

Q2 2019 Result presentation

Oslo, 20 August 2019



Disclaimer

Forward Looking Statements

This presentation contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking. You should not place undue reliance on these forward-looking statements for many reasons.

These forward-looking statements reflect current views with respect to future events and are by their nature subject to significant risk and uncertainties because they relate to events and depend on circumstances that will occur in future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity or performance will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of the forward-looking statements. Unless we are required by law to update these statements, we will not necessarily update any of these statements after the date of this presentation, either to conform them to actual results or to changes in our expectations.

Highlights

Key events

Appointed to EUR 220 million alliance contract by City of Espoo and City of Helsinki, the largest-ever Group contract to date
Agreement for sale of the design division for EUR 42.5 million was signed subsequent to the quarter

Key figures Q2 2019

Revenues of NOK 1,654 million vs NOK 827 million in Q2 2018
Total EBITDA* of NOK 117 million vs NOK 65 million in Q2 2018
Strong order intake in the quarter, amounting to NOK 3,372 million
Record high order backlog of NOK 7,937 million

Key figures FH 2019

Revenues of NOK 2,880 million vs NOK 1,355 million during first half 2018
Total EBITDA* of NOK 124 million vs NOK 67 million during first half 2018

*Before other income and expenses (M&A expenses)

A composite image with a semi-transparent effect. The background shows a complex multi-level highway bridge spanning a body of water under a cloudy sky. In the foreground, two people in business suits are shown from the waist up, shaking hands. The background of the slide is a bright, overexposed white space.

Financials

Q2 and first half 2019 key figures – profit and loss

- Revenue in Q2 2019 of NOK 1,654 million
- EBITDA ex M&A in Q2 2019 of NOK 117 million
- Depreciations of NOK 54 million during Q2 2019
 - VR Track acquisition
 - IFRS 16 – mainly rent agreements
- EBITA ex M&A in Q2 2019 of NOK 64 million

(Amounts in NOK million)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Revenue	1 654	827	2 880	1 355
EBITDA*	117	65	124	67
Depreciation	54	14	107	28
EBITA*	64	51	17	39
EBIT*	45	48	-20	30
M&A expenses	-5	0	-53	0
EBITDA* %	7,1 %	7,9 %	4,3 %	4,9 %

*Before other income and expenses (M&A expenses)

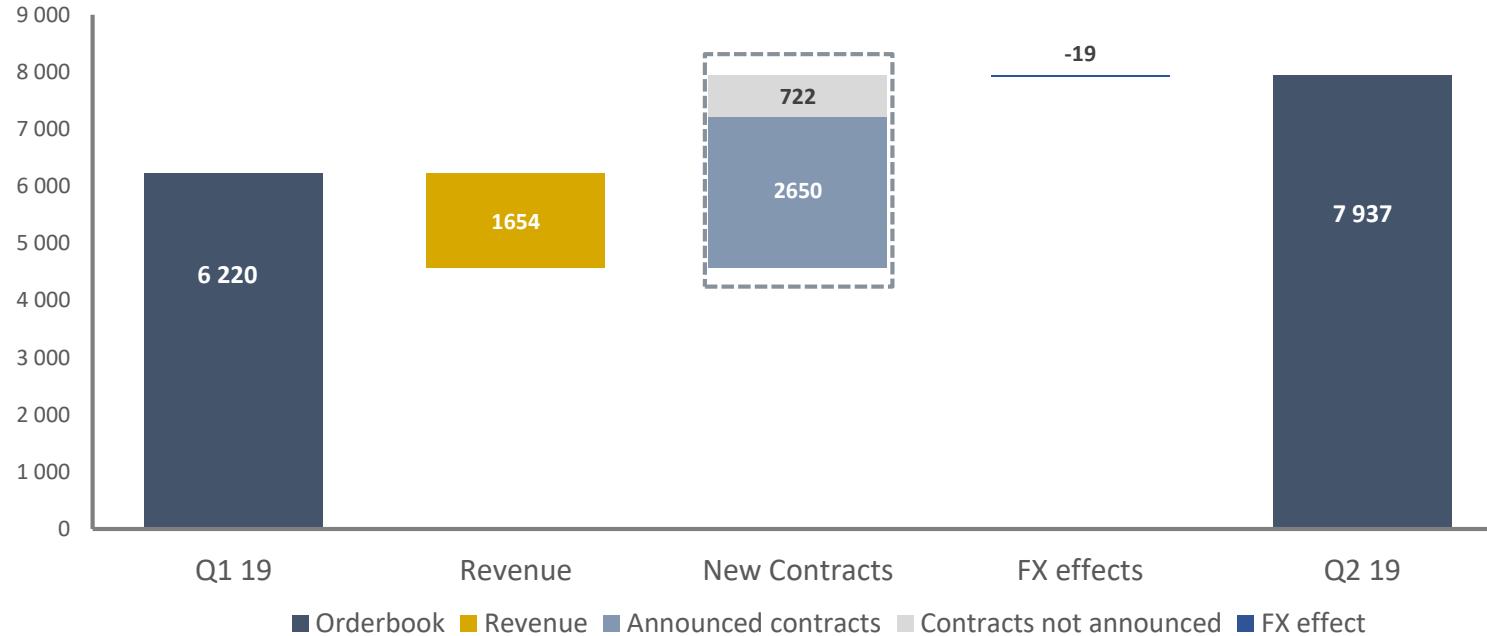
Q2 2019 key figures segments – profit and loss

(Amounts in NOK million)	Norway		Sweden		Finland		Design	
	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18	Q2 19	Q2 18
Revenue	545	335	411	498	601		112	
Organic growth rate	18%		-32%		13%		15%	
EBITDA*	65	26	-13	46	64		18	
EBITDA %	11.8%	7.7%	-3.0%	9.2%	10.6%		15.7%	
EBITA*	43	19	-24	38	45		16	
EBITA %	7.8%	5.7%	-5.7%	7.6%	7.4%		14.4%	

*Before other income and expenses (M&A expenses)

Order book development

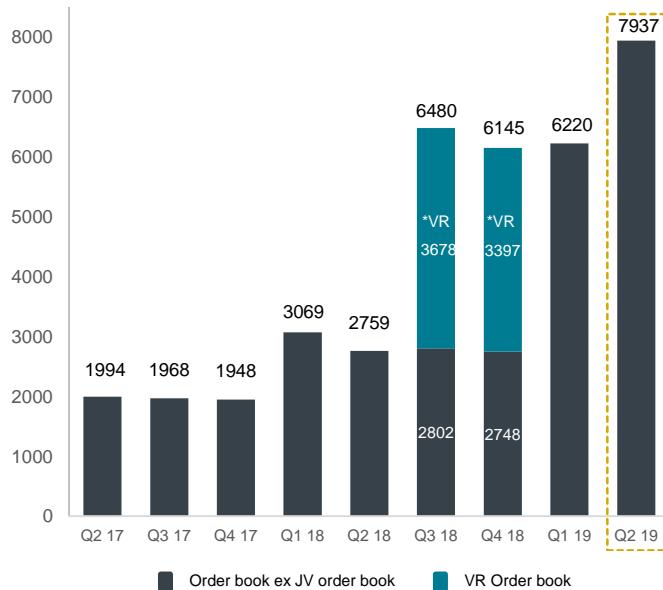
Order book development Q1 2019 – Q2 2019 (MNOK)



Order book development

Order book Q2 2017 – Q2 2019

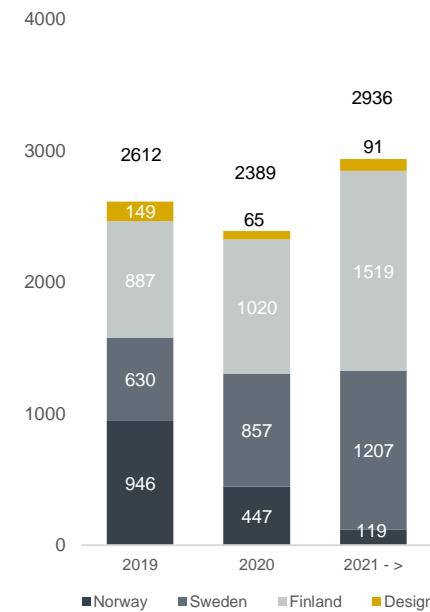
In NOK million



* VR Track proforma included in Q3 and Q4 2018

Order book own production 2019 – 2021->

In NOK million



Q2 2019 key figures – balance sheet

- Intangible assets of NOK 2,960 million
 - Goodwill and intangible assets from VR Track
- Right of use assets of NOK 564 million
 - Financial- and operational leases (IFRS 16)
 - IFRS 16 – mainly rent agreements
- Cash of NOK 226 million
- Interest bearing bank debt is NOK 1,693 million
- Net debt excluding operating lease liabilities (IFRS 16) of NOK 1,774 million
 - Debt due to IFRS 16 is NOK 257 million
- Equity ratio of 33.7%

(Amounts in NOK million)			
ASSETS	30.06.2019	30.06.2018	31.12.2018
Intangible assets	2 960	996	1 275
Right-of-use assets	564	0	0
Total other non-current assets	303	282	428
 Cash and cash equivalents	226	221	396
Other current assets	1 776	828	841
Total assets	5 830	2 327	2 940
 EQUITY AND LIABILITIES			
Total equity	1 967	1 246	1 442
Long-term financial lease liabilities	204	86	152
Long-term operating lease liabilities	199	0	0
Other non-current interest-bearing liabilities	936	202	287
Other non-current liabilities	78	23	46
 Short-term financial lease liabilities	104	50	89
Short-term operating lease liabilities	58	0	0
Other interest-bearing current liabilities	757	71	86
Other current liabilities	1 527	650	838
Total equity and liabilities	5 830	2 327	2 940

Q2 and first half 2019 key figures – cash flow

- Cash flow from operating activities of NOK -5 million
- Net cash from investments of NOK -106 million
 - Final payment acquisition of VR Track NOK -111 million
 - Net Capex: NOK +5 million
- Net cash flow from financing activities of NOK -103 million
 - Repayment of borrowings: NOK -65 million
 - Payment of leasing: NOK -42 million

<u>(Amounts in NOK million)</u>	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Profit/loss before tax	21	49	-109	28	-10
Net cash flow from operating activities	-5	22	-45	-47	192
Net cash flow from investing activities	-106	-5	-1 359	-8	-141
Net cash flow from financing activities	-103	-27	1 244	-123	-60
Net change in cash and cash equivalents	-214	-10	-160	-173	-9
Cash and cash equivalents at the end of the period	226	290	226	409	396

Focus on core activities and increased financial and strategic flexibility

- Agreement signed to divest the design business in Finland and Sweden based on enterprise value of EUR 42.5 million
 - Net proceeds will be used to repay debt
 - Estimated net gain of EUR ~9 million
 - Closing estimated to 1 November
- Limited to negative synergies with the core construction and maintenance activities
- NRC Group has owned the design business since its acquisition of VR Track in January 2019
- The segment will be reported as discontinued operations as from Q3, i.e. restated and presented on a separate line in the income statement



Uniquely positioned to serve the Nordic market

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	475	581	1,433

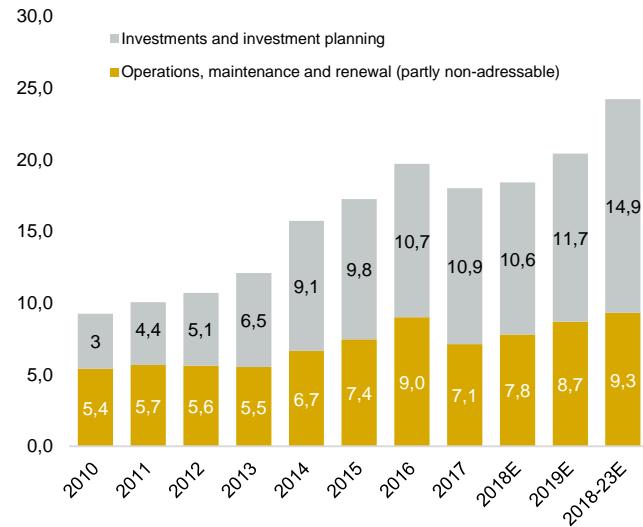


Source: Norway: NTP 2018-29 and 2019 national budget Sweden: NTP 2018-29, Trafikverket and 2018 national budget. Finland: Finnish Transportation Agency, VR Track estimates.

Additional allocations to maintenance and investments

- 2019 maintenance spending increased by NOK 250 million and new investments by NOK 100 million in the May revised budget
 - Funded by reallocation from project planning due to phasing of Ringeriksbanen
- High contract award and tendering activity with increased focus on turnkey projects covering several special competencies
- Overall 2019 railway budget of NOK 26 billion, up 12% from 2018, confirms political commitment
- Spending continue to lag 2018-29 NTP levels and the maintenance backlog is increasing

Norway railway spending (NOKbn)⁽¹⁾



(1) Source: The Norwegian national budgets, national accounts and most recent NTP

Building tomorrow's sustainable infrastructure today

Tramway: Storgata, Oslo, Norway

Description

- 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 minimizing environmental impact
- Part of Sporveien's high-profile NOK 4.1 billion Tram Program (2018-2021) approved by Oslo City Council

Timeline



Contract

- NOK 360 million
- Turnkey contract
- 2nd largest Oslo tram award

Client



Oslo

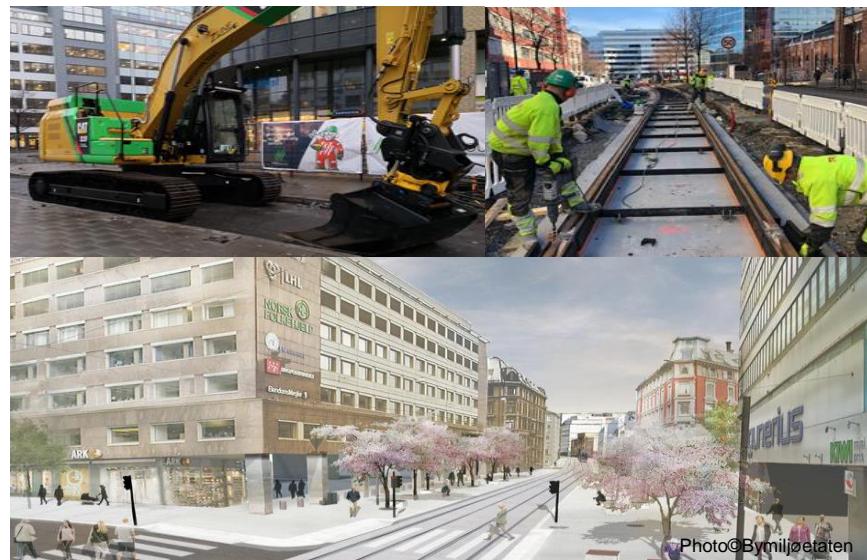
Oslo Kommune Bymiljøetaten

Green initiatives

- Environmental impact a key selection criteria for winning the contract
- Fossil-free construction site
- NRC Group is utilizing electric excavators and trucks
- Other machinery is fuelled by biodiesel
- Modernisation of parts of the water and wastewater network
- Focus on local solutions

“ NRC Group has demonstrated understanding and insight with regards to environmental impact during project execution, and also by selecting climate-friendly solutions

- From letter of award



Handling of contaminated masses and rehabilitation of port

Dock: Akershus utstikkeren, Oslo, Norway

Description

- One part of Oslo Port has been closed for traffic due to poor carrying capacity and ground
- The scope of work included about 4,000 m² of sheet piling, 750 m³ of concrete and 3,000 m³ of added masses

Timeline

Jan 2019

Dec 2019

Contract

- NOK 46 million
- Turnkey contract

Client

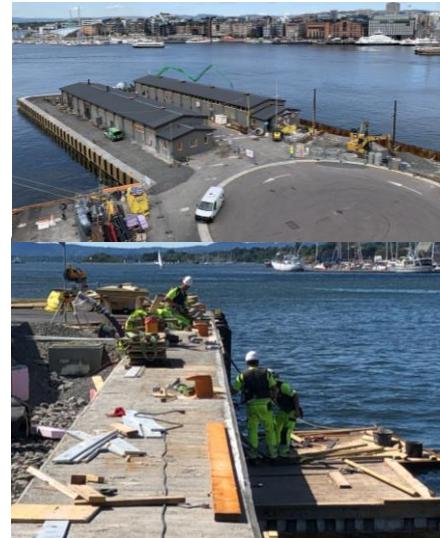


Green initiatives

- Handling of hazardous and polluted masses
- Demolition and handling of contaminated constructions
- All construction machinery is according to EU's sustainability criteria for biodiesel fuel (EN 15940)
- Modernisation of water and wastewater network
- Modernisation of electrical system

“ Key challenges in the project were limited space, polluted seabed and masses, as well as buildings with historical value. However, due to good planning we have met the challenges with solutions that will ensure delivery according to scope

- Hege Stusvik, Project Manager, NRC Group Norway



Demolition and handling of polluted masses and constructions

Environment: Moss, Norway

Description

- In the Norwegian city Moss a district with 121 buildings needed to be demolished and cleaned up, to make room for a new train station
- The project was quite complex, and in addition there were some geotechnical challenges with quick clay

Timeline

Nov 2018

May 2019

Contract

- NOK 27 million
- Turnkey contract

Client

BANE NOR

Green initiatives

- Contaminated land survey carried out for future development of the area
- Studies of the ground found plant species blacklisted in Norway - 4700 m³ masses infected by these were removed
- Demolition and handling of contaminated constructions and polluted masses
- 33 600 ton sorted waste (433 tons hazardous waste from building materials)
- 98% waste sorting rate

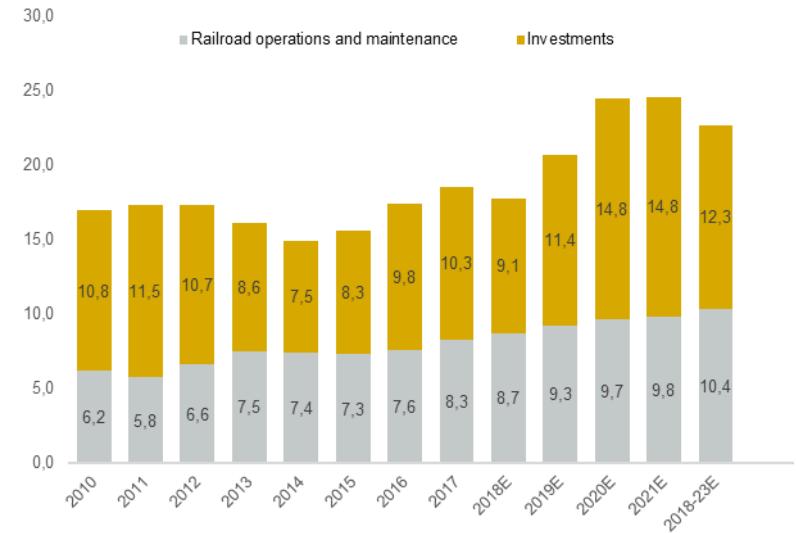
“ It has been very exciting to lead this project. Even though it was a large scope of work to be carried out in a short time period, we managed to execute the project without any incidents or accidents, and handed it over to the client according to plan and deadline

- Christoffer Slette Lundgård, Project Manager, NRC Group Norway



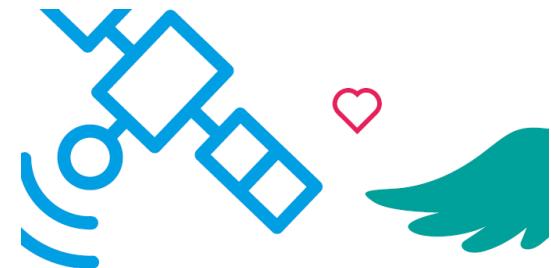
Market outlook in Sweden remains strong

- Long-term outlook for increased investments based on new NTP approved in 2018
- Investments for 2020 is expected to increase with 30% from 2019
- Increase in tendering activity in 2. half of 2019 expected
 - Long-term maintenance contracts
 - 3-4 track renewal projects with production in 2020 ->
- Robert Röder appointed managing director of NRC Group Sweden
 - Extensive experience from the railway entrepreneur market, most recently as managing director of Strukton in Sweden



Increased market visibility in Finland

- New government with high focus on rail investments and reduction of maintenance backlog
 - Additional EUR 110 million allocated for 2019 to defined projects
 - ~EUR 60 million addressable for NRC Group
- Finland to introduce 12-year national transport plan period for 2020-2031
 - Aligned with Sweden and Norway
 - Expected to be completed in spring 2020
 - Includes a yearly increase of EUR 300 million
- Key drivers
 - Significant and increasing maintenance backlog which compromises “safe and seamless mobility of people and goods”
 - Develop the main rail network, achieve shorter travel times and improve transport network capacity
 - Reduce transport emissions which account for 20% of Finland’s greenhouse gas emissions*



Programme of Prime Minister Antti Rinne's Government 6 June 2019

INCLUSIVE AND COMPETENT FINLAND

– a socially, economically and ecologically sustainable society

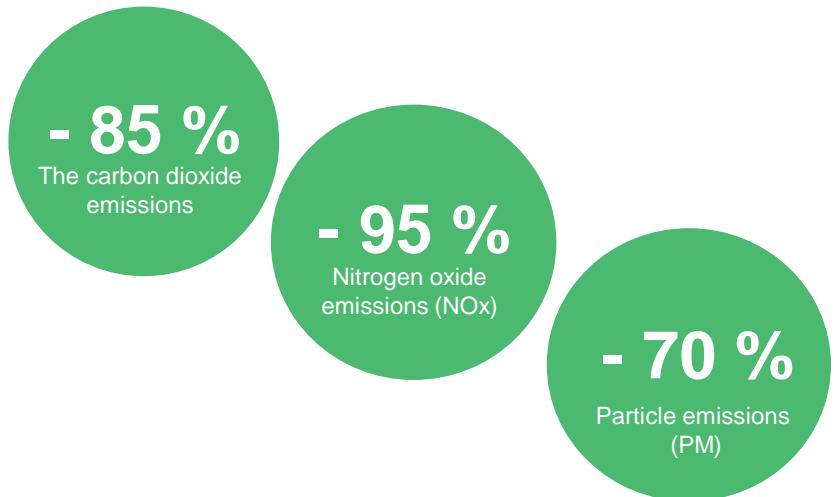


Publications of the Finnish Government 2019-25

*) Finland is committed to reducing transport emissions by 50 per cent by 2030. Road transport offers the greatest potential in reducing greenhouse gas emissions

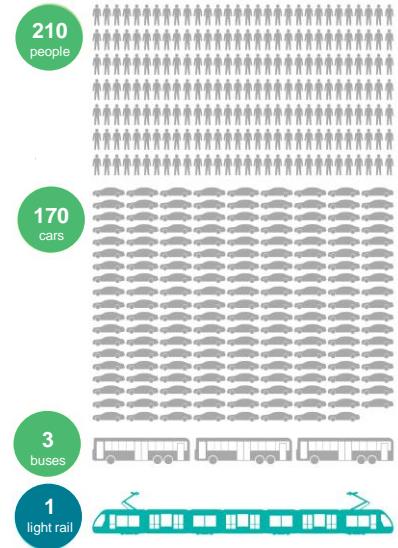
Our entire business revolves around sustainability

**Example using Jokeri light rail, Helsinki, Finland:
Jokeri Light Rail will reduce emissions significantly
compared to trunk bus line 550 used now**



Reliability and more capacity

- Trunk bus line 550 has more than **40,000** passengers a day
- Prediction for year 2030 is **90,000** passengers a day
- Bus capacity is insufficient, and the reliability suffers
- Jokeri light rail has over double capacity compared to bus
- The tram doesn't produce direct carbon dioxide emissions. Jokeri Light Rail's tram **Arctic XL's** electricity is produced by renewable energy sources (i.e. wind and hydropower)



*Source: City of Helsinki, Urban Environment Division, Jokeri Light Rail report, Jokeri Light Rail project evaluation report 17.1.2019

Summary & outlook



- Strong market outlook with good project pipeline visibility
- Divestment of non-core design operation
- Focus on VR Track integration process
- Regaining normalised profitability in Sweden

Appendix



20 largest shareholders

Per 19 August 2019

INVESTOR	NO OF SHARES	% OF TOTAL	COUNTRY
VR-YHTYMÄ	9 877 953	18,31	FINLAND
DATUM	5 100 000	9,46	NORWAY
CARNEGIE	2 963 923	5,50	SWEDEN
ARCTIC FUNDS	2 604 665	4,83	IRELAND
NORDEA	1 976 397	3,66	FINLAND
NORDNET BANK	1 373 483	2,55	SWEDEN
NORRON SICAV	1 295 000	2,40	LUXEMBOURG
HANDELSBANKEN NORDEN	1 280 621	2,37	SWEDEN
GUNNAR KNUTSEN HOLDING	1 252 677	2,32	NORWAY
LGA HOLDING	1 248 102	2,31	NORWAY
HANDELSBANKEN NORDISKA SMÅBOLAG	1 188 271	2,20	SWEDEN
VERDIPAPIRFONDET ALFRED BERG	1 035 169	1,92	NORWAY
SOGN INVEST	1 018 807	1,89	NORWAY
ARCTIC FUNDS	909 316	1,69	IRELAND
HAUGO RIVING	850 745	1,58	NORWAY
GIMLE INVEST	741 057	1,37	NORWAY
HSBC TRINKAUS & BURKHARDT	675 000	1,25	GERMANY
E.K HOLDING	668 102	1,24	NORWAY
DNB MARKETS	667 769	1,24	NORWAY
AVANZA BANK	650 346	1,21	SWEDEN
TOTAL NUMBER OWNED BY TOP 20	37 377 403	69,30	
TOTAL NUMBER OF SHARES	53 935 630		

Segments – key figures quarterly development

	FY 2017	FY 2018	Reported Q1 2018	Reported Q2 2018	Reported Q3 2018	Reported Q4 2018	Reported Q1 2019	Reported Q2 2019
Norway operations (NOK million)								
Total revenue	771	1 598	212	335	421	630	470	545
EBITDA*	43	136	-1	26	46	65	14	65
EBITA*	21	96	-7	19	36	48	-5	43
EBIT*	5	75	-13	16	33	39	-13	35
Sweden operations (NOK million)	FY 2017	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Total revenue	1 613	1 591	316	498	433	344	299	411
EBITDA*	221	27	9	46	32	-60	-7	-13
EBITA*	198	-8	2	38	23	-71	-20	-24
EBIT*	179	-16	1	37	17	-71	-20	-24
Finland operations (NOK million)	FY 2017	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Total revenue							361	601
EBITDA*							4	64
EBITA*							-13	45
EBIT*							-24	35
Design operations (NOK million)	FY 2017	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Total revenue							99	112
EBITDA*							7	18
EBITA*							5	16
EBIT*							4	15
Parent, holding companies and eliminations (NOK million)	FY 2017	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Eliminations	-11	-13	-1	-5	-3	-3	-3	-15
EBITDA*	-28	-30	-6	-6	-6	-12	-12	-16
EBITA*	-28	-31	-6	-6	-6	-13	-13	-16
EBIT*	-28	-31	-6	-6	-6	-13	-13	-16
Total group segment accounts	FY 2017	FY 2018	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019
Total revenue	2 373	3 176	528	827	851	971	1 225	1 654
EBITDA*	236	132	2	66	71	-7	7	117
EBITA*	190	57	-12	51	54	-36	-46	64
EBIT*	156	29	-18	48	44	-44	-65	45

Segments – key figures quarterly development VR Track Oy

	Reported									
	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Full year 2017	Full year 2018
Finland operations (EUR million)										
Total revenue	34	52	60	61	32	55	60	68	207	215
EBITDA	-3	7	10	9	1	6	9	12	24	28
EBITA	-5	5	8	7	-2	5	7	10	16	19
EBIT	-5	5	8	7	-2	5	7	10	16	19
Sweden operations (EUR million)										
Total revenue	15	18	17	15	10	12	13	16	64	50
EBITDA	-1	0	1	-2	-2	-1	0	-2	-2	-4
EBITA	-1	0	0	-3	-2	-1	0	-2	-4	-5
EBIT	-1	0	0	-3	-2	-1	0	-2	-4	-5
Design (EUR million)										
Total revenue	7	8	8	11	9	10	10	12	34	40
EBITDA	0	1	1	2	1	1	1	1	5	4
EBITA	0	1	1	2	1	1	1	1	5	4
EBIT	0	1	1	2	1	1	1	1	5	4
Total TRACK										
Total revenue	56	77	85	86	51	76	83	95	305	305
EBITDA	-3	8	12	10	0	7	10	11,7	27	29
EBITA	-6	6	10	7	-4	5	8	9	17	18
EBIT	-6	6	10	7	-4	5	8	9	17	18

VR Track numbers are based on management accounts with estimated IFRS adjustments on financial lease