to actual 18,7 as per 31 December 2018), leverage ratio (< 3.0 compared to actual 1,18 as per 31 December 2018), equity ratio (> 30% compared to actual 49% as per 31 December 2018) and book value of equity (> NOK 700 million compared to actual NOK 1,442 million as per 31 December 2018). The covenants are based on principles set out by the loan agreement and are not directly related to the IFRS reported numbers. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

Changes in interest-bearing liabilities arising from financing activities:

(Amounts in NOK million)		
	2018	2017
Interest-bearing liability at 1 January	438	193
Net cash flow financing activities	16	147
Interest-bearing debt in acquired companies	90	27
Financial leasing, new contracts	76	62
Currency adjustment	-5	10
Interest-bearing liability at 31 December	615	438

NOTE 19/

OTHER CURRENT LIABILITIES

(Amounts in NOK million)		
	2018	2017
Accrued salaries etc	111	66
Accrued project expenses	102	25
Other current liabilities	60	15
Total	273	106

NOTE 20/ OPERATING LEASES AND CAPITAL COMMITMENTS

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

(Amounts in NOK million)		
	2018	2017
Maturity within 1 year	25	13
Maturity between 1 and 5 years	45	26
Maturity after more than 5 years	19	23
Total	89	62

The operating leases encompass the leasing of vehicles, offices and miscellaneous operating equipment. The duration of the agreements is up to ten years, and most of them are renewable at the market rate when they expire. The Group also makes use of a number of short-term leases in connection with project execution. In total, the lease payments expensed in 2018 is NOK 39 million.

NOTE 21/ PLEDGED ASSETS, GUARANTEES AND SECURITY

Bank loans amounting to NOK 320 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries amounting to NOK 500 million, receivables, inventory and operating equipment amounting to NOK 500 million and any material intra-group loans. Total book value of receivables and inventory amounts to NOK 746 million. Financial lease liability amounting to NOK 241 million are secured by way of the underlying assets for which the legal ownership is kept by the financial lease counterpart. Total book value of financial lease assets amounts to NOK 253 million.

Following the acquisition of VR Track Oy 7 January 2019, the pledge over shares in subsidiaries of the Company, other than Miljøvakta AS, and intercompany loans has increased to NOK 2,000 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-Bekaert Scanrope AS in 2015. Following this 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 advertised that they would close 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 2018 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.

The Group has framework agreements with Tryg Garanti/ Tryg Forsikring A/S (utilised NOK 210 million out of NOK 250 million), Nordic Guarantee (utilised NOK 135 million out of NOK 200 million) and House of Guarantees AS (utilised 0 out of NOK 200 million). Guarantees are issued as collateral for the fulfilment of the Group's contractual obligations. These could be based on contract performance, prepayments, warranty obligations, withholding taxes and similar.

NOTE 22/

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)						
2018	Balance sheet on 31 December 2018	Financial assets at fair value	Financial assets at amortised cost	Financial liabilities at fair value	Financial liabilities at amortised cost	Non-financial item
Non-current financial assets	11	9	2			
Trade receivables	557		557			
Contract assets	186		186			
Other current receivables	76					76
Other current financial assets	23	23				
Cash & cash equivalents	396		396			
Total	1,249	32	1,141			76
Non-current liabilities	466			25	440	
Interest-bearing current liabilities	175				175	
Trade payables	317				317	
Contract liabilities	163					163
Other current liabilities	273					273
Total	1,394			25	932	436

(Amounts in NOK million)					
2017	Balance sheet on 31 December 2017	Financial assets at fair value	Loans and receivables	Financial liabilities at amortised cost	Non-financial item
Non-current financial assets	9	8	1		
Trade receivables	503		503		
Contract assets	146		146		
Other current receivables	91		5		86
Cash & cash equivalents	409		409		
Total	1,158	8	1,064		86
Non-current liabilities	317			317	
Interest-bearing current liabilities	121			121	
Trade payables	275			275	
Contract liabilities	197				197
Other current liabilities	106			0	106
Total	1,016			716	303

Non-financial assets and liabilities include contract assets/liabilities, advance payments, accruals and provisions.

NOTE 23/ FINANCIAL RISK

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

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk, such as equity price risk and commodity risk.

a. Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investments in foreign subsidiaries.

The Group 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 Group'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, based on a group hedging policy. During 2017 and 2018, the Group did not find it necessary to hedge cash flows against currency risks, except for entering into a forward contract of EUR 57 million at a fixed rate of 9,5535 and a loan agreement of EUR 189 million to hedge the EUR cash element of the purchase price for acquiring VR Track Oy at 7 January 2019. The fair value of the forward contract was NOK 23 million at 31 December 2018.

Net foreign exchange gains totalled NOK 1 million in 2018 (2017: NOK 1. 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 in equity as of 31 December 2018, totalled a net loss of NOK 6 million (2017: net gain of NOK 14 million).

The NOK/SEK rate of exchange as of 31 December 2018 was 0.9701 (2017: 0.9996), while the average of the monthly average rates used to translate the income statement was 0.9359 (2017: 0.9680).

The following tables demonstrate the sensitivity to a reasonably possible change in SEK exchange rates, with all other variables held constant. The Group's exposure to foreign currency changes for all other currencies is not material.

(Amounts in NOK million)		
	2018	2017
Change in SEK rate	-5%	-5%
Effect on net income	1	-6
Effect on equity	-28	-29

b. Interest rate risk

The Group has interest-bearing debt as described in note 18. The Group has loan agreements with Danske Bank and financial leases being interest-bearing, and addition net cash, netting off some of the interest rate risk. Net interest for 2018 amounts to NOK 11 million (2017: NOK 7 million). An increase in interest of 1% would increase interest on debt by approximately NOK 3 million a year. A significant part of this would be offset by increased interest on cash.

NOTE 23/**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 Group has guidelines for new contracts that focus on various elements, all of which shall contribute to early payments from the customer.

More than 75% of the revenues for 2018 were to customers that are municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. The Group considers the risk of potential future losses from this type of customer to be low. The Group has not entered into any transactions that involve financial derivatives or other financial instruments to mitigate credit risks.

As of 31 December 2018, the Group has provisions of NOK 18 million (2017: NOK 1 million) for potential future losses on specific trade receivables.

The Group is focusing on reducing outstanding trade receivables. The age distribution of the Group's trade receivables is specified in Note 14.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 22.

LIQUIDITY RISK

Liquidity risk is the risk that the Group 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 Group's liquid resources and credit facilities through revolving forecasts based on the expected cash flow. The Group's operations are discernible by seasonal fluctuations, since a large portion of the Group's operations consist of railroad work. Railroad work is performed to a lesser extent in winter during frost and when the surface of the earth is covered in snow. This means that the Group ties up working capital in the spring at the start of the railroad work.

The Group had NOK 377 million in liquid reserves at the end of the year, compared with NOK 397 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK19 million and total cash were NOK 396 million. Additionally, the Group had an unused credit facility of NOK 200 million. The Group has a common cash pool administrated by Danske Bank, increasing the availability to the cash reserves for almost all subsidiaries.

Total short-term interest-bearing debt at the year end and to be paid during 2019 amounts to NOK 175 million.

Moreover, the Group has total current liabilities as of 31 December 2018, totalling NOK 1,012 million. Total current assets, excluding cash and cash equivalents, amounts to NOK 841 million.

CAPITAL MANAGEMENT

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

The Group 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 Group monitors its capital structure by equity ratio and on key financial figures. Capital management is amongs other monitored based on the Group's leverage ratio (net debt/ EBITDA). Net debt is interest bearing debt less non-restricted cash. EBITDA is operating profit plus depreciation and amortization.

The Group aims to have a leverage and equity ratio that support the operations and ensure an acceptable credit rating. With its cash balance and low gearing, the Group is thus positioned to participate in further growth and consolidation in the industry.

NOTE 24/**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.

NOTE 25/ DISPUTES AND CLAIMS RELATED TO PROJECTS

Through its ongoing operations, the Group is involved in disputes with customers regarding the interpretation and understanding of signed contracts. This applies in particular to complex and large projects where the contract terms can be challenging. The Group strives to resolve these kinds of disputes outside court whenever possible, but some cases may nevertheless have to be decided by arbitration or in court. Disputes can be the Group's claims on customers and/or customers' claims on the Group. Comprehensive assessments are conducted in connection with disputed claims to ensure the most correct revenue and/ or expense recognition. At year-end the Group has no ongoing legal or arbitration proceedings that is assumed can have any significant negative effects on the Group's financial position.

NOTE 26/ 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 ¹⁾
 NRC Bane AS, Norway ²⁾
 Gravco AS, Norway
 Septik Tank Co AS, Norway
 NRC Anlegg AS, Norway ³⁾
 Fibertech AS, Norway
 NSS Holding AS, Norway
 Norsk Saneringsservice AS, Norway
 Miljøvakta AS, Norway ⁴⁾
 Gunnar Knutsen AS, Norway
 Nordic Railway Construction AB, Sweden
 Nordic Railway Construction Sweden AB, Sweden
 Signal & Banbyggarna i Dalarna AB, Sweden
 Blom Sweden AB, Sweden
 NRC Holding Finland Oy, Finland

¹⁾ NRC Norway AS has in 2018 merged with the 100% owned subsidiary NRC Civil AS.

²⁾ NRC Rail AS has in 2018 merged with the sister companies NRC Maskin AS and NRC RailCap AS and changed name to NRC Bane AS.

³⁾ HAG Anlegg AS has in 2018 merged with the sister company ALTi Bygg og Anlegg AS and changed name to NRC Anlegg AS.

⁴⁾ Miljøvakta is 70% owned by Norsk Saneringsservice AS

The Group also has investments in joint ventures and in an associated company.

Joint ventures:

Sjursøya-Lemminkäinen-Alti ANS (50%)

AF HAG-ME ANS, Norway (50%)

Net profit/loss and net assets of joint ventures are immaterial at 31 December 2018 and 2017, and separate disclosures are therefore not made.

Associated company:

AGN Haga AB, Sweden (20%)

The associated company AGN Haga AB ("Haga") is located in Gothenburg, Sweden. The Group is one of three partners who collaborate on the "E04 Entreprenad Haga Project Västlänken" project and the project "E03 Entreprenad Kvarnberget Västlänken". The book value of AGN Haga AB in the Group accounts is NOK 500 thousand, including initial investment of SEK 100 thousand, profit share of SEK 600 thousand in 2018 and eliminations of internal profits of SEK -200 thousand in 2018. The Group's interest in the order backlog in Haga amounted to NOK 600 million at year-end.

NOTE 27/ RELATED PARTY TRANSACTIONS

Note 26 provides information about the Group's structure, subsidiaries and associated companies. Note 16 provides information about the shareholders. No shareholders consider the Group as an associated company. Note 6 and 7 discloses the management and Board of Directors of the Group, including their benefits and any other transactions with the Group. Except for this, no significant related party transactions exist.

NOTE 28/ SUBSEQUENT EVENTS

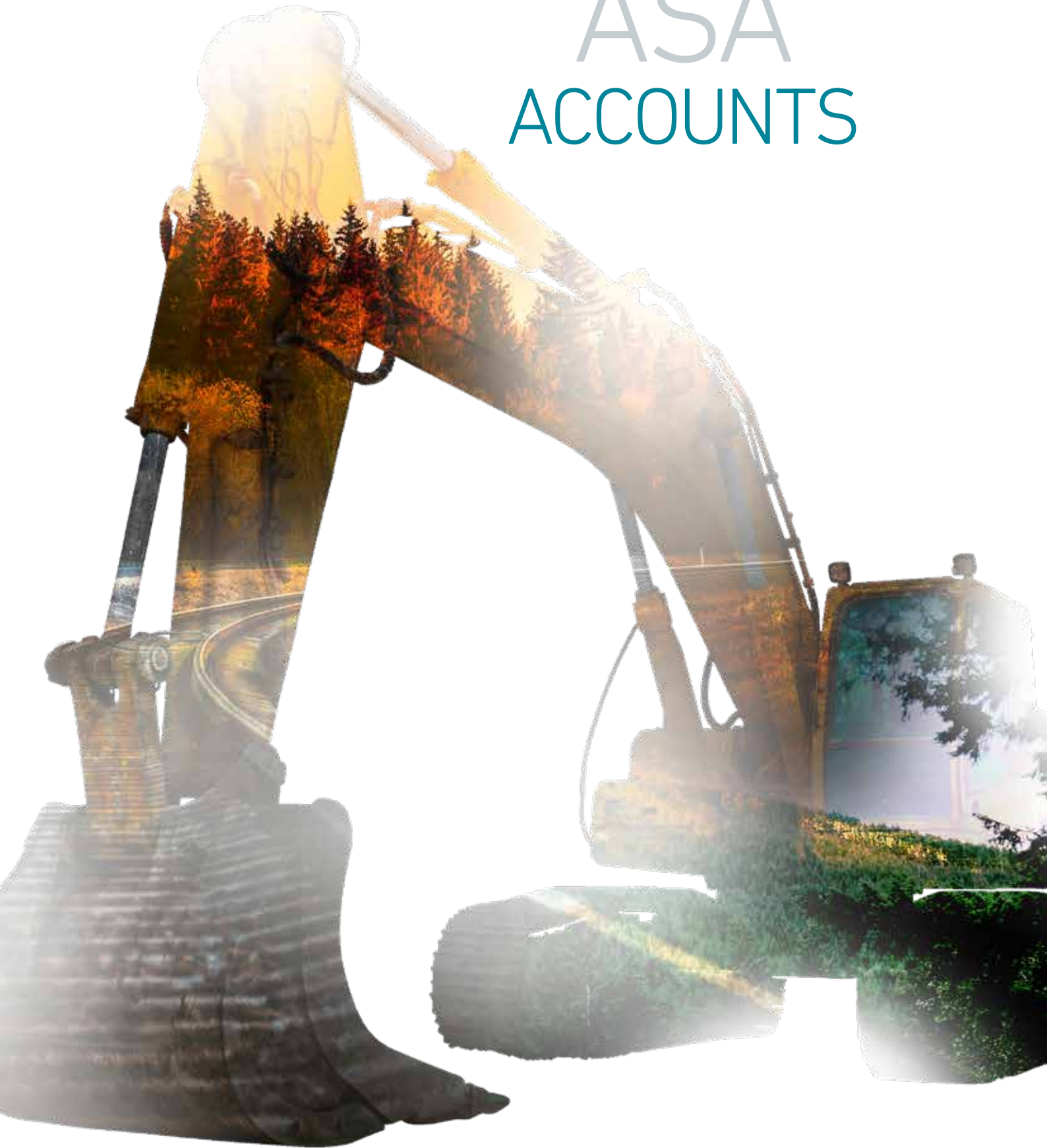
On 7 January, NRC Group completed the acquisition of VR Track Oy, with reference to the announcement on 11 October 2018 regarding the Company's entry into an agreement for the acquisition of VR Track Oy as well as the notice of and the minutes from an Extraordinary General Meeting of the Company held on 5 November 2018 and the prospectus published by the Company on 22 November 2018. For more information about the business combination as well as the preliminary purchase price allocation, please refer to note 2.

As set out in the minutes from the Extraordinary General Meeting of the Company held on 5 November 2018, the Board of Directors of the company was, with effect from completion of the acquisition of VR Track Oy, expanded with two new Board Members.

On 8 January, 9,877,953 new shares in the Company were registered as partial consideration to VR Group Ltd. as payment for the acquisition of VR Track Oy. The new shares were issued at a price of NOK 75.31 per share, as resolved by the Board of Directors and pursuant to an authorization granted by the Extraordinary General Meeting held 5 November 2018. The Company's new share capital is currently NOK 53,904,223, divided into 53,904,223 shares, each with a nominal value of NOK 1.

VR Group Ltd. holds a total of 9,877,953 shares in the Company, equal to approximately 18 percent of the total number of shares and votes in the Company. VR Group Ltd. is represented on the Board of Directors of the Company.

ASA ACCOUNTS



INCOME STATEMENT

NRC GROUP ASA

1 JANUARY - 31 DECEMBER

(Amounts in NOK million)			
	Note	2018	2017
Operating revenue	2	10	10
Salaries and personnel costs	3	28	23
Other operating and administrative expenses	4	17	16
Operating expenses		45	39
Operating profit/loss (-)		-34	-29
Financial income/expenses (-)	5	2	3
Net financial items		2	3
Profit/loss before tax		-32	-26
Tax expense (-)/ income	6	24	45
Net profit/loss (-) for the year		-8	19
Allocation of profit/loss:			
Dividend		0	73
Transfer from share premium		-8	-54
Total allocations		-8	19

STATEMENT OF FINANCIAL POSITION

NRC GROUP ASA

31 DECEMBER

(Amounts in NOK million)			
ASSETS	Note	2018	2017
Intangible assets		3	0
Deferred tax asset	6	69	45
Total intangible assets		72	45
Plant, property and equipment		1	0
Shares in subsidiaries	7	990	990
Intercompany loans	8	107	120
Total financial assets		1,097	1,110
Total non-current assets		1,169	1,155
Other receivables	8/12	704	207
Cash and cash equivalents	9	339	379
Total current assets		1,044	586
TOTAL ASSETS		2,212	1,741

STATEMENT OF FINANCIAL POSITION

NRC GROUP ASA

31 DECEMBER

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(Amounts in NOK million)			
EQUITY AND LIABILITIES	Note	2018	2017
Paid-in capital:			
Share capital		44	42
Treasury shares		0	0
Share premium		1,006	873
Retained earnings:			
Other equity		0	0
Total equity	10	1,050	915
Interest-bearing liabilities		249	184
Other liabilities		0	0
Total non-current liabilities	11	249	184
Interest-bearing liabilities		71	42
Intercompany payables	12	830	517
Public fees payable		2	1
Proposed dividend		0	73
Other current liabilities		10	9
Total current liabilities		913	642
Total liabilities		1,162	826
TOTAL EQUITY AND LIABILITIES		2,212	1,741

Oslo, 19 March 2019

Helge Midttun
Chairman of the Board

Kjersti Kanne
Board member

Eva Nygren
Board member

Brita Eilertsen
Board member

Mats Williamson
Board member

Øivind Horpestad
CEO

Harald Arnet
Board member

Rolf Jansson
Board member

CASH FLOW STATEMENT

NRC GROUP ASA

Indirect model (Amounts in NOK million)			
	Note	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		-32	-26
Change in current receivables			
Change in trade payables			
Change in other accruals			
Net cash flow from operating activities			
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for acquisition of subsidiaries	12		
Other investments in subsidiaries			
Repayment from subsidiaries			
Net effect of cash-pool	12		
Other long-term investments			
Net cash flow from investing activities			
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares			
Proceeds from sale of treasury shares			
Proceeds from borrowings			
Repayment of borrowings			
Acquisition of treasury shares			
Dividend paid	10		
Net cash flow from financing activities			
Net change in cash and cash equivalents			
Cash and cash equivalents as at 1 January			
Cash and cash equivalents as at 31 December	9		

NOTES TO THE ASA ACCOUNTS



NOTES TO THE ACCOUNTS – NRC GROUP ASA

NOTE 01/ CORPORATE INFORMATION AND BASIS OF PREPARATION

GENERAL INFORMATION

The accounts for NRC Group ASA (the Company) 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 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 a straight-line basis 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 22% (2017: 23%) based on temporary differences between the carrying amounts and their tax base, in addition to any tax loss carry forward at the end of the financial year. Deferred tax assets and liabilities that may reverse during the same period are offset and recognised on a net basis on the balance sheet. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

PENSION PLANS

The Company has a defined contribution pension plan. The contributions are recognised as salaries and personnel cost in the income statement as they incur. Contributions paid in advance are recognised as an asset in the accounts if the contribution can be refunded or reduce future payments. The Company is obligated to have company pension schemes in accordance with the Act on Mandatory Company Pensions. The pension scheme follows the requirement as set in the above-mentioned Act.

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)		
	2018	2017
Norway	6	6
Sweden	4	4
Total operating revenues	10	10

NOTE 03/ SALARIES AND PERSONNEL COSTS

(Amounts in NOK million)		
	2018	2017
Salaries	20	17
Social security tax	4	2
Pension costs	2	1
Other personnel costs	2	3
Total	28	23

The full-time equivalent employees' number for 2018 was 11 (2017: 9). 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)		
	2018	2017
Rent and other office expenses	3	3
External services	6	8
Merger and acquisition expenses	4	2
Other operating and administrative expenses	4	3
Total	17	16

Compensation to auditors:

(Amounts in NOK 1,000)		
	2018	2017
Statutory audit	0.9	1.6
Other assurance engagements	0.5	0.3
Tax related services	0.0	0.1
Other services	0.0	0.3
Total, excluding VAT	1.4	2.3

NOTE 05/ FINANCIAL INCOME AND EXPENSES

(Amounts in NOK million)		
	2018	2017
Interest income from subsidiaries	11	7
Interest and other financial expenses	-9	-4
Net financial items	2	3

NOTE 06/

TAX

(Amounts in NOK million)		
Tax expense:	2018	2017
Tax payable	0	0
Change in deferred tax	24	45
Total tax expense (-) / income	24	45
Result before tax	-32	-25
Change in temporary differences	1	-4
Permanent differences	1	0
Basis for tax payable for the year	-29	-29
Tax payable	0	0
Temporary differences between tax and book values		
Tax losses carried forward	-313	-284
Other differences	1	3
Net temporary differences	-312	-281
Unrecognised tax benefit basis	0	87
Basis for deferred tax	-312	-194
Net deferred tax (-)/ tax asset	69	45
Tax rate	22%	23%

NOTE 07/

SUBSIDIARIES

(Amounts in NOK million)			
Name	Place of business	Ownership	Book value
NRC Group Holding AS	Oslo	100%	990
NRC Holding Finland Oy	Helsinki	100%	0

See also note 26 in the group accounts.

NRC Holding Finland Oy is a company established for the purpose of acquiring VR Track Oy. There has been no activity in the company during 2018. In 2019 the transaction was closed. The ownership of the holding company has also been moved to NRC Group Holding AS, in line with the organisational structure for other subsidiaries.

NOTE 08/ NON-CURRENT AND CURRENT RECEIVABLES

(Amounts in NOK million)		
	2018	2017
Non-current receivables subsidiaries (note 12)	107	120
Total non-current receivables	107	120
Receivables subsidiaries (note 12)	698	204
Other current receivables	6	3
Total current receivables	704	207

NOTE 09/ CASH AND CASH EQUIVALENTS

(Amounts in NOK million)		
	2018	2017
Cash and bank deposits	338	378
Restricted bank deposits	1	1
Total	339	379

The restricted bank deposits include the employees' tax withholdings. Cash include the net deposit in the group cash pool owned by NRC Group ASA. See further information in note 12.

NOTE 10/ EQUITY

(Amounts in NOK million)				
	Share capital	Treasury shares	Share premium	Total Equity
Equity as at 31 December 2016	39	0	744	783
Profit/loss for the year			19	19
Dividend, proposed			-73	-73
Increase share capital	3		206	209
Costs related to capital increase			-1	-1
Share-based payments			1	1
Treasury share transactions		0	-23	-23
Equity as at 31 December 2017	42	0	873	915
Profit/loss for the year			-8	-8
Increase share capital	2		111	113
Costs related to capital increase			-1	-1
Share-based payments			1	1
Treasury share transactions		0	29	30
Equity as at 31 December 2018	44	0	1,006	1,050

Reference is also made to note 16 Share capital and shareholder information in the consolidated accounts.

NOTE 11/ **PLEDGED ASSETS AND SECURITY**

Bank loans amounting to NOK 320 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries amounting to NOK 500 million (book value NOK 990 million), group receivables, group inventory and group operating equipment amounting to NOK 500 million and material intra-group loans amounting to SEK 100 million (book value NOK 120 million). Following the acquisition of VR Track Oy, the pledge over shares in subsidiaries of the Company, other than Miljøvakta AS, and the intercompany loans will increase to NOK 2,000 million. Total book value of receivables and inventory amounts to NOK 746 million in the group accounts.

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. NRC Group ASA has not received any request for payment under the guarantee. No accrual has been made for the guarantee in the 2018 annual accounts as it is the Company's assessment that it is unlikely that the guarantee will result in an outflow of resources. Reference is also made to note 21 in the consolidated accounts.

NOTE 12/ **TRANSACTIONS WITH RELATED PARTIES**

The Company does not have any related parties other than subsidiaries and executive management. Related party transactions mainly consist of compensation to executive personnel, see note 6 in the group accounts. Group transactions include charging of management fees (see note 2), intercompany loans amounting in aggregate to NOK 126 million at year end consisting of a SEK 120 million loan with an interest at STIBOR + 2.5% (see note 5 and 8) and a short-term loan of NOK 10 million, and cash payments for acquisitions on behalf of subsidiaries. In addition, NRC Group ASA is the owner of the group cash pool arranged by Danske Bank. Net balance at year-end amounted to NOK 338 million, including a total receivable from group companies of NOK 676 million and a liability to group companies of NOK 830 million (see note 8 and 9).

In 2018, the Group signed agreements with Visento AS and Hermia AS to provide consultancy services on an hourly basis related to the acquisition of VR Track. Board member, Harald Arnet, is the majority owner of Hermia AS and the Chairman of the Board is the owner of Visento. All related party transactions are carried out on arm's length terms.

STATEMENT BY THE BOARD OF DIRECTORS AND CEO

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We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2018 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 provides a true and fair view 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, 19 March 2019

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Harald Arnet
Board member

Kjersti Kanne
Board member

Mats Williamson
Board member

Rolf Jansson
Board member

Eva Nygren
Board member

Øivind Horpestad
CEO



AUDITOR'S REPORT



Statsautoriserte revisorer
Ernst & Young AS

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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 statement of financial position as at 31 December 2018, the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2018, statements of income, other comprehensive income, changes in equity and cash flows 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 2018, and of its financial performance and its cash flows for the year then 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 2018 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 and the Group 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 for 2018. 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

Independent auditor's report - NRC Group ASA

A member firm of Ernst & Young Global Limited



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.

Business combinations and related purchase price allocations (PPA)

During 2018 the Group has completed two acquisitions as disclosed in Note 2. These acquisitions were accounted for as business combinations and the purchase price was allocated between fair value of identifiable assets and liabilities and consideration in excess of fair value of net assets was recognized as goodwill. Independent valuations specialists were engaged by the Group to support management with the purchase price allocations.

The evaluation and identification of assets and liabilities and the assumptions used in the allocation of the purchase price require significant judgement by management. The audit of the purchase price allocations was a key audit matter due to the size of the transactions and the significant judgments and assumptions involved in the recognition and measurement of the allocated values in the consolidated financial statements.

As part of our audit procedures, we obtained an understanding of the valuation process and the valuation methods used. We further tested assumptions and amounts in the valuations to underlying supporting documentation and compared discount and growth rates against comparable companies and market statistics. We evaluated the identification of assets and liabilities and the principles used for recognition and allocation of the purchase price. In addition, we assessed the competence, capabilities and objectivity of the valuation specialists engaged by management. We evaluated the presentation of the Group's disclosures in note 1 – Intangible assets and note 2 – Business combinations to the 2018 consolidated financial statements.

Revenue recognition in the contractor business

In 2018, the group implemented IFRS 15 with modified retrospective effect. The Group's project revenues and costs are mainly derived from contracts with customers recognized in accordance with the new standard using the input method to measure progress. Using the input method project revenue is recognized based on the Group's input in fulfilling performance obligations (mainly contract costs incurred) in relation to the total input of expected performance obligations. When recording revenue over time, the projects' total revenue, costs, outcome of disputes and any other contractual obligations are determined based on estimates. In addition, revenues consist of agreed consideration and variable consideration, the latter due to contract modifications, either accounted for as a separate contract, or as a part of the original contract. Variable consideration is estimated based on the sum of probability-weighted amounts or the single most likely outcome, and chosen method is applied consistently throughout the contract. Based on the complexity and significant management judgement required to measure progress, this was a key audit matter.

We evaluated the application of accounting principles and the input for measuring the projects' progress. We evaluated the process and tested internal controls for estimating total project revenues, costs and the measurement of progress. For selected contracts, we compared estimated total project revenues to contracts and change orders, performed detailed testing related to recognized contract assets and contract liabilities, including provisions for disputes and loss-making contracts. In addition, we analyzed the development in margins including an assessment of historical accuracy of management's estimates by comparing actual achieved margins to estimated margins.

We evaluated the presentation of the Group's disclosures in note 1 – Revenue from contracts with customers and 4 – Revenues and projects in progress, and the implementation effect disclosed in note 1 to the consolidated financial statements.



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 Officer (management) are 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.



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- ▶ 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 on the statements 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 statements 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.

Oslo, 19 March 2019

ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

Independent auditor's report - NRC Group ASA

A member firm of Ernst & Young Global Limited

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*

EBIT, EBITA or EBITDA before other income and expenses.

EBITDA* (%)

EBITDA before other income and expenses in relation to operating revenues.

M&A EXPENSES

Expensed external costs related to merger and acquisitions, including any subsequent adjustments to the final settlement that is not included in the final purchase price allocation.

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.

DIVIDEND PAY-OUT RATIO

Dividend in relation to net profit for the year.

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.

SICKNESS ABSENCE

Sickness absence in relation to total available hours.

ORGANIC GROWTH

Total revenue growth compared to comparable numbers for the same period prior year including full year revenue effect (proforma) for any acquired business.

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