

Annual Report 2019

 **NRC** Group





Tomorrow in the making

Deep local understanding combined with scalable knowledge enables NRC Group to develop infrastructure and the way people move and live.

Access to high-quality sustainable infrastructure solutions with low carbon footprint is increasingly important as Nordic cities and populations grow. NRC Group contributes to the construction and maintenance of rail infrastructure, including railways, metro and tram, and thus helps promote greener, safer and more efficient transportation of people and goods. While aiming to thrive as a business, we take pride in creating a sustainable future for generations to come. We build for people and cities to connect. Our mission is to make infrastructure that goes beyond the demands of today and tomorrow – both for people and the society at large.

With roots in the Nordic values, where care and credibility are the nerves, we use our entrepreneurial spirit when creating tomorrow's infrastructure.



Content

Key figures	4
CEO's letter	6
Company introduction	8
CSR report	22
Corporate governance report	32
Board of Directors' report	41
Board of Directors	50
Shareholder information	52
Group accounts	55
Notes to the Group accounts	62
ASA accounts	111
Notes to the ASA accounts	117
Statement by the BOD and CEO	125
Auditor's report	126
Alternative performance measures and definitions	131
Offices	133

Key figures

<i>All amounts in NOK million</i>	2019	2018
INCOME STATEMENT		
Revenue	6,193	3,176
EBITDA*	267	132
EBITA*	55	57
EBIT*	-15	29
EBITDA* (%)	4.3 %	4.2 %
Other income and expenses	91	28
EBITDA	176	104
EBITA	-36	29
EBIT	-105	1
Employees	2,070	879
Investments	1,191	153
Order backlog	7,151	2,748
BALANCE SHEET		
Non-current assets	3,621	1,703
Cash and cash equivalents	154	396
Other current assets	1,648	841
Equity	2,033	1,442
Non-current liabilities	1,534	486
Current liabilities	1,856	1,012
Net debt	1,633	219
Equity ratio	37 %	49 %

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



**We have
reached our
goal to become
the largest rail
infrastructure
entrepreneur
in the Nordics**

Tomorrow in the making

NRC Group was created to capitalise on strong Nordic infrastructure markets driven by population growth, urbanisation and sustainability. Decades of under-investments across the region further strengthen the need for increased spending on maintenance, upgrades and new infrastructure.

We are dedicated to support the Nordic countries by building and maintaining highly efficient transport systems for people and goods. By doing so, we aim to create long-term value for shareholders, safe and rewarding jobs for our employees and mutually beneficial partnerships. NRC Group contributes to the construction and maintenance of rail infrastructure, including railways, metro and tram, and thus, at the same time, helps promote greener, safer and more efficient transportation.

Restoring profitability

At NRC Group, we take pride in creating sustainable solutions which connect people and cities. As the leading Nordic rail construction and maintenance company, our ambition is to continue to grow our business and deliver industry-leading profitability. To do so, we need to address some areas with unsatisfactory performance. This process is well underway.

Our leading position with competencies and capabilities covering the entire rail value chain and complementary civil and environmental services has been built on organic growth and through 14 acquisitions in the last five years. With the acquisition of VR Track Oy in Finland in January 2019, almost 1,200 competent employees became part of NRC Group, which in turn became the leading rail infrastructure company in Finland as well as for the Nordic region as a whole.

After years of growth and good margins, profitability declined in 2018 and 2019. While more than two-thirds of the Group delivered good growth and margins last year, performance in Sweden and Rail Norway was unsatisfactory. We know why and we have taken action to restore profitability and establish a strong platform for long-term profitable growth. This has been the main task since I joined the company as new CEO in May last year.

CHIEF EXECUTIVE OFFICER

Henning Olsen

Olsen comes from the position as executive vice president in AF Gruppen, where he has been responsible for the Building business area in Norway since 2016. His previous roles in AF Gruppen include head of AF Eiendom, financial director within AF Bygg Oslo and group controller. Before joining AF Gruppen in 2010, he has been employed at Statkraft and Boston Consulting Group. Henning holds a Master of Science degree in Business from BI Norwegian Business School (2003).

Leadership, people and culture drive performance

To succeed, we need to build a team sharing a strong performance culture based on NRC Group values. We will invest in people to ensure that we attract and retain the right leadership, project management and skilled workforce. Our ambition is to be the most attractive partner and employer of tomorrow's infrastructure.

Our new strategy "Tomorrow in the making" positions us for strong market growth within the infrastructure industry in Norway, Sweden and Finland. By systematically developing our employees and the Group's competitive advantages, we will be uniquely positioned to take on bigger and more complex projects within rail, civil works, environment and harbour infrastructure.



The Group has an ambition to strengthen its position as the most profitable sustainable infrastructure provider in Norway, Sweden and Finland, growing in all our segments. The growth will come from organic growth in our core business, supported by bolt-on acquisitions to expand core capabilities and regional footprint, but also looking into growth and expansions in complementary segments.

We will continue with strong country-led organisations, complemented by cross-country Nordic expertise and sharing of best practices. The Group will create opportunities for its current and new employees to develop and take on new roles and responsibilities by investing into competence building. Based on these factors, the Group has expressed a long-term ambition of NOK 10 billion of revenue and 7% EBITA margin in 2024.

Creating a Nordic leader in sustainable infrastructure

Our long-term ambitions have been clearly communicated. Now it is time to execute and deliver. With continuous focus on safety, and by following the highest ethical standards, we will execute based on a strong commercial mindset and continuous search for the best solutions. We are ready for the future as a Nordic leader in sustainable infrastructure.

Lysaker, 17 March 2020

Henning Olsen
CEO

Company introduction

NRC Group is a Nordic infrastructure company, developing and supplying products and services for sustainable transport solutions including the entire value chain for rail construction and maintenance, harbours and roads. The service offering includes groundwork, specialised trackwork, safety, electro, telecom, signalling systems and environmental solutions.

The 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.

In 2019, NRC Group completed a strategy update following a period of strong organic and M&A driven growth. After achieving the ambition of being the leading Nordic player within rail infrastructure, the focus has been turned to harvesting the benefit of this. The main priorities going forward are to restore profitability through operational improvements, capitalize on the leading Nordic position and strong markets through profitable organic growth, and utilising Nordic capabilities to expand into complementary services. NRC Group aims to be



a Nordic leader in sustainable infrastructure and has established clear strategic priorities to restore profitability and drive growth with a 2024 ambition of a NOK 10 billion revenue and 7% EBITA margin.

The company recognises that people is the key enabler for achieving its targets. Being the most attractive partner and employer of tomorrow's infrastructure is therefore one of NRC Group's main long-term ambitions. Sound business conduct and sustainability focus are also enablers of growth and profitability, together with the knowledge, skills and experience which represent NRC Group's key competitive advantages.

NRC Group sees a long-term positive outlook for its rail construction and maintenance activities and for its complementary civil construction and environmental services. 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 company recognises that people is the key enabler for achieving its targets

The Group operates by a set of values which are shared throughout the organisation:

Caring

We care for the safety of our employees and suppliers. We support and develop, both people and sustainable actions – beyond tomorrow.



Credible

We are led by the highest ethical standards. We walk the talk and deliver on time, budget and quality. For us, promises exist to be kept.



Entrepreneurial

We deliver infrastructure, not bureaucracy. We are driven by a strong commercial mindset and a continuous search for best solutions.



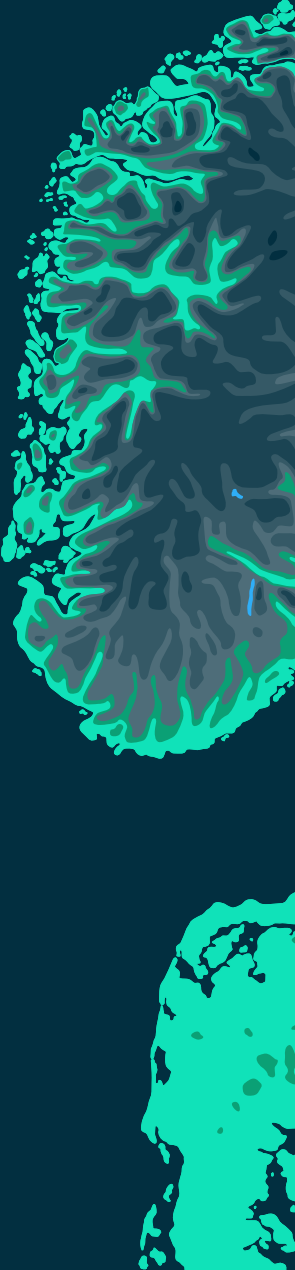
GROUP STRUCTURE AND PRESENCE

NRC Group's head office is at Lysaker near Oslo, Norway. The Group has three operating segments, NRC Norway, NRC Sweden and NRC Finland (from 7 January 2019). In 2019, the Swedish operations generated 25% of Group revenue (50% in 2018), the Finnish operations generated 38%, and the Norwegian operation represented the remaining 37% (50%).

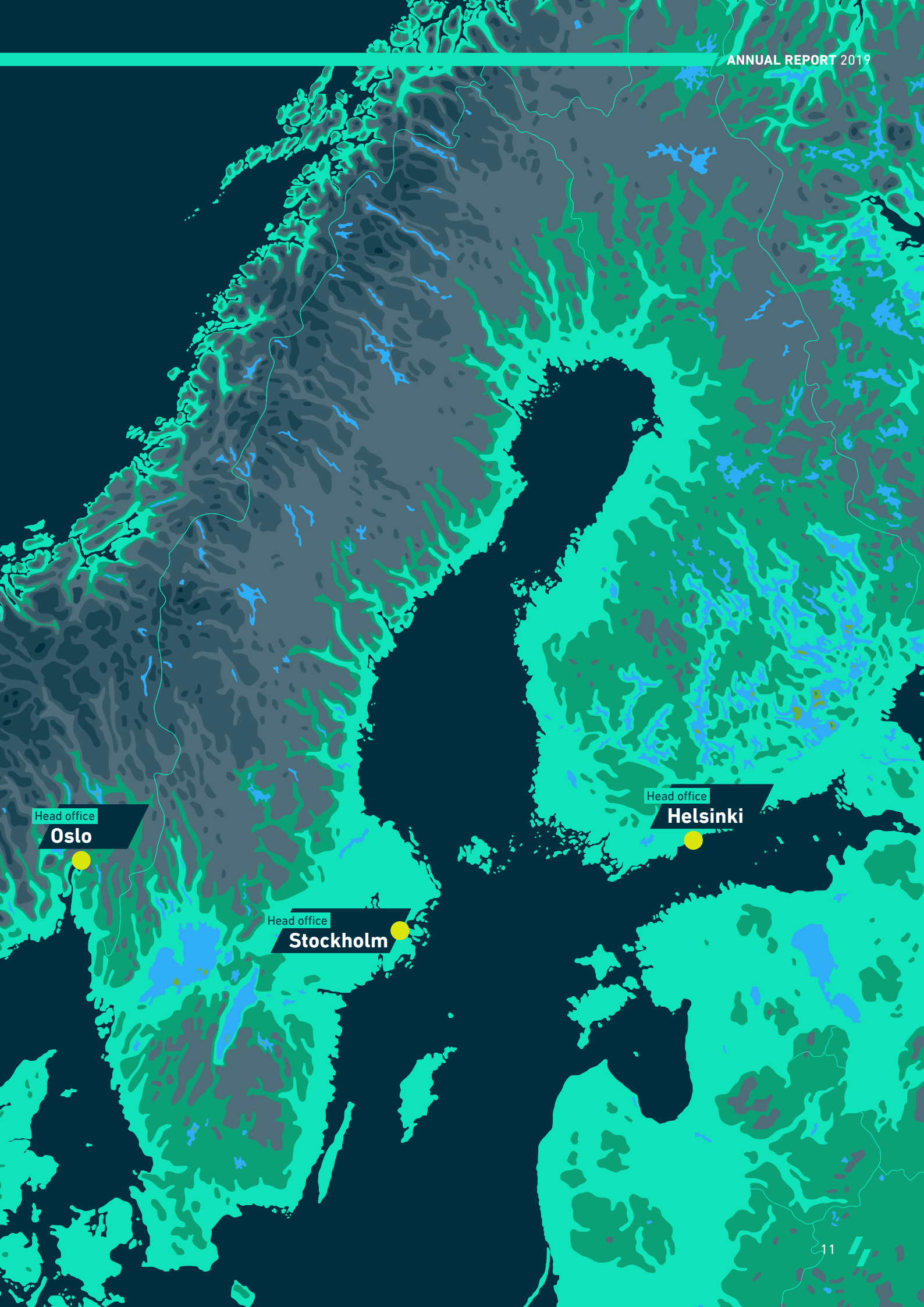
NRC Norway is responsible for operations in Norway and has branch offices in the Eastern and Southern parts of Norway. In 2019, there were three operating divisions in Norway - Rail construction, Civil construction and Environment.

NRC Sweden is responsible for operations in Sweden and has its head office in Stockholm and branch offices in Gothenburg and Karlstad. In 2019, there were three operating divisions in Sweden - Rail construction, Civil construction and Rail maintenance.

NRC Finland is responsible for operations in Finland and has its head office in Helsinki and branch offices in Kouvola, Oulu, Riihimäki and Tampere. In 2019, there were three operating units in Finland - Rail construction, Rail maintenance and Materials.



**We operate locally and with an
entrepreneurial mindset, however
we have the power of a group**



Head office

Oslo

Head office

Stockholm

Head office

Helsinki

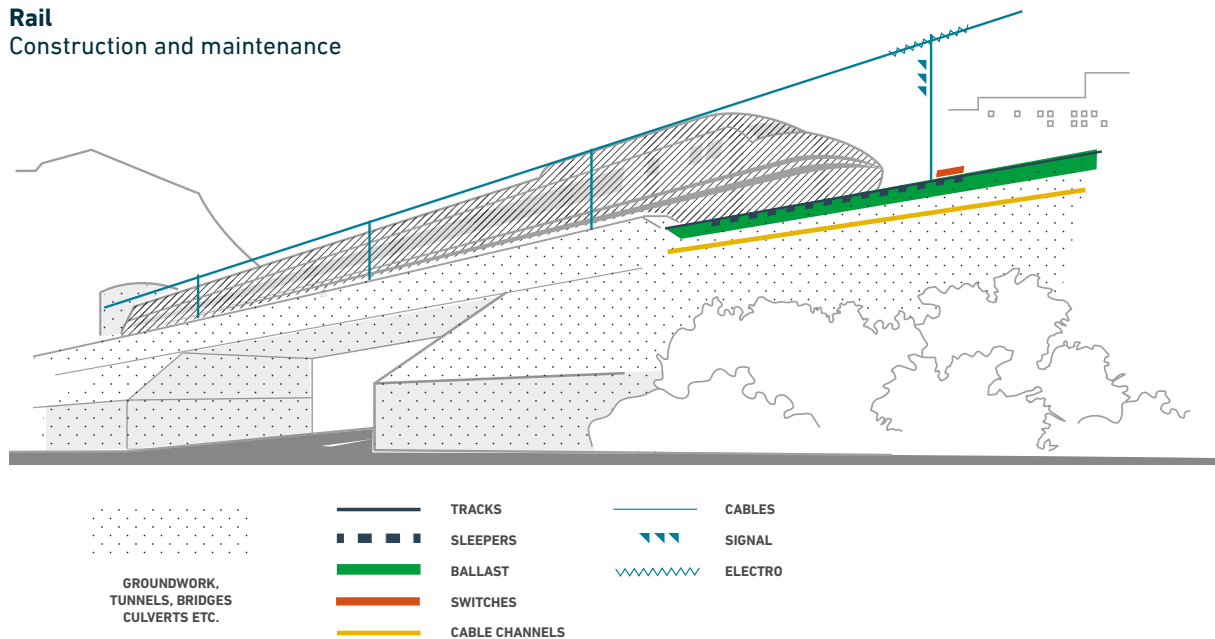
OPERATIONS

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 construction-, maintenance- and environmental services for transport related infrastructure covering railroads; including train, metro and tram, harbours and roads. In addition, the Group's service offerings include groundworks, concrete works, fibre and environmental services such as water and wastewater, demolition, recycling and bulk transport.

OFFERING THE ENTIRE RAIL VALUE CHAIN AND COMPLEMENTARY SERVICES

Rail

Construction and maintenance



Complementary services

Civil construction



Concrete works



Groundworks



Ports/Harbours

Environment



Water/wastewater

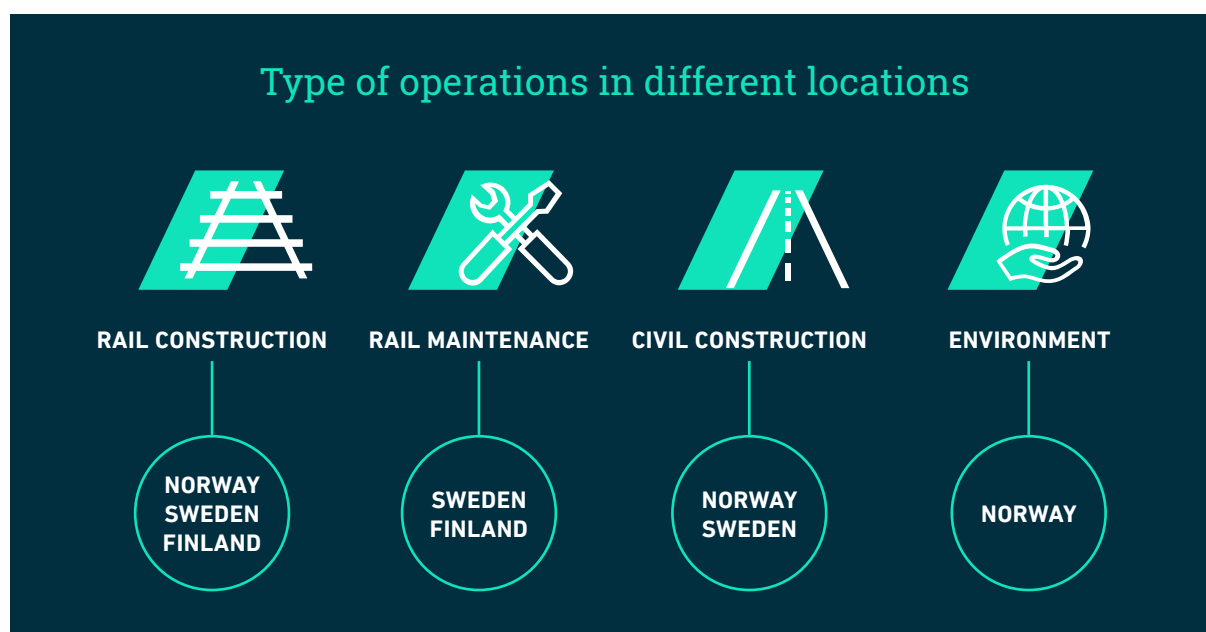


Recycling



Bulk transport

Type of operations in different locations



Rail construction

NRC Group holds all necessary approvals to work within the train, tram/light-rail and metro segments, including 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 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 among other groundwork, tunnels, bridges and culverts.

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 among other ballasts, sleepers, rails, switches and cable channels.

Signalling system: The signalling system ensures safety, speed and time management for trains on the move.

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.

Rail maintenance

NRC Group is an established provider of railway maintenance services in Finland and Sweden and utilises the same competencies and equipment as with Rail construction projects. Maintenance contracts are multi-year agreements to perform specific tasks to maintain railway infrastructure in a geographical area to a specified standard. The Norwegian railway maintenance market is scheduled for privatisation in 2021 and represents a growth opportunity where NRC Group can leverage extensive maintenance experience from Finland and Sweden.

When executing Rail construction and Rail maintenance contracts, NRC Group leverages its complete portfolio of rail and complementary services. This includes cooperation with the Civil construction and Environment divisions on larger multidisciplinary enterprise contracts which are increasingly being awarded in NRC Group's markets.

Civil construction

NRC Group in Norway and Sweden has established separate organisations specialising in civil construction. These include concrete works, installation and construction of steel structures, road- and groundworks, water and wastewater work, and landscaping. The services support development of transport infrastructure, including port and harbour developments, and construction and maintenance of hydroelectric dams.

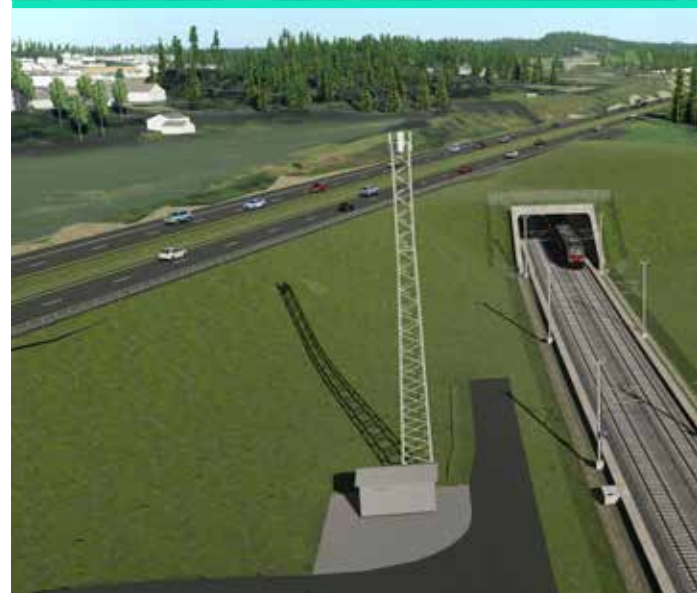
Environment

The construction business and infrastructure development are subject to substantial climate and environmental responsibilities. NRC Group aims to be a Nordic leader in sustainable infrastructure and environmental considerations are an important part of the projects the Group executes and a natural part of the value chain.

In Norway, Environment is established as a separate division which ensures good environmental solutions in the projects NRC Group executes. In addition, the division acts as a service provider to external contractors. At the end of 2019, the division consisted of the following companies; Norsk Saneringsservice, Miljøvakta, Gunnar Knutsen and NRC Gravco. NRC Group provides services within transport, mass handling, demolition, water and sewage services as well as environmental management and mapping.

KEY PROJECTS – TOMORROW IN THE MAKING

NRC Group creates and maintains sustainable infrastructure, including rail-based systems, harbours and roads and helps promote greener, safer and more efficient transportation of people and goods.



Examples of major projects awarded in 2019:

**Jokeri Light Rail**

Alliance contract for construction of a new light railway between Helsinki and Espoo. The line will enable faster and more reliable cross-city public transport and increased passenger comfort. It also opens for residential construction alongside a modern light railway line.

The greater Helsinki region is estimated to be the home of approximately two million residents and provide over one million jobs in 2050. The Jokeri Light Rail will enable increased mobility through sustainable transport with significant reductions in CO2 emissions.

The light rail project is executed in the alliance model, where NRC Finland works together with another construction company as well as two other consulting companies. The contract value for NRC Group is approximately EUR 180 million, making it the largest-ever contract awarded to the company.

Start: June 2019
 Completion: June 2024
 Client: The City of Helsinki and the City of Espoo

**Railway: Drammen - Gulskogen, Norway**

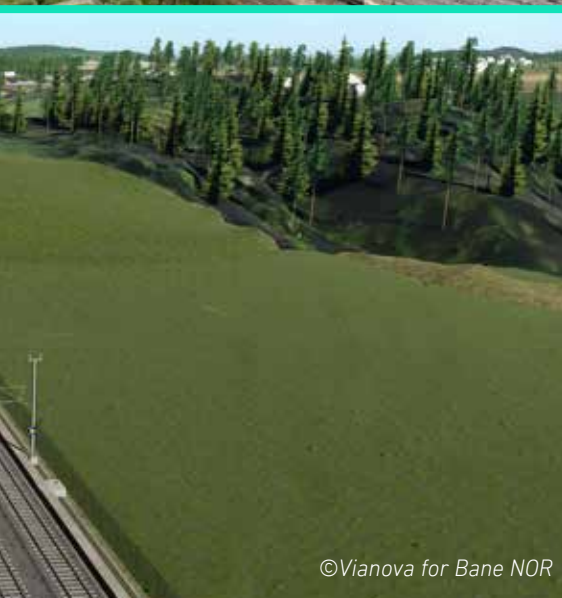
Multidisciplinary contract with deliveries from Rail construction, Civil and Environment.

NRC Group will execute preparatory ground and railway technical works between Drammen and Gulskogen. The new double track project is part of the Intercity initiative, a large-scale railway development in Eastern Norway.

Deliveries include track, electro, signal, telecom and groundwork, supported by environmental services led by ground removal, demolition and reuse of demolition material, and environmental preparedness.

The contract is valued at approximately NOK 175 million.

Start: February 2020
 Completion: September 2021
 Client: Bane NOR

**Railway: Vestfoldbanen, Norway**






Multidisciplinary railway project for construction of 13.6 kilometres of double track on the railway connection between Nykirke and Barkåker, as part of the ongoing modernisation of the Vestfold line. The project involves rail services such as track, electro and groundwork.

The contract is valued at around NOK 793 million and is the largest ever contract awarded to NRC Norway.

Start: Q4 2019
 Completion: 2024
 Client: Bane NOR

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.

		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	20 billion	11 billion
	Employees approximately	500	600	1,400



NRC Group's 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 and logistics.

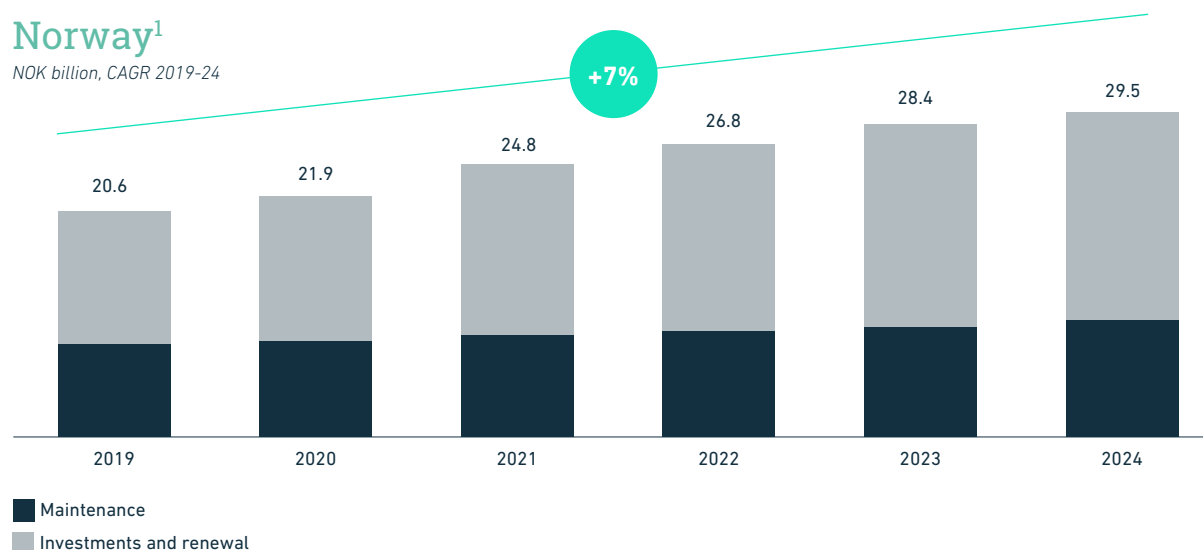
The market development is largely a function of annual budget allowances to rail-based and other transport infrastructure in the national budgets and at a municipal level in the larger cities such as Stockholm and Gothenburg in Sweden, Oslo and Bergen in Norway, and Tampere and Helsinki in Finland.

The Governments of Norway and Sweden develop their transportation systems according to 12-year National Transport Plans (NTP), which are updated and approved by Parliament every fourth year. In Finland, the Parliament currently approves infrastructure spending over four-year periods, however Finland plan to introduce a similar framework as Sweden and Norway for transport system planning and a 12-year plan from 2021 to 2032 is now under development.

The Norwegian market is expected to grow by approximately 7% annually in the 2019-2024 period. The 2020 national budget confirmed broad political support to improving the national railway system. Nearly NOK 27 billion is allocated to the railway sector in 2020, up 4.5% from the revised 2019 budget. New investments are expected to increase with 8% in 2020 to NOK 13.2 billion. The budget for operations, maintenance and renewal was up 3% to NOK 8.7 billion, including ERTMS investments of NOK 1.4 billion and at least NOK 2.2 billion in renewal projects.

Norway¹

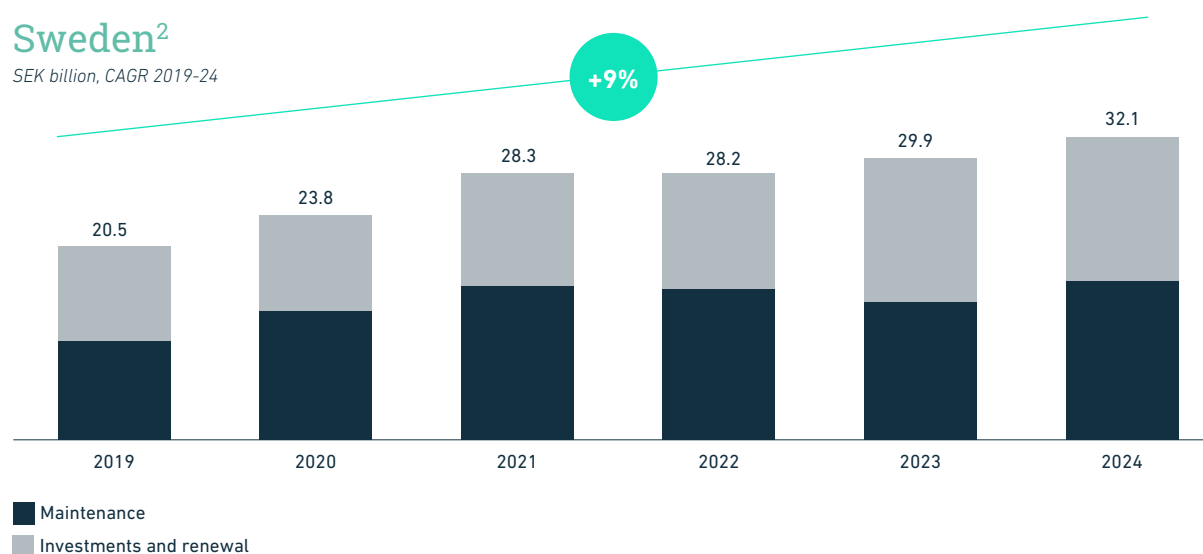
NOK billion, CAGR 2019-24



The Swedish market is expected to grow by approximately 9% per year for the 2019-2024 period. The Swedish national budget for 2020 forecasts SEK 13.6 billion in new investments, up 30% from 2019, and maintenance investments of SEK 10.2 billion, an increase of 1%. In 2021, new investments and maintenance spending are expected to grow by 20% and 18%, respectively. The sum of planned new investments and maintenance spending for the three coming years is estimated to exceed the average annual level for the NTP plan period.

Sweden²

SEK billion, CAGR 2019-24



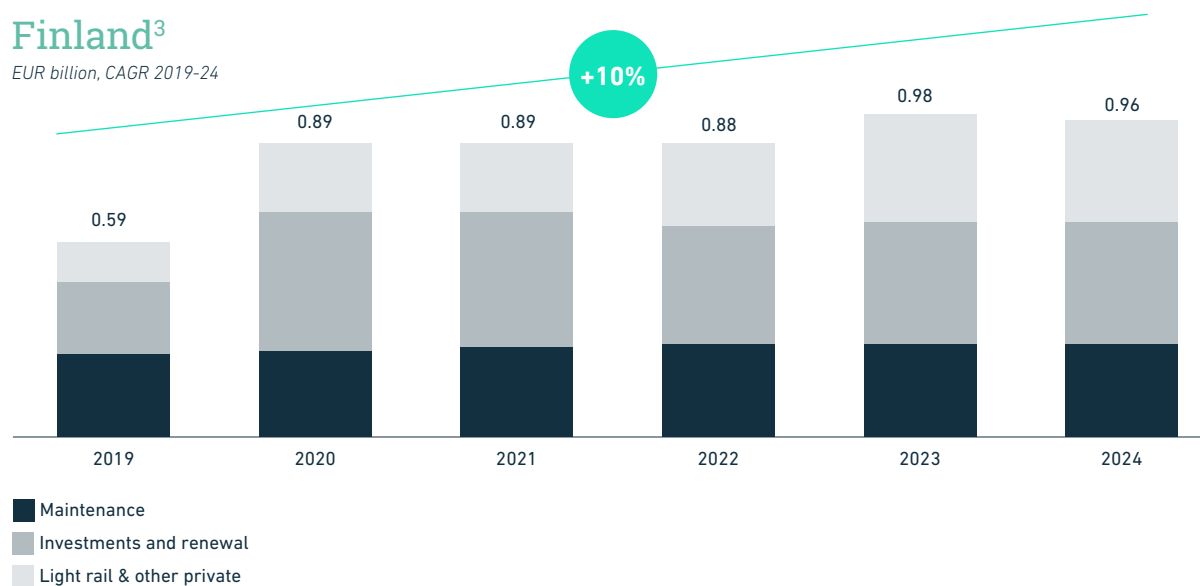
¹⁾ Norway: National budget 2020, National Railway Directorate NTP filings. Maintenance figures include Bane NOR operations and renewal. Excluding tram and metro

²⁾ Sweden: National budget 2020, Swedish Transport Administration estimates for 2023-24; Maintenance is shown excluding renewal/Reinvestments. Excluding tram and metro

In Finland, the market is expected to grow by approximately 10% per year going forward. The addressable market is estimated at EUR 0.89 billion in 2020. The main drivers for the growth are light rail projects, where NRC Group is already part of the projects in the market, and an expected increase in renewal and reinvestment based on public investment decisions made in 2019. The Maintenance segment is expected to be quite stable in 2020.

Finland³

EUR billion, CAGR 2019-24



³ Finland: Finnish Transportation Agency, NRC Group estimates

There is broad political commitment in Norway, Sweden and Finland to increase spending on developing, maintaining and modernising railroad, tramways and metro lines in major 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. 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 systems. Similarly, in Sweden, the 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 hold lead roles in the consortiums building a light rail system in Tampere and the Jokeri Light Rail between Helsinki and Espoo, 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 main markets.

MANAGEMENT TEAM

Henning Olsen

CEO NRC Group ASA

Henning Olsen comes from the position as executive vice president in AF Gruppen, where he has been responsible for the Building business area in Norway since 2016. His previous roles in AF Gruppen include head of AF Eiendom, financial director within AF Bygg Oslo and group controller. Before joining AF Gruppen in 2010, he has been employed at Statkraft and Boston Consulting Group. Henning holds a Master of Science degree in Business from BI Norwegian Business School (2003). At year-end, Olsen held 28,000 shares in NRC Group.

Robert Röder

Managing Director of NRC Sweden

Röder has more than 35 years of railway industry experience. He was previously CEO of Strukton Rail Scandinavia and board member of Strukton Rail Group. Röder has executed and managed several large infrastructure projects. Röder has been Managing Director of NRC Sweden since September 2019. At year-end, Röder held no shares and 3,125 share options in NRC Group.

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). Fladby has been CFO of the company since March 2016. At year-end, Fladby held 49,400 shares and 82,500 share options in NRC Group.

Mirka Nevala

EVP strategy and corporate development NRC Group ASA

Mirka Nevala has a background from Boston Consulting Group, where she spent close to nine years consulting tens of companies on three continents. Nevala joined VR Track Oy in March 2017. With VR Track, she acted as VP of Strategy and MD of VR Track Sweden AB. With NRC Group, she has acted as VP Design business. Currently, she holds the positions of EVP strategy and corporate development at NRC Group and VP strategy at NRC Finland. Nevala has M.Sc. in Eng. And M.Sc. in Adm./Econ. At year-end, Nevala held 670 shares in NRC Group.

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) and at year-end he held 22,170 shares and 50,000 share options in NRC Group.

Alfred Beck

Legal Counsel NRC Group ASA

Alfred Beck has a legal and investment banking background. He has extensive experience within general corporate law and corporate finance and has been involved with structuring and executing more than 275 ECM and M&A transactions. Beck holds an Executive MBA from Norwegian School of Economics (NHH) and a Cand.jur degree from the University of Bergen. At year-end, Beck held 82,500 share options in NRC Group.

Harri Lukkarinen

Managing Director of NRC Finland

Lukkarinen has more than 20 years of railway industry experience. He was previously CEO of VR Track Oy and Director for infrastructure projects at CMC Terasto Oy which was part of Pöyry Group. He served as a management team member of VR Group. Lukkarinen has been Managing Director of NRC Finland since January 2019. At year-end, Lukkarinen held 670 shares and 7,500 share options in NRC Group.



2019 in brief



Established market position as player for larger contracts

NRC Group has over time developed its capabilities and capacity with a clear strategic ambition of positioning for larger multidisciplinary contracts in the Nordic countries. In 2019, NRC Group was awarded the NOK 793 million railway construction contract for Nykirke-Barkåker on the Vestfold line in Norway, confirming its position as a significant player in this market. Nykirke-Barkåker is the largest ever rail technical contract awarded in Norway and NRC Group won it in competition with domestic and international competitors.

In Finland, the company was awarded a new alliance contract for the Jokeri Light Rail worth approximately EUR 180 million, the Group's largest contract to date. NRC Finland is or has been involved in all rail-related alliance contracts awarded in Finland to date and is a partner in additional alliance projects progressing to award.



Leading Nordic rail entrepreneur

NRC Group has built a leading Nordic position in rail construction and maintenance addressing large and growing infrastructure markets. In 2019, NRC Group achieved the ambition to become the leading Nordic rail entrepreneur through the acquisition of NRC Finland. The Group was the number one player in the Finnish rail construction and maintenance market, while it held the position as number two and three in Norway and Sweden respectively. In 2019, NRC Group employed more than 2,000 employees and had revenues of more than NOK 6 billion.



Creating a Nordic leader in sustainable infrastructure

After reaching the ambition to become the leading Nordic rail entrepreneur, Group focus has been turned to harvesting the benefits of this position and becoming a Nordic leader in sustainable infrastructure. A Group-wide strategy process in 2019 established new strategic priorities;

- restore profitability through operational improvements
- capitalize on the leading Nordic position and strong markets through profitable organic growth
- utilising Nordic capabilities to expand into complementary services

NRC Group has established clear strategic priorities to restore profitability and drive growth with a 2024 ambition of NOK 10 billion of revenue and 7% EBITA margin.



Corporate Social Responsibility report 2019

Access to high-quality sustainable infrastructure solutions with low carbon footprint is increasingly important as Nordic cities and populations grow. NRC Group contributes to the construction and maintenance of rail infrastructure, including railways, metro and tram, and thus helps promote 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 efficient and profitable project execution we create long-term value for our shareholders, customers and partners. We also recognise our responsibility of taking care of our environment and seek to minimize the environmental impact from day to day operations. This way we lay the foundations for prosperity - both today and for future generations, or as we say

- Tomorrow in the making!

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 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 main stakeholders are our current and potential 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 operational risks include

potential accidents and harm to people, harmful spills to the external environment, ethical breaches in the form of corruption, 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 risk management framework.



In 2019, we prioritised Group-wide implementation of the Group ethical business conduct processes, policies and HSE and environmental goals and guidelines. The acquisitions in Norway in late 2018 added know-how and capabilities within environmental and sustainability services for the infrastructure industry, and the integration of the VR Track Oy organisation broadened our capabilities as a turnkey contractor in the Nordic region.

For 2020, we will continue implementation of our environmental action plan, with main focus on systematically minimising our negative impact on the environment by reducing our Co2-emissions and waste generation. Ethical business conduct processes and policies is also a continuous focus area. Moreover, we will continue our strong focus on securing a safe working environment for our employees and subcontractors. We actively seek to develop our competencies and internal culture and pay close attention to identifying and adopting best

practices across our operations in Norway, Sweden and Finland.

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 2019-2020
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 implemented a unified employee representative system across the organisation in 2019. In addition, NRC Norway was certified according to ISO 45001 Occupational health and safety.
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 subcontractors are required to read and confirm compliance with NRC Group's ethical guidelines.	NRC Group's ethical guidelines are included in all employment contracts. During 2019, compliance was included in the Norwegian leadership programme. In 2020, NRC Norway will organise a compliance week.
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. Two incidents were reported during 2019.



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 projects shall be informed about preventive measures and how to avoid, prevent and counteract environmentally damaging situations. In 2019, NRC Norway was ISO 14001 certified.
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 2019-2024, based on the Company's key environmental principles. Plan to start measuring fuel consumption and Co2-emissions in 2020.
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 an ongoing programme to phase in environmentally friendly construction machines and equipment. NRC Group shall strive to choose the most environmentally friendly solutions in purchasing and production.







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 whistle-blowing in 2018 which have been implemented across the Group. NRC Norway was certified according to ISO 37001 Anti-bribery management systems early in 2020. No instances of corruption were identified in 2019.
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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 important for NRC Group. We have continuous focus on improvement of gender balance and equal treatment of genders.
 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 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 and use dedicated information management systems on our project sites.

NRC Group appreciate diversity and inclusion, and offers equal opportunities regardless of gender, age, sexual orientation, ethnicity, religion, political opinions or social background. During 2019, we grew by 1,191 new employees, equalling 136%, mainly as a result of the VR Track acquisition in Finland, and as at 31 December¹ we had 2,070 highly competent professionals (2018: 879), whereof 20% were employed in Sweden (2018: 40%), 28% in Norway (2018: 60%) and 52% in Finland (2018: none). 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. For the Group, women represented 7.2% of the employees at the end of the year (2018: 7.8%). During the year, and after the integration of VR Track Oy, the corporate management group was in 2019 expanded from four to eight members, whereof two were women (2018: none).

In 2019, three of the seven shareholder-elected Board members were women (2018: two out of five). 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.

During 2019, NRC Group initiated a group-wide programme to strengthen project management skills through internal training and recruitment as part of an improvement process aimed at professionalising the organisation. The aim is to build a strong performance culture based on NRC Group values through the "NRC School". The ability to attract and retain the right leadership, project managers and skilled workforce are recognised as key enablers of good project execution and the Group's strategy and achievement of long-term financial and operational ambitions.

NRC Group's ambition is to be the most attractive partner and employer of tomorrow's infrastructure. This implies that NRC Group provides meaningful jobs creating sustainable infrastructure and can offer employees and talent a growth journey with Nordic opportunities and attractive career paths. Emphasis is put on employee development and training in topics such as safety, environment and code of conduct as well as leadership development and project management skills. Employees will take part in annual reviews and receive internal career guidance.

To lead, support and monitor implementation of improvement processes and growth strategy, Group functions will be strengthened with talent management and employer branding competence, which also will be introduced at country level.

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. In 2019, 354 employees participated in the programme. 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.

To stimulate internal communication, the company's intranet is actively used across the Group.

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



Future priorities

Our new strategy “Tomorrow in the making” positions us for strong market growth within the infrastructure industry in the Nordics. By systematically developing our employees and the Group’s competitive advantages, we will be uniquely positioned to take on bigger and more complex projects. To succeed, we need to build a team sharing a strong performance culture based on NRC Group values. We will invest in people to ensure we attract and retain the right leadership, project management and skilled workforce. Our ambition is to be the most attractive partner and employer of tomorrow’s infrastructure.

The main priority for 2020 will be to fully implement the programme aimed at strengthening project management skills and recruitment to support the operational improvement processes and professionalise the organisation.

We will continue with strong country-led organisations, complemented by cross-country Nordic expertise and sharing of best practices. The Group will create opportunities for its current and new employees to develop and take on new roles and responsibilities by investing into competence building. NRC Group will further work to improve the group-wide gender balance at all levels in the organisation and 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 serious 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.

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 has prepared 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. In addition, we have increased capacity and competence of our HSEQ engineering staff through recruitment and internal training.

During 2019, NRC Norway was certified in accordance with the ISO 45001 and 9001 standards, which is aimed to improve employee safety and working conditions, and quality management in the organisation, respectively. NRC Finland is certified in accordance with ISO 9001 and OHSAS 18001, the predecessor to ISO 45001.



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 come home safe and sound. In 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.

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 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 of health, working environment and safety, and external environment.

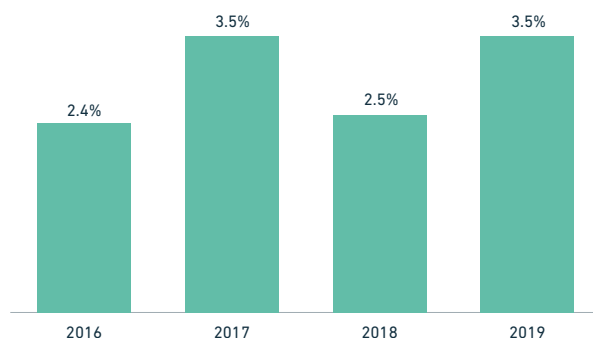
Carey may be used for internal communication or for project-based HSE-communications such as signs at construction sites.



SICKNESS ABSENCE

Sickness absence rate

%



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. We have also established 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 3.5% in 2019 (2018: 2.5%). 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 2019, the LTI-1 frequency increased to 6.0 from 5.0 in 2018. 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 two serious injuries were reported for the year (2018: four)¹. There were no fatal incidents in 2019.

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 the rules and procedures for safety work and takes part in our HSE culture. In Sweden, we will introduce a new common ISO-based management system in 2020.

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.

In 2019, NRC Group conducted an updated and in-depth risk analysis of all companies acquired. Based on the findings, an action plan was formulated to implement adequate mitigating measures and initiatives. In 2019, NRC Norway was ISO 37001 certified. An updated risk analysis was conducted as part of the certification process.

The key features of our code of conduct and whistleblowing system have been communicated to all Group employees to strengthen internal awareness about NRC Group's policy on business ethics.

Workshops and training have been conducted with all managers in Norway, Sweden and Finland 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. Two whistle-blowing incidents were reported during the year.

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

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

¹ NRC Group applies the reporting guidelines by The Norwegian Labour Inspection Authority.

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 maintain our main environmental principles.

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

NRC Group's operations in Norway and Finland are ISO 14001 certified. In accordance with ISO 14001, internal guidelines and procedures shall ensure focus on the environment throughout the entire project lifetime. 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 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, building on the Group's key environmental principles. The action plan includes sub-goals and activities to reduce emissions from machinery and 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.

In 2019, NRC Group strengthened the organisation in Norway in relation to sustainability and the external environment. We also increasingly used



more environmentally friendly machinery and equipment, including electric cars and excavators. Driven by increasing environmental regulations, requirements and expectations, NRC Group has developed capabilities within environmental services including competence and capacity within demolition and environmental remediation, construction waste logistics and environmental consultancy. We 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 2020, we will continue the implementation of the environmental action plan. Part of the plan includes to define selected KPIs and related targets to measure performance going forward. NRC Group will seek to reduce consumption of diesel through increased use of electrical machinery and equipment fuelled by biodiesel. We will also seek to reduce waste generation. In 2020,

NRC Group will start measuring fuel consumption and establish indicators (KPIs) to measure our climate Co2 footprint. These will form the basis for our ambitions for reduced emissions relative to our business activity and be used to track our progress.

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 2019, NRC Group established guidelines for its sponsor activities. The Group acted as sponsor of several student organisations, 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 sponsors Djurgården Fotboll in Stockholm, Sweden, and is one of the main sponsors of Vålerenga Fotball in Oslo, Norway.

Sustainability Key Figures	2019	2018	2017
Our people			
Number of employees			
Group total	2,070	879	619
Norway/ Sweden/ Finland	28%/20%/52%	60%/40%/-	46%/54%/-
Gender split (female/male)			
Group total	7.2%	7.8%	7.8%
Group senior management	25%/75%	0/100%	0/100%
Board of Directors	43%/57%	40%/60%	50%/50%
Health and safety			
Sickness absence rate	3.5%	2.5%	3.5%
LTI-1 rate ²	6.0	5.0	5.6
Ethical business conduct			
Reported incidents (whistleblowing)	2	0	0
The Environment			
Harmful spills	0	0	0

² Subcontractors are included when measuring LTI-1 frequency for 2018 and 2019



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 Board of Directors will actively ensure that the Company adheres to good corporate governance standards and thus complies with the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). The Code of Practice, last revised on 17 October 2018, 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.

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. In the Company's own assessment, NRC Group did not deviate from any sections of the Code of Practice at year-end 2019.

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. These policies and related corporate responsibility activities are further described in the "corporate social responsibility" section of the annual report.

3. EQUITY AND DIVIDENDS

Equity and capital structure

At 31 December 2019, the Company's consolidated equity was NOK 2,033 million, which is equivalent to 37% of total assets. On 12 February 2020, the Company raised NOK 700 million in new equity through a private placement. The net proceeds from the private placement provides NRC Group with the financial flexibility to execute on the new strategic plan, including the ability to consider bolt-on M&A opportunities. In addition, it improves the financial flexibility with regards to the existing debt financing agreements as well as working capital needs. The net proceeds from the private placement will enhance the financial strength and flexibility of the Company and will also be used for general corporate purposes.

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.

The Board of Directors will not propose to pay a dividend for 2019 based on the financial results for the year.

Share capital increases against new issuance of shares

At the Company's AGM on 8 May 2019, a general authorisation was granted for the Board of Directors to issue shares and to increase the share capital by a maximum of NOK 10,780,844. The authorisation is valid until the AGM in the spring of 2020, but no later than 30 June 2020. On 12 February 2020 the Board resolved to utilise the authorisation by issuance of 10,675,719 shares.

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 the AGM in 2019, the share option programme was further expanded, and the Board of Directors was granted an authorisation to issue shares and increase the share capital by up to NOK 1,000,000 to fulfil the Company's obligations pursuant to the option programme for senior management. The authorisation is valid for a period of two years, until



8 May 2021. Details regarding the programme are available in the notice documents of the AGMs in 2016 - 2019, as well as in the respective annual reports. At 31 December 2019, a total of 340,625 options have been granted to senior management in connection with the programme.

Share option programme for key employees

At the Company's AGM on 19 April 2018, NRC Group implemented a share option programme for key employees comprising a total of 400,000 shares over two years. At the AGM in 2019, the share option programme was expanded with an additional 200,000 shares to include key employees from VR Track OY in Finland. In connection with the option programme, an authorisation was granted for the Board of Directors to issue shares and to increase the share capital up to NOK 600,000. The authorisation is valid until 8 May 2021. At 31 December 2019, a total of 123,000 share options have been granted to key employees under the existing authorisation.

Purchase of own shares

At the Company's AGM on 8 May 2019, an authorisation was granted to the Board of Directors to acquire own shares in NRC Group ASA for a maximum of NOK 5,390,422, calculated based on the shares' nominal value. The authorisation applies from registration and up until the AGM in the spring of 2020, but no later than 30 June 2020. The Company has not utilised the authorisation granted in 2019 as at 31 December.

During the year, NRC Group acquired 200,000 treasury shares under an authorisation granted at the 2018 AGM, whereof 187,875 treasury shares were transferred to employees participating in the 2019 share programme for employees. At 31 December 2019, the Company held 12,497 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 2019, NRC Group issued consideration shares as settlement for the acquisition of VR Track OY, where the shareholders pre-emption rights were set aside by an existing

Board authorisation. For details, see stock exchange releases from November 2018 and January 2019.

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. All shares acquired by NRC Group during 2019 were acquired through the trading system at Oslo Børs.

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 2019. For information regarding related party transactions, see Note 29 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 on Oslo Børs. 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 Meetings, 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 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 prepares and facilitates the use of proxy forms, allowing separate voting instructions for each item on the agenda and nomination of a person to represent proxy votes.

In 2019, NRC Group held its AGM on 19 April with 52.2 percent of the share capital represented. There were no EGMs held during 2019.

7. NOMINATION COMMITTEE

The nomination committee is governed by the articles of association section 10. The AGM on 8 May 2019 elected the following three members for the nomination committee: Kjell Forsén (committee leader), Øyvind Horpestad and Albert Collett (re-elected). The members were elected with a term of two years, until the company's AGM in 2021. All members are independent of the Board of Directors and executive management.

The General Meeting stipulates the guidelines for the duties of the committee and determines the committees' remuneration.

The nomination committee gives 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 is 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.



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 2019, the Board of Directors consisted of the following seven members: Helge Midttun (Chair), Brita Eilertsen, Kjersti Kanne, Harald Arnet, Mats Williamson, Rolf Jansson and Eva Nygren. 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 up to 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.

The Company's annual report and the website provides information to illustrate the expertise of the members of the Board of Directors. The Board of Directors considers its composition to be diverse and represent required competencies including financial and industrial experience.

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation Board Meetings 2019	Shares in NRC (direct/ indirect)
Helge Midttun	Chairman	Yes	02.12.2015	AGM 2020	100%	110,000
Brita Eilertsen	Board member	Yes	28.05.2015	AGM 2020	100%	
Kjersti Kanne	Board member	Yes	27.09.2015	AGM 2020	95%	1,500
Harald Arnet	Board member	No	11.08.2015	AGM 2020	90%	1,400,000 ¹
Mats Williamson	Board member	Yes	01.07.2018	AGM 2020	95%	
Rolf Jansson	Board member	No	05.11.2018	AGM 2020	95%	9,877,953 ²
Eva Nygren	Board member	Yes	05.11.2018	AGM 2020	90%	1,000

¹ Mr. Arnet is the general manager of Datum AS, holding 1,300,000 shares and additionally the owner of Hato Invest AS, holding 100,000 shares.

² Mr. Jansson is the president and CEO of VR Group, which represents the largest shareholders holding approx. 18.3% of the shares in NRC Group



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 (CEO), the division of work between the Board of Directors and the CEO, the annual plan for the Board of Directors, notices of Board proceedings, administrative procedures, minutes, Board committees, transactions between the Company and the shareholders and confidentiality.

The Board of Directors will meet at least seven times per year. The CEO shall at least once a month, by attendance or in writing, inform the Board of Directors about the Company's activities, position and profit trend. In 2019, the Board held 19 board meetings.

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 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 2019, the audit committee consisted of Board members Harald Arnet and Brita Eilertsen, both considered independent of the Company.

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 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 2019, the remuneration committee consisted of 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 2019, the project committee consisted of 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 250 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 that the Board of Directors has decided that NRC Group shall work within.



The Board's evaluation of its own work

The Board of Directors conducts an annual assessment of its performance and expertise, which is presented to the nomination committee. The assessment includes the work of the Board and was last performed in January 2020.

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 presents quarterly financial statements to inform the Board and shareholders on current business performance, including risk reports. These reports are 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 incorporate 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, Sweden and Finland which lead to a tailor-made compliance programme targeting specific risks pertaining to each subsidiary. The relevant policies and procedures have been prepared in Norwegian, Swedish and Finnish language.

NRC Group has performed in-depth risk-analysis of all companies acquired and outlined an action-plan to implement adequate risk-mitigating measures including regional management workshops covering topics such as corruption and other relevant compliance risks related to the businesses of NRC Group.

In 2019, the implementation process continued, with focus on operationalising of 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. The implementation process has also included the businesses of VR Track, to ensure they are aligned with the policies and procedures applicable to NRC Group.

Implementation is an ongoing activity and NRG Group will ensure that the required resources are dedicated to these activities.

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, 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 are presented in the annual report.

11. REMUNERATION OF THE BOARD OF DIRECTORS

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

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 note 6 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 salary and other remuneration of the CEO and executive management, including convergence of the financial interests of the executive management and shareholders.

Remuneration of the CEO and other senior executives consists of fixed salary (main element),

benefits in kind, a variable bonus of up to 60% of the gross annual salary, participation in share option programme and pension schemes. The total remuneration shall ensure that NRC Group attracts and retains senior executives with desired skills and experience. Bonus and grant of options depend on achievement of individual targets and Group performance. The targets for the CEO are set by the Board of Directors, while the CEO determines targets for other senior executives. The principles are described in note 6 of the annual report.

The Board of Directors' statement on determination of salaries and other benefits payable to senior executives was presented to, and adopted by, the AGM in 2019. The statement was presented for a consultative vote, except for the part regarding guidelines for share-based remuneration or remuneration linked to the company's share price development which were subject to a separate vote. Details on the share option programme for senior management and the share option programme for key employees can be found in the AGM notice documents for 2016-2019, as well as in the respective annual reports. Further details relating to pay and benefits payable to the CEO and other senior executives can be found in note 6 and 7 of the 2019 annual report.

13. INFORMATION AND COMMUNICATIONS

NRC Group seeks to comply with the Oslo Børs' IR recommendation, last revised 1 July 2019. 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 website 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 auditor is appointed by the General Meeting and is independent of NRC Group ASA.

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 of 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. For more information about remuneration of the auditor, see note 8 in the 2019 financial statements.





Board of Directors' report

INTRODUCTION

On 7 January 2019, NRC Group realised the strategic ambition of becoming the leading Nordic entrepreneur within railway infrastructure through the acquisition of VR Track Oy, renamed NRC Group Finland. Following successful integration during the year, NRC Group holds top-three positions in the railway construction and maintenance market in Norway, Sweden and Finland.

NRC Group has grown rapidly in recent years through a combination of 14 acquisitions and organic growth and has expanded its offering to include civil construction services in Norway and Sweden and complementary positions in environmental services in Norway.

Key capabilities include groundworks for transport-related infrastructure, which is essential for larger turnkey railway, tramway and metro projects and enables execution of a wide range of civil construction projects including harbours and roads. The Group also provides environmental services including demolition, recycling, transport and handling of masses from construction sites and specialist water and wastewater work.

With a leading offering across the railway value chain and a portfolio of complementary services, NRC Group is uniquely positioned to leverage its capabilities across borders and market segments. This will create new project opportunities and the ability to take on larger turnkey projects from a wider customer group as a Nordic leader in sustainable infrastructure.

NRC Group addresses large and growing markets supported by strong macro trends such as population growth, urbanisation and increasing demand for efficient transport and sustainable infrastructure solutions. NRC Group expects to capitalise on increasing rail, light rail (tram) and metro line investments in Norway, Sweden and Finland to deliver long-term revenue growth. The Group will also selectively target complementary growing infrastructure markets through its specialist civil engineering capabilities and environmental services.

NRC Group reported record revenues for 2019 on the back of both acquired and organic growth in Finland and Norway, offset by a decrease in activity in Sweden. The order backlog was at an all-time high

at year-end, supported by large contracts awarded in Finland and Norway.

While Group revenue and order intake increased in 2019, earnings were unsatisfactory mainly due to year-end project margin adjustments on Rail- and Civil construction projects in Sweden and in Rail construction in Norway. Civil construction and Environment in Norway, Rail maintenance in Sweden and both Rail construction and Rail maintenance in Finland delivered satisfactory revenue development and profitability. Several measures have been initiated and implemented in the non-performing units to restore profitability, including strengthening the processes and competence in tender selection, risk assessment and execution. Furthermore, an overhead cost reduction programme for 2020 targeting savings of NOK 55 million has been initiated.

Henning Olsen was appointed new Group CEO from 2 May, succeeding Øivind Horpestad who had led NRC Group since inception. In late 2019, the company completed a strategy update and formulated long-term operational and financial ambitions.

STRATEGY UPDATE

In the fourth quarter, NRC Group completed a strategy update following a period of strong organic and M&A driven growth, including the acquisition of VR Track Oy in January 2019. After achieving the ambition of being the leading Nordic player within rail infrastructure, the focus has been turned to harvest the benefit of this.

The main priorities are to restore profitability through operational improvements, capitalize on the leading Nordic position and strong markets through profitable organic growth, and utilising Nordic capabilities to expand into complementary services.

NRC Group has established clear strategic priorities to restore profitability and drive growth with a 2024 ambition of NOK 10 billion of revenue and 7% EBITA margin. Following years of growth and satisfactory margins, profitability declined in 2018 and 2019. NRC Group has initiated a series of measures to restore margins. These measures are focused on professionalising the organisation by changing management in units with weak results and strengthening the processes and competence in tendering, risk assessment and project execution



across the Group. The implementation of the improvement processes started in the second half of 2019. In 2020, the main priority is to complete the execution of the improvement programmes which will be the platform to increase profitability and continued profitable growth from 2021 onwards.

The NOK 10 billion revenue ambition reflects an extensive group-wide process where most of the growth is expected to be organic, supported by bolt-on M&As in existing segments and services. NRC Group will target additional opportunities for growth and expansion in complementary services such as expanding into environmental services in Finland and in longer term in Sweden. The Norwegian railway maintenance market is scheduled for privatisation and represents a growth opportunity where NRC Group can leverage extensive maintenance experience from Finland and Sweden.

To reach these ambitions, access to competent management capacity is the most important factor for restoring profitability. NRC Group's ambition is to be the most attractive employer of tomorrow's infrastructure.

The 7% EBITA margin target implies a return to 2016-17 average margin. The main uplift will come from internal improvements. These include a NOK 55 million overhead cost reduction programme in 2020, and operational improvements in each region combined with synergies across segments and countries. For the full year 2020, NRC Group targets an EBITA margin exceeding 2.8%. For 2021, the Group targets an EBITA margin up towards 5%, before gradually realising additional improvements towards the ambition level of 7% for 2024.

ORGANISATION

The Group management team at the end of 2019 consisted of Henning Olsen as chief executive officer (CEO), Dag Fladby as chief financial officer (CFO), Hans Olav Storkås as the managing director in NRC Norway, Harri Lukkarinen as managing director for NRC Finland and Robert Röder as managing director of Sweden. In addition, the Group management consists of Mirka Nevala as EVP for strategy and corporate development and Alfred Beck as Legal counsel.

Following the completion of the transaction of VR Track Oy, VR Group holds approximately 18.3% of the shares issued in NRC Group. VR Group is owned by the Finnish State. In January 2019, Rolf Jansson joined the Board of Directors as a new member to represent VR Group, whereas Eva Nygren became a new independent member of the Board. The AGM on 8 May 2019 re-elected the Board of Directors of NRC Group.

ACQUISITIONS, DIVESTMENTS AND INTEGRATION

The acquisition of NRC Group Finland was completed in January 2019 at a purchase price 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 settlement 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.

On 1 November 2019, NRC Group divested the Design business, which was acquired as part of NRC Group Finland, for an enterprise value of EUR 42.5 million on a cash and debt free basis with normalised working capital. The divestment was a strategic step towards focusing on NRC Group's core business. The net proceeds from the sale was used to repay part of the bank debt.

On 29 August, NRC Group successfully issued a NOK 600 million 5-year senior unsecured bond to increase the Group's financial flexibility. Net proceeds were used to refinance existing short-term bank debt. The transaction was substantially oversubscribed. The bond was listed on Oslo Børs in early December. During the year, NRC Group acquired 200,000 treasury shares, whereof 187,875 treasury shares were transferred to employees participating in the 2019 share programme for employees.

NRC Group has been 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. Successful integration of NRC Group Finland, introduction of the improvement programmes and the strategy process were key focus areas for 2019. Going forward, the main priorities are to execute the improvement programme to restore profitability, strengthen the Group execution platform and to realise long-term revenue ambitions through organic growth and selected bolt-on acquisitions in Norway, Sweden and Finland.

OPERATIONS

The Group had an order intake of NOK 7,913 million in 2019, up from NOK 3,977 million in 2018. The organic growth was +2.0%. Backlog at the end of the year amounted to NOK 7,151 million compared to NOK 2,748 million at the end of 2018. The table below shows examples of two major project wins in 2019:

Finland: Jokeri Light Rail	Norway: Nykirke-Barkåker
The largest-ever alliance contract awarded in Finland for the construction of a light rail line between the cities of Helsinki and Espoo. The contract value for NRC Group is approximately EUR 180 million and is the largest contract awarded to the Group to date. Track construction started in June 2019 and the project is scheduled for completion in December 2024.	A NOK 793 million contract for building 13.6 kilometres of double track between Nykirke and Barkåker as part of the modernization of the Vestfold line. The contract covers rail services such as track, electro and groundwork. Design commenced late 2019 with construction scheduled to start in 2022 and completion in 2024. It is to date NRC Group's largest contract in Norway and the biggest ever rail contract in Norway awarded by Bane NOR.

NRC Group had 2,070 employees as of 31 December 2019, an increase from 879 employees at the end of 2018 due to the acquisition of NRC Group Finland. 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 3.5% in 2019 compared to 2.5% in 2018. A total of 2 serious injuries were reported for the year, compared to 4 such injuries in 2018. The Group immediately registers, deals with and follows up on all unwanted incidents.

NRC Group managed a wide variety of projects throughout 2019 and recorded a revenue growth of 95% compared to previous year. The growth was mainly due to the acquisition of NRC Finland, but also the full-year effect of the environmental businesses acquired in Norway in the second half of 2018 and organic growth in Finland and Norway, partly offset by a decrease in revenue in NRC 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 2019 and the financial position at year end.

PROFIT AND LOSS

Group revenue was NOK 6,193 million in 2019, compared to NOK 3,176 million in 2018. The increase was mainly related to the acquisition of VR Track in the beginning of 2019 in addition to the full-year revenue effect of NSS Holding and Gunnar Knutsen acquired in the third quarter of 2018. Total organic growth was +2%.

EBITA* (*before other income and expenses) was NOK 55 million for 2019, corresponding to a margin of 0.9%, compared to NOK 57 million and a margin of 1.8% in 2018. The total project margin was significantly impacted by negative development in Rail construction in Norway and Rail and Civil construction in Sweden during 2019, culminating with NOK -110 million of project adjustments recorded in the fourth quarter.

The Group operating loss (EBIT) for 2019 amounted to NOK -105 million compared to an operating profit of NOK 1 million in the previous year. 2018 was negatively impacted by the reorganisation of the Swedish operations. 2019 was impacted by the negative development in certain divisions as described above. In addition, EBIT included M&A expenses (other income and expenses) of NOK 91 million and amortisations on intangible assets of NOK 70 million in 2019, compared to NOK 28 million and NOK 28 million respectively for 2018. A major part of the M&A expenses is related to the acquisition of VR Track and include payment of stamp duty amounting to NOK 34 million. In addition, a subsequent adjustment of the contingent considerations in the business combination of NSS have been recognised in the profit and loss account. The agreement to acquire NSS, which was completed in the third quarter of 2018, included a contingent consideration related to the actual EBIT for the acquired business for 2018 and 2019. As the business has developed very positively, the estimate made for the purchase price allocation has been outperformed, resulting in the difference being expensed in the fourth quarter of 2019 based on updated estimates. The increase in amortisation was mainly related to amortisation of intangible assets capitalised as part of the purchase price allocation of VR Track.

Net financial items amounted to NOK -73 million for 2019, compared to NOK -11 million last year.



The increase was mainly related to debt financing following the acquisition of VR Track including increased volume of financial and operating leases. Reported figures for 2019 also included the financial element of all operating lease agreements upon implementing IFRS 16. Comparable numbers for 2018 are not restated.

Upon the decision to dispose Design, the operating segment was reclassified to discontinued operations in the third quarter of 2019, including year-to-date numbers. On 1 November, NRC Group completed the sale at an enterprise value of EUR 42.5 million on a cash and debt free basis with a normalised working capital. The divestment was a strategic step to focus on NRC Group's core business and net proceeds were used to repay bank debt. Most of the net profit from discontinued operations amounting to NOK 80 million was related to the net gain at closing.

Tax income amounted to NOK 26 million, compared to NOK 10 million in 2018. The tax income relates to the pre-tax loss adjusted for permanent differences. Most of the M&A expenses are not deductible for tax purposes as it is capitalised as part of the cost of shares.

CASH FLOW

Net cash flow from operating activities was NOK 71 million, compared to NOK 206 million in 2018. EBITDA increased by NOK 72 million and discontinued operations generated NOK 109 million in cash. The reduction in operating cash flow was therefore related to an increase in taxes paid of NOK 46 million and increased working capital and other accruals amounting to NOK 270 million. The increase was related to the significant growth in revenues and a different cash cycle for the business acquired in 2019 compared to the rest of the Group. Historically, VR Track had a strong cash flow in the beginning of the year compared to NRC Group having a strong cash flow towards the end of the year.

Net cash flow from investing activities was NOK -931 million for the year (2018: NOK -140 million). Cash payment for acquisitions (VR Track) net of discontinued operations and cash in targets amounted to NOK 1,146 million (2018: NOK 139 million). Capital expenditures amounted to NOK 40 million (2018: NOK 14 million). Cash inflow from sale of fixed assets amounted to NOK 41 million (2018: NOK 8 million), reflecting increased activity following the acquisitions in 2018 and 2019. Net cash



from discontinued operations amounted to NOK 214 million, consisting of the net cash proceeds from the sale less the relative part of the net proceeds of the acquisition. As parts of the acquisition was financed by issuance of shares, the net proceeds exceed the net gain from the sale.

Net cash flow from financing activities was NOK 628 million (2018: NOK -76 million). Proceeds from borrowings amounted to NOK 2,022 million (2018: NOK 145 million) and included the acquisition financing and the issuance of a 5-year senior unsecured bond with maturity on 13 September 2024 of NOK 600 million. Repayment of borrowings amounted to NOK 1,128 million (2018: NOK 81 million). Payment of lease liability amounted to NOK 165 million (2018: NOK 48 million). The increase relates to increased activity and operating lease payments being included in 2019 upon the implementation of IFRS 16. Interest paid amounted to NOK 84 million and includes initial fees and expenses of the new financing (2018: NOK 15 million).

Total net cash flow amounted to NOK -232 million (2018: NOK -10 million). Including effect of currency exchange rate changes, the total cash position was reduced from NOK 396 million at the end of 2018 to NOK 154 million at the end of 2019.

FINANCING AND BALANCE SHEET

Intangible assets increased by NOK 1,524 million to NOK 2,799 million in 2019. Goodwill increased by NOK 1,419 million, mainly due to the acquisition of VR Track net of the sale of Design amounting to NOK 1,371 million and subsequent adjustments to the purchase price accounting of VR Track and Gunnar Knutsen amounting to NOK 60 million. The remaining change is related to currency translation differences. Deferred tax assets increased by NOK 24 million due to capitalised tax benefit related to tax losses expected to be utilised in the following years. Other intangible assets increased by NOK 80 million deriving from the acquisition of VR Track net of amortisations and currency adjustments.

Tangible assets increased by NOK 112 million to NOK 276 million when considering the reclassification of financial leases to right-of-use assets at 1 January 2019 (implementation of IFRS 16) of NOK 253 million. The increase is mainly related to the acquisition of VR Track. Right-of-use assets amount to NOK 522 million, mainly consisting of the implementation effect of IFRS 16 of NOK 329 million and additions related to the acquisition of VR Track of NOK 320 million and subsequently reduced with the impact of disposing Design.

Inventory is related to the operation in Finland and amounts to NOK 136 million at year-end.

Total receivables including contract assets increased by NOK 670 million to NOK 1,511 million, mainly due to the increased activity.

Total equity increased with NOK 591 million to NOK 2,033 million. The increase is mainly related to the issuance of consideration shares amounting to NOK 659 million when acquiring VR Track. The equity ratio at the end of the year was 37%.

Interest-bearing debt consists of bank loans, bond and discounted cash flow related to lease agreements, including operating lease agreements (mainly real estate rents) under IFRS 16. Short- and long-term lease liability have in total increased by NOK 284 million. The increase is related to increased activity and inclusion of operating lease liability upon implementation of IFRS 16. Other interest-bearing liability increased by NOK 889 million, consisting of the new bond and net increase in bank financing from Danske Bank related to the acquisition financing. At 31 December 2019, the remaining liability consisted of the NOK 600 million bond and a EUR 68.3 million bank loan. At year end, the Group had NOK 200 million in unused credit facilities.

SEGMENTS

Total revenue in Norway amounted to NOK 2,281 million (2018: NOK 1,598 million). Organic growth was 16% driven by Civil construction and Environment. EBITA* increased from NOK 96 million in 2018 to NOK 97 million in 2019. The EBITA* margin decreased from 6.0% to 4.3%. Both Civil construction and Environment performed very positive but was offset by the negative development in Rail construction.

Total revenue in Sweden amounted to NOK 1,539 million (2018: NOK 1,591 million). The organic growth was -26%. The reduction reflects a continued slow market in Sweden with fewer-than-expected projects awarded to the market. EBITA amounted to NOK -125 million (2018: NOK -9 million). Strong growth from 2016-2018, combined with unsatisfactory establishment of processes and competence required to support project execution, led to weak control in certain projects. This negatively affected project margins and resulted in a net project adjustment of NOK -80 million recognised in the fourth quarter. Several measures were initiated during the second half of 2019 to restore the profitability in Sweden which will take effect going forward. The negative impact was related to Rail and Civil construction while Rail maintenance performed as expected.

Finland had a revenue of NOK 2,388 million. The organic growth was +13% for the year, mainly driven by the alliance projects, Tampere Light Rail and Jokeri Light Rail. EBITA excluding other income and expenses amounted to NOK 116 million (4.9%).



CORPORATE SOCIAL RESPONSIBILITY

NRC Group is committed to creating safe, low-carbon transport systems for efficient movement of people and goods. It is a provider of safe and meaningful jobs for competent personnel, enabling efficient and profitable project execution. Ethical behaviour and well-developed governance frameworks are in place to enable NRC Group to become a Nordic leader in sustainable infrastructure.

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. Construction and infrastructure development are associated with major climate and environmental responsibility. Expectations from authorities, customers, employees and other stakeholders related to sustainability and the environment are increasing and there is a trend of stricter regulations and a higher weighting of environmental and safety considerations in tendering processes. In 2019, NRC Group continued to develop its framework for ensuring that its operations minimise the impact on the external environment and contributes to sustainable infrastructure development. This work continues in 2020.

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 corporate social responsibility report and corporate social responsibility statement.

CORPORATE GOVERNANCE

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 is based on the financial position of the Group, forecasted results and cash flows for 2020 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, subject to a satisfactory underlying financial performance. Based on the 2019 results, the Board of Directors will not propose a dividend for 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 33 million.

RISK AND UNCERTAINTY FACTORS

NRC Group is exposed to operational, financial and market 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 11 March 2020 available at www.nrcgroup.com for a more detailed description of risk factors.

Operational risks include risk assessment and contingency appraisal in project tendering, project execution, claims and legal proceedings, resource optimisation following fluctuations in seasonal demand in the business and ability to implement strategies, as well as macroeconomic conditions such as change in government spending or demand. NRC Group aims to undertake operational risk that the business units can influence and control. NRC Group has developed risk management processes that are well adapted to the business. This includes analysis of project risk from the tendering phase through to completion to ensure appropriate pricing and risk management. NRC Group also seeks to minimise the exposure to risk that cannot be managed. As part of the negative development in certain divisions during 2018 and 2019, several new measures have been initiated, including strengthening the processes and competence in tender selection, risk assessment and execution processes.

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.

Financial risks include financial market risk, credit risk and liquidity risk. Financial market risks most relevant for the Group are currency risk and interest rate risk. A Group risk management policy for hedging is implemented to manage this risk. By having operational units in different functional currencies, NRC Group is exposed to currency translation risks related to subsidiaries in Sweden (SEK) and Finland (EUR). The Group uses currency loans to hedge net investments in foreign currencies. Most transactions in the Group are in local functional currencies. Significant transactions in other than functional currencies are assessed, and hedging instruments are considered to limit the risks associated with foreign exchange.

NRC Group's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. NRC Group considers the risk of potential future bad debt losses from this type of customer to be low. See note 24 of this report for a more detailed review of financial risk.

EVENTS AFTER THE BALANCE SHEET DATE

On 12 February 2020, NRC Group published the interim report for the fourth quarter and preliminary figures for 2019 as well as a capital markets update presentation. Following the earnings release, NRC Group ASA completed a private placement and raised NOK 700 million in gross proceeds. A total of 18,918,919 new shares at NOK 37.00 per share were issued in two separate tranches: 10,675,719 New Shares in tranche 1 ("Tranche 1") and 8,243,200 New Shares in tranche 2 ("Tranche 2"). The prospectus regarding the completion of a private placement was approved and published 11 March 2020.

The net proceeds from the Private Placement provides NRC Group with the financial flexibility to execute on the new strategic plan, including the ability to consider bolt-on M&A opportunities. In addition, it improves the financial flexibility with regards to the existing debt financing agreements as well as working capital needs. The net proceeds from the Private Placement will enhance the financial strength and flexibility of the Company and will also be used for general corporate purposes.

On 13 February, Management held a Capital Markets Update presentation in Oslo covering the financial figures and an in-depth review of NRC Group's

updated strategy and improvement measures. The Capital Markets Update presentation is available on the company web page.

NRC Group has up to 17 March 2020 announced 5 contracts since the end of 2019 with a combined total value of NOK 382 million. The largest was a SEK 149 million contract by The Swedish Transport Administration for catenary work on the railway connections Österås-Bispgården, Ramsjö-Ljusdal and Storvik-Gävle in Sweden appointed 24 January.

The coronavirus outbreak may significantly impact our markets and operations in 2020. To what extent will depend on how the virus will spread and the measures being implemented by the governmental authorities. The Group follows public recommendations closely and update our policies accordingly daily. Our project workers are spread on a large number of projects in different locations, which reduces the risk. However, in a scenario with wide-spread virus, it can significantly impact our operations. A significant part of our revenues come from public customers with a low credit risk. Private sector clients will be closely followed up to minimize any change in credit risk related to corona. The strong orderbook limits the short-term impact on revenues. The project execution and revenue will however depend on our project people including sub-contractors being available considering any effect of the spread and the restrictions and measures implemented by the authorities. It is likely that the situation will lead to delays in projects and incur additional expenses. Financial impact will depend on the contractual terms. In a longer timeframe, we see limited impact on infrastructure investments.

The Group had an equity ratio at year-end at 37% and a cash position of NOK 154 million before the NOK 700 million capital increase. The capital situation of the Group is therefore strong up front of any impact. As a result of the coronavirus the NOK currency in March 2020 has significantly weakened against SEK and EUR. If this situation remain, consolidated revenues, expenses and net assets from Sweden and Finland will increase. Markets rates for NIBOR, STIBOR and EURIBOR will also be impacted.

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. Current national transport plans approved in Norway and Sweden and long-term plans in Finland, as well as ongoing activity levels, reflect public ambitions and indicates on average 9% annual growth in NRC Group's markets 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.

For 2020, NRC Group will prioritise implementation of the updated strategy, focusing on improvement measures to restore the Group profitability. The market outlook is positive. Focus will be to build a solid platform in 2020 to be positioned for further growth from 2021 and onwards. NRC Group expects revenue for the full year 2020 to be in line with 2019. For 2020, the Group targets an EBITA margin exceeding 2.8%. For 2021, the Group targets an EBITA margin up towards 5%, before gradually realising additional improvements towards the ambition level of 7% for 2024.

Lysaker, 17 March 2020

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Kjersti Kanne
Board member

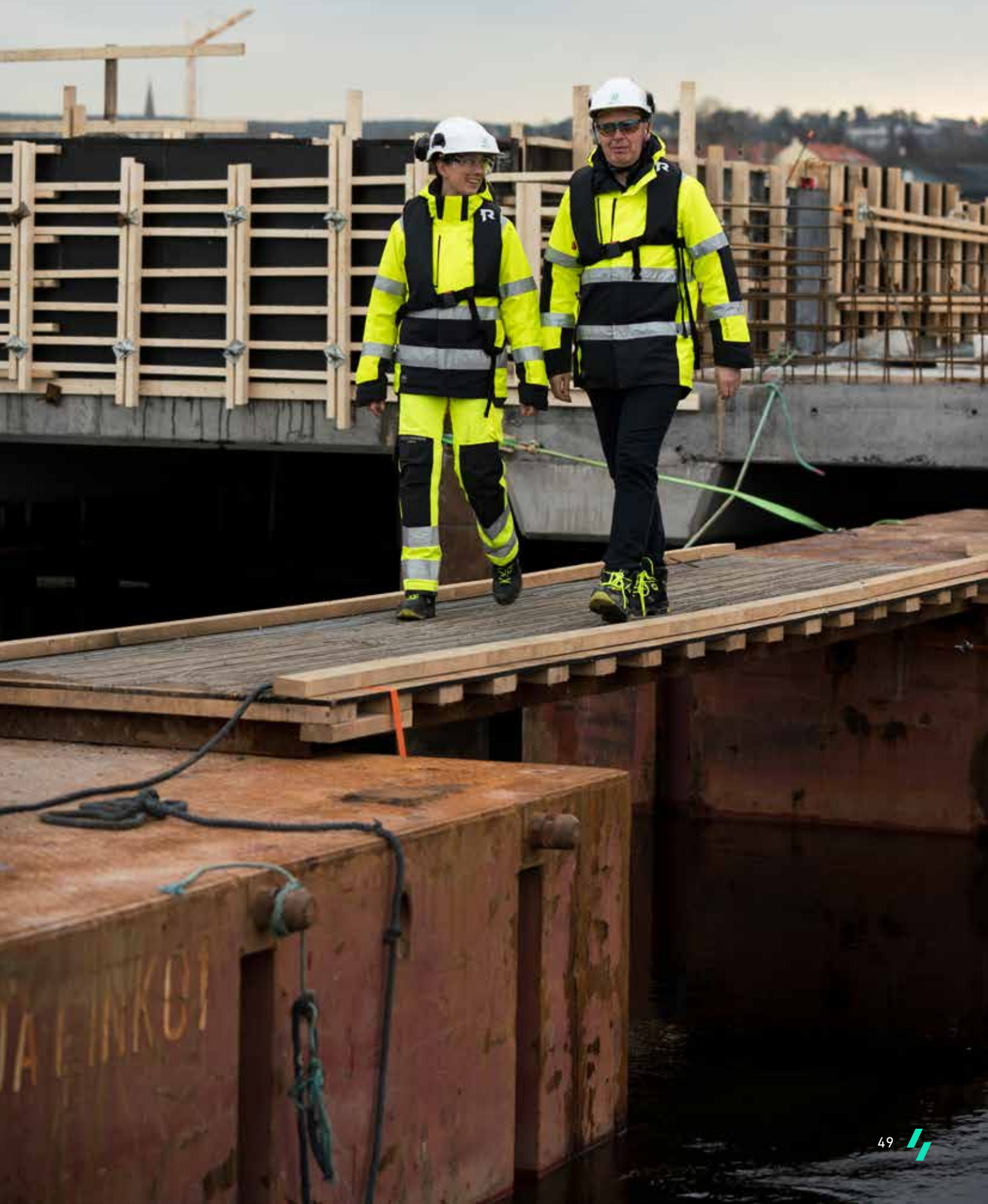
Harald Arnet
Board member

Mats Williamson
Board member

Rolf Jansson
Board member

Eva Nygren
Board member

Henning Olsen
CEO

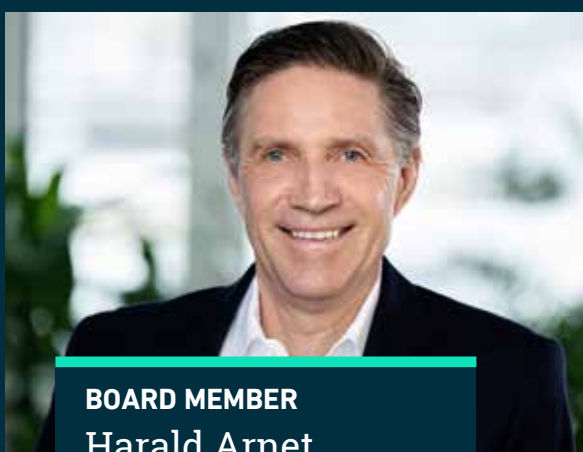


Board of Directors



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 served on the Boards of Statoil (Equinor) ASA, Aker Kværner ASA, Rieber & Søn ASA (CoB) and HENT AS (CoB), and is currently Chairman of Aibel, Sonans, Rieber and Søn AS and Skaugen AS. At year-end, Midttun held 110,000 shares in NRC Group. He has held the position as Chairman of the Board of Directors in NRC Group since December 2015.



BOARD MEMBER
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, at year-end, held 1,300,000 shares in NRC Group. At year-end, Arnet held 100,000 shares in NRC Group. Member of the Board of NRC Group since August 2015.



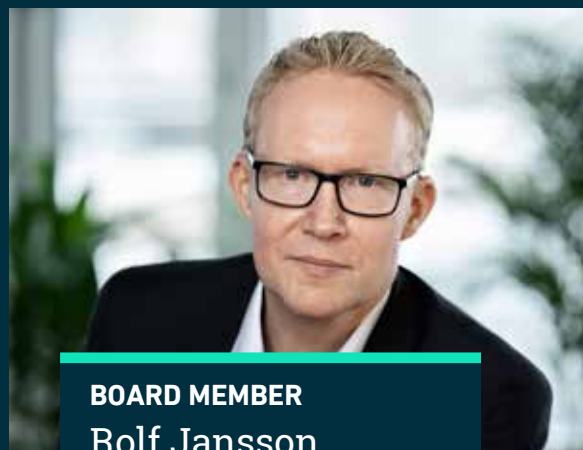
BOARD MEMBER
Kjersti Kanne

Kjersti Kanne has 25 years of operational experience and technical expertise from the oil & gas industry. She currently holds the position as CEO of ELOP 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. At year-end, Kanne held 1,500 shares in NRC Group. Member of the Board of NRC Group since September 2015.



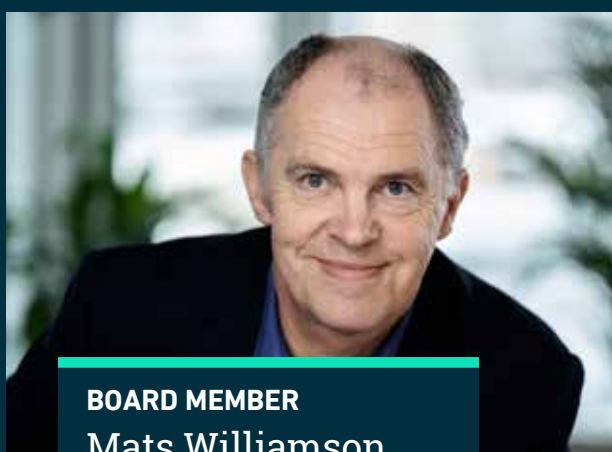
BOARD MEMBER
Brita Eilertsen

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 «siviløkonom» degree from the Norwegian School of Economics (NHH) (a four-year programme in economics and business administration consisting of three years at bachelor/undergraduate level and one year at master/graduate level) and is a Certified Financial Analyst. At year-end, Eilertsen held no shares in NRC Group. Member of the Board of NRC Group since May 2015.



BOARD MEMBER
Rolf Jansson

Rolf Jansson is currently President and CEO of VR Group, Finnish Railways. Prior to that, 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. At year-end, Jansson held no shares in NRC Group. Member of the Board of NRC Group since January 2019.



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. At year-end, Williamson held no shares in NRC Group. Member of the Board of NRC Group since July 2018.



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. At year-end, Nygren held 1,000 shares in NRC Group. Member of the Board of NRC Group since January 2019.

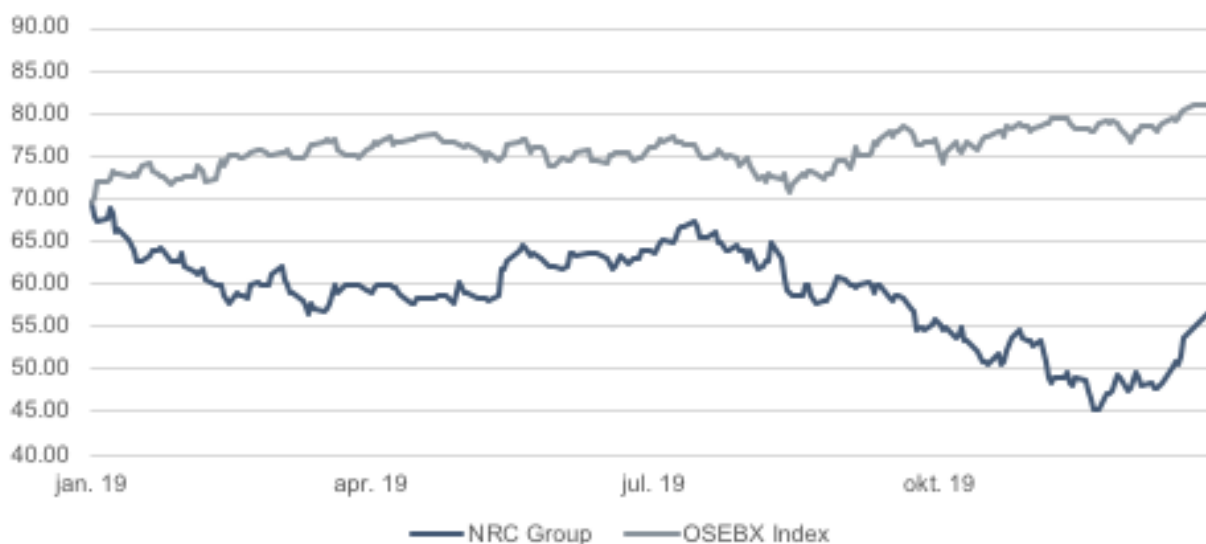


Shareholder information

SHARE PRICE DEVELOPMENT

NRC Group ASA has one class of shares. There were 54,035,630 shares issued at the end of 2019, each with a nominal value of NOK 1.00, compared to 44,026,270 shares issued at the end of 2018. The increase in share-count mainly reflects consideration shares issued as part-payment for the acquisition of VR Track Oy.

In 2019, the Group's shares traded between NOK 44.55 and NOK 71.00 per share. In total 34.3 million shares were traded in 2019.



MAJOR SHAREHOLDERS AND VOTING RIGHTS

NRC Group had 2,618 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2019, whereof the 20 largest shareholders owned 70.4%. The percentage of issued shares held by foreign shareholders was 69.0%, compared with 43.6% at year-end 2018. All the shares registered by name carry equal voting rights. The shares are freely negotiable.

NRC Group's 20 largest shareholders as at 31 December 2019:

Name	Country	Holding	Stake
VR-YHTYMÄ OY	FIN	9,877,953	18.3%
NORDEA NORDIC SM CAP FD	UK	5,061,930	9.4%
CARNEGIE INVESTMENT BANK AB	SWE	4,161,952	7.7%
ARCTIC FUNDS PLC	BEL	2,691,989	5.0%
ARCTIC FUNDS PLC	BEL	1,850,276	3.4%
DATUM AS	NOR	1,300,000	2.4%
GUNNAR KNUITSEN HOLDING AS	NOR	1,252,677	2.3%
NORDNET BANK AB	SWE	1,207,272	2.2%
LGA HOLDING AS	NOR	1,200,102	2.2%
HSBC TRINKAUS & BURKHARDT AG	GER	1,192,917	2.2%
HANDELSBANKEN NORDISKA SMABOLAG	UK	1,188,271	2.2%
HANDELSBANKEN NORDEN	UK	1,086,141	2.0%
VERDIPAPIRFONDET EIKA SPAR	NOR	980,000	1.8%
HAUGO RIVING AS	NOR	850,745	1.6%
VERDIPAPIRFONDET EIKA NORGE	NOR	785,000	1.5%
GIMLE INVEST AS	NOR	750,357	1.4%
REGENTS OF THE UNIVERSITY OF MICHIGAN	USA	687,756	1.3%
FONDITA NORDIC MICRO CAP INV FD	SWE	655,000	1.2%
AVANZA BANK AB	SWE	634,418	1.2%
THE NORTHERN TRUST COMP, LONDON BR	UK	629,740	1.2%
Total number owned by top 20		38,044,496	70.4%
Total number of shares		54,035,630	100%

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

CORPORATE ACTIONS

Corporate action	Date
Issuance of consideration shares, settlement of VR Track Oy acquisition	08.01.19
Initiation of share buyback programme for up to NOK 10 million, related to employee share programme from 2018	20.02.19
Henning Olsen appointed new CEO of NRC Group	20.03.19
Initiation of a new share buyback program for up to NOK 5 million, related to the company's employee share programme	21.03.19
Transfer of treasury shares related to the company's 2019 employee share programme	10.04.19
New share capital registered related to the exercise of options granted under the employee share programme from 2016	06.05.19
Annual General Meeting	08.05.19
Divestment of the company's Finnish and Swedish design business	12.08.19
Issuance of NOK 600 million senior unsecured bonds	29.08.19
Registration of new share capital related to the share option programme for senior management	23.09.19
Listing of NOK 600 million senior unsecured bond	05.12.19



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 company expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy comparable with peer groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks. The Board of Directors at NRC Group has introduced a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. Based on the 2019 results, the Board of Directors will not propose a dividend for 2019.

ANALYST COVERAGE

Seven analysts representing Norwegian and Nordic investment banks had active coverage of NRC Group ASA in 2019, unchanged from 2018. For contact details, please see the company website www.nrcgroup.com.

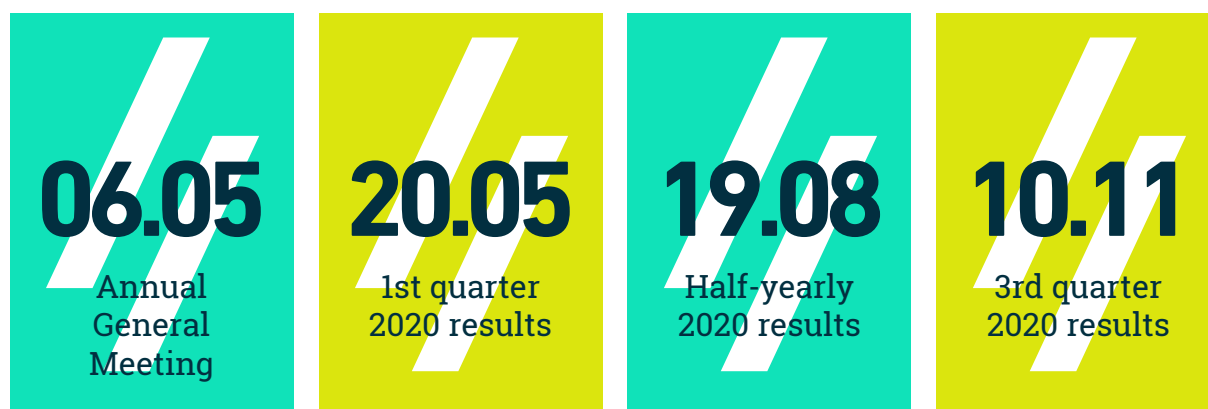
GENERAL MEETINGS AND BOARD AUTHORISATIONS

The 2019 AGM granted the Board of Directors the following authorisations:

- 1) Authorisation to increase the share capital by up to NOK 1,000,000 in connection with option programme for senior management
- 2) Authorisation to increase the share capital by up to NOK 600,000 in connection with option programme for key employees
- 3) Authorisation to acquire treasury shares in NRC Group ASA for up to a maximum nominal value of NOK 5,390,422
- 4) Authorisation to increase the share capital by a maximum of NOK 10,780,844. The capital increase may be paid in cash, by set-off or by contributions in assets other than money.

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

FINANCIAL CALENDAR 2020



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 2019

All amounts in NOK million

	Note	2019	2018
Operating revenue	4	6,193	3,176
Cost of materials and subcontractors	4	3,768	2,041
Salaries and personnel costs	5/6	1,526	661
Depreciation, amortisation and impairment	12/13/14	281	103
Other operating and administrative expenses	8	633	342
Operating profit before other income and expenses		-15	29
Other income and expenses	8	-91	-28
Operating profit		-105	1
Finance income		6	6
Finance expense		-78	-17
Net financial items	9	-73	-11
Profit before tax		-178	-10
Tax expense / income (-)	10	-26	-10
Profit from continuing operations		-152	0
Net profit from discontinued operations	25	80	0
Net profit for the year		-72	0
Profit/loss attributable to:			
Shareholders of the parent		-73	0
Non-controlling interests		1	0
Net profit / loss		-72	0
EARNINGS PER SHARE			
Earnings per share in NOK (ordinary):			
From continuing operations	11	-2.83	0.01
From discontinued operations	11	1.48	0.00
Earnings per share in NOK (diluted):			
From continuing operations	11	-2.83	0.01
From discontinued operations	11	1.47	0.00

Consolidated statement of comprehensive income / NRC Group

1 January - 31 December 2019

All amounts in NOK million

	Note	2019	2018
Net profit/loss for the year		-72	0
<i>Items that may be reclassified to profit or loss (net of tax):</i>			
Translation differences		14	-20
Net gain on hedging instruments	24	-17	18
<i>Items that will not be reclassified to profit or loss (net of tax):</i>			
Net actuarial gain/loss on pension expense	18	4	
Other comprehensive income		0	-2
Total comprehensive income for the year		-72	-2
Total comprehensive income attributable to:			
Shareholders of the parent		-73	-2
Non-controlling interests		1	0

Consolidated statement of financial position / NRC Group

31 December 2019

All amounts in NOK million

ASSETS	Note	2019	2018
Deferred tax asset	10	69	45
Goodwill	2/12	2,611	1,192
Customer contracts and other intangible assets	2/12	119	39
Total intangible assets		2,799	1,275
Tangible assets	13	276	418
Right-of-use assets	14	522	0
Other non-current assets	23	24	11
Total non-current assets		3,621	1,703
Total inventories	26	136	0
Trade receivables	15	1,051	557
Contract assets	1/4/15	306	186
Other current receivables	15	154	76
Other current financial assets	23/24	1	23
Total receivables		1,511	841
Cash and cash equivalents	16	154	396
Total current assets		1,802	1,237
TOTAL ASSETS		5,423	2,940

Consolidated statement of financial position / NRC Group

All amounts in NOK million

EQUITY AND LIABILITIES	Note	2019	2018
Paid-in capital:			
Share capital	17	54	44
Treasury shares		-0	-0
Other paid-in capital		1,662	1,009
Other equity:			
Translation reserves		8	-6
Hedge reserve	24	1	18
Retained earnings		305	375
Total equity attributable to owners of the parent		2,030	1,440
Non-controlling interests		3	2
Total equity		2,033	1,442
Pension obligations	18	11	0
Interest-bearing non-current liabilities	19	1,500	440
Deferred tax	10	23	20
Other non-current liabilities		0	25
Total non-current liabilities		1,534	486
Interest-bearing current liabilities	19	287	175
Total interest-bearing current liabilities		287	175
Trade payables		358	317
Contract liabilities	1/4	285	163
Public fees payable		182	74
Tax payable	10	1	12
Other current liabilities	20	744	273
Total other current liabilities		1,569	838
Total current liabilities		1,856	1,012
Total liabilities		3,391	1,498
TOTAL EQUITY AND LIABILITIES		5,423	2,940

Lysaker, 17 March 2020

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

Henning Olsen
CEO



Consolidated statement of changes in equity / NRC Group

Indirect model (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 2018	42	0	927		14	374	1,357		1,357
Profit/loss for the period						0	0	0	0
Other comprehensive income				18	-20		-2		-2
IFRS 15 implementation effect						1	1		1
Increase share capital	2		125				127		127
Costs related to capital increase			-1				-1		-1
Dividend paid			-73				-73		-73
Share-based payments			1			0	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	1	82	2	85
Equity at 31 December 2018	44	0	1,009	18	-6	375	1,440	2	1,442
Equity at 1 January 2019	44	0	1,009	18	-6	375	1,440	2	1,442
Profit/loss for the period						-73	-73	1	-72
Other comprehensive income				-17	14	4	0		0
Increase share capital	10		656				666		666
Costs related to capital increase			-3				-3		-3
Dividend paid							0	-1	-1
Employee share program			11				11		11
Share-based payments			1				1		1
Acquisition of treasury shares		0	-12				-12		-12
Total changes in equity	10	0	653	-17	14	-70	590	0	591
Equity at 31 December 2019	54	0	1,662	1	8	305	2,030	3	2,033

Consolidated statement of cash flow / NRC Group

Indirect model (Amounts in NOK million)

	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the year		-72	0
Net profit from discontinued operations	25	-80	0
Tax expense	10	-26	-10
Depreciation, amortisation and impairment	12/13/14	281	103
Income taxes paid	10	-58	-12
Net financial items	9	73	11
Change in trade receivables		-56	91
Change in trade payables		-56	-29
Change in other accruals and unrealised foreign exchange		-43	53
Net cash flow from operating activities – continuing operations		-38	206
Net cash flow from operating activities – discontinued operations	25	109	0
Net cash flow from operating activities		71	206
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	-40	-14
Payments for acquisition of subsidiaries, net of cash acquired	2	-1,146	-139
Proceeds from sale of shares, other investments and equipment		41	8
Net cash flow from investing activities – continuing operations		-1,145	-145
Net cash flow from investing activities – discontinued operations	25	214	5
Net cash flow from investing activities		-931	-140
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	17	4	0
Proceeds from borrowings	19	2,022	145
Repayment of borrowings	19	-1,128	-81
Payments of lease liabilities	19	-165	-48
Interest paid	9	-84	-15
Net proceeds from acquisition/sale of treasury shares		-5	-3
Dividend paid		-1	-73
Net cash flow from financing activities – continuing operations		642	-76
Net cash flow from financing activities – discontinued operations	25	-14	0
Net cash flow from financing activities		628	-76
Net change in cash and cash equivalents		-232	-10
Cash and cash equivalents as at 1 January		396	408
Effects of exchange rate changes on cash and cash equivalents		-9	-3
Cash and cash equivalents as at 31 December	16	154	396
<i>Hereof presented as:</i>			
Free cash		153	377
Restricted cash		1	19
Cash and cash equivalents – continuing operations	16	154	396
Cash and cash equivalents – discontinued operations	16	0	0





Notes to the Group accounts

Table of contents

1.1	Corporate information
1.2	Significant accounting principles
1.2.1	Basis for preparation
1.2.2	Basis for consolidation
1.2.3	Summary of significant accounting policies
1.2.4	Changes in accounting policies
1.3	Material accounting judgements, estimates and assumptions
2	Business combinations
3	Segment reporting
4	Revenues and projects in progress
5	Salaries and personnel costs
6	Executive personnel
7	Share-based payments
8	Other operating and administrative expenses
9	Financial income and expenses
10	Taxes
11	Earnings and diluted earnings per share
12	Intangible assets
13	Property, plant and equipment
14	Right-of-use assets
15	Trade receivables and other receivables
16	Cash and cash equivalents
17	Share capital and shareholder information
18	Pensions
19	Loans and other non-current liabilities
20	Other current liabilities
21	Provisions
22	Pledged assets, guarantees and security
23	Fair value of assets and liabilities, and financial assets per category
24	Financial risk
25	Discontinued operations
26	Inventories
27	Disputes and claims related to projects
28	Subsidiaries, associates and joint ventures
29	Related party transactions
30	Subsequent events



Note 1

Corporate information, basis of preparation and significant judgements, estimates and assumptions

1.1 CORPORATE INFORMATION

NRC Group ASA (the Company) including its subsidiaries (the Group) is the largest specialised rail infrastructure company in the Nordic region. The Group is a supplier of all rail, harbour and road related infrastructure services, including groundwork, specialised track work, safety, electro, telecom, signalling systems, maintenance and environmental services.

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 Board of Directors on 17 March 2020.

1.2 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 the periods presented, unless otherwise stated.

1.2.1 BASIS OF PREPARATION

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.

1.2.2 BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2019. 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.

1.2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 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. Additional disclosures are provided in note 4.

Revenue recognised over time

For a major part of the contract with customers, the criteria for recognising revenue over time have been met as the project either creates an asset that the customer controls as the asset is created or the asset created do not have an alternative use and the Group has an enforceable right to payment for performance completed to date.

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 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 resources consumed, and consequently the input method best reflects the revenue recognition of the transfer of goods and services. Most contracts of the Group consist of one performance obligation.

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 based on the agreement are invoiced and 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 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 costs to fulfil the contract and incremental costs of obtaining a contract. These are costs 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. Costs of wasted materials, labour or other resources to fulfil the contract that were not reflected in the price of the contract, are expensed as they occur.

When it is probable that total unavoidable contract costs of meeting the obligations will exceed total contract revenue, the expected loss is recognised as an expense immediately according to IAS 37.

Payment terms are contractually agreed, and invoicing follows the progress of the projects either by a fixed estimated progress or based on actual progress as defined in the contract. For certain contracts a portion of up to 10% is withheld until final approval of the delivery. Upon invoicing, the payment terms would normally be within 15 – 45 days.

Other revenues

The Group has a limited amount of other sales transactions such as sale of materials or sale of equipment and machines closely related to the main operations of the group. Revenues from these transactions are recognised at the point of time when control of the asset is transferred to the customer. This can be on the delivery from stock, from a construction site or at the customer's location. The normal credit term is 15 to 45 days upon delivery.

Warranties

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.

Discontinued operations

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the disposal group is available for immediate sale in its present condition.



Note 1, continued

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- ▮ Represents a separate major line of business or geographical area of operations
- ▮ Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations.

The agreement to sell the operating segment Design, met these criteria's as it was considered as an operating segment (see segment reporting below), and has been classified as discontinued operations. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss. In the consolidated statement of cash flow, cash flows from discontinued operations are disclosed on separated lines.

Design had a limited amount of intragroup sales. These transactions have been eliminated such as the discontinued operations discloses profit that Design has generated through external transactions only.

Additional disclosures are provided in note 25. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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.

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, except for excluding *Other income and expenses* (M&A expenses). These income and expenses can vary significantly from period to period and are excluded to improve the analysis of the underlying operations across periods and operating segments. 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 pricing between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Following the acquisition of NRC Group Finland, the new segments Finland and Design were added to the existing operating segments Norway and Sweden. While the segments Norway, Sweden and Finland are based on the geographical location of the subsidiaries, the segment Design was established to include the specific engineering and consulting services which is distinctly separated from the business in the other segments. In August, an agreement to divest Design was signed and based on this reported as discontinued operations. For further information, see note 3.

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, in discontinued operations or directly in equity, that also include the tax effect of those relevant transactions.

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 tax liabilities 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 based on forecasts and projections within a five-year period.

Deferred taxes are reported net if the Group has a legal right to offset deferred tax assets against deferred taxes in 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 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 other 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. Goodwill is subject to annual impairment testing. Refer to section regarding *Impairment of non-financial assets*.

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 basis based on the timing of projected cash flows over their estimated useful lives, which is between 1 and 4 years, depending on the type of assets. Other intangible assets are subject to impairment testing. Refer to section regarding *Impairment of non-financial 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 property, plant and equipment are subject to impairment testing. Refer to section regarding *Impairment of non-financial assets*.

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 2019, no such expenses were capitalised.

Leases

The Group leases various offices, warehouses, machinery, equipment and cars. Contracts are typically made for fixed periods of 3 to 10 years but may have extension and termination options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.



Note 1, continued

Until the 2018 financial year, leases of property, plant and equipment were considered as either finance or operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period based on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

- 】 Lease contracts with a duration of equal to or less than 12 months
- 】 Lease contracts for which the underlying asset has a value when new below NOK 100,000

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

Right-of-use assets

Right-of-use assets are recognised at cost less accumulated depreciation and impairment loss. Initial recognition of right-of-use assets are measured at cost comprising the following:

- 】 the amount of the initial measurement of lease liability
- 】 any lease payments made at or before the commencement date less any lease incentives received
- 】 any initial direct costs, and
- 】 restoration costs

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- 】 Plant and machinery 3 to 10 years
- 】 Motor vehicles and other equipment 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are subject to impairment testing. Refer to section regarding Impairment of non-financial assets.

Additional disclosures are provided in note 14.

Lease liabilities

Lease liabilities include the net present value of the following lease payments:

- 】 fixed payments (including in-substance fixed payments), less any lease incentives receivable

- 】 variable lease payment that are based on an index or a rate
- 】 amounts expected to be payable by the lessee under residual value guarantees
- 】 the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- 】 payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. 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 weighted average incremental borrowing rate is 3.17%.

Impairment of non-financial assets

Goodwill

Goodwill is recognised separately as an intangible asset and is tested for impairment annually and whenever there is indication that the goodwill may be impaired. The annual testing is performed towards the end of the financial year. For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating-units (CGU) expected to benefit from synergies arising from the business combination. An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use. The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU. An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

Other non-financial assets

Intangible assets, property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired. For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

Financial instruments

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, at fair value through other comprehensive income (OCI) or fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

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, trade and other receivables that do not have a significant financing component are measured 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, contract assets, any loans included under other non-current financial assets and cash and cash equivalents.

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses. The Group recognises a loss provision at each reporting date for the total expected credit loss based on individual assessments of specific trade receivables and contract assets.

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, lease liability 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 and interest rate swaps, to hedge its foreign currency risks and interest risk. 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.

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.

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



Note 1, continued

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.

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. Cash flows from discontinued operations are disclosed net on separate lines for operating, financial and investing activities.

Inventory

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses. Additional disclosures are provided in note 26.

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 has a supplementary defined benefit post-employment plan in Finland, administrated by an external insurance company. Remeasurements of actuarial gains and losses on the net defined benefit liability and the return on plan assets, are recognised immediately in the statement of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- ▶ The date of the plan amendment or curtailment, and
- ▶ The date that the Group recognises related restructuring costs

Net interest is calculated by applying the discount rate to the net defined benefit liability or asset and included in the net pension expense.

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 2019 are fixed at 2.5% of salary up to approximately NOK 0.7 million.

Additional disclosures are provided in note 18.

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.

Additional disclosures are provided in note 21.

1.2.4 CHANGES IN ACCOUNTING POLICIES

Leases

The Group has adopted IFRS 16 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 recognised the right-of-use asset at the amount equal to the lease liabilities (as per IFRS 16.C8 (b)ii), there was no impact on retained earnings.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.04% for Norway and 2.94% for Sweden.

For leases previously classified as finance leases the entity recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application. The measurement principles of IFRS 16 are only applied after that date. No measurement adjustments were identified.

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:

Amounts in NOK million

Reconciliation	
Operating lease obligations at 31 December 2018, ref. note 20 in annual report	89
Relief option for short-term assets and low-value assets	-4
Gross operating lease liabilities at 1 January 2019	85
Effect of discounting	-9
Operating lease liabilities at 1 January 2019	76
Liabilities related to leases previously classified as financial leases	241
Lease liabilities at 1 January 2019	317
Of which are:	
Current lease liabilities	108
Non-current lease liabilities	209

Note 1, continued

Including the financial leased assets already presented as part of the consolidated statement of financial position (NOK 253 million) in 2018, the right-of-use assets as of 1 January 2019 consisted of:

Amounts in NOK million

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	262
Total right-of-use assets at 1 January 2019	253	76	329

The adjustment is related to operating lease agreements.

Cash flow statement

Upon the new acquisition financing in 2019 and the bond issue in September, the financing activities of the Group have increased significantly. Prior to the third quarter reporting, the interest expenses were considered as part of profit before tax, and differences between interest expense and interest paid were included in "Change in working capital and other accruals". To better reflect the underlying activities in the cash flow statement, the interests paid have been reclassified from operating activities and presented under a separate line under financing activities. Interests received are immaterial and therefore interests are presented net. Comparable numbers from prior periods have been restated such as:

Amounts in NOK million

Groups of right-of-use assets	2019	2018
Net financial items	77	11
Change in working capital and other accruals	7	4
Changes in net cash flow from operating activities - cont. oper.	84	15
Changes in net cash flow from operating activities - disc. oper.	7	0
Total changes in net cash flow from operating activities	91	15
Interest paid	-84	-15
Changes in net cash flow from financing activities - cont. oper.	-84	-15
Changes in net cash flow from financing activities - disc. oper.	-7	0
Total changes in net cash flow from financing activities	-91	-15
Net change in cash and cash equivalents	0	0

IFRS standards, amendments and interpretations not yet effective

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

1.3 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 actual 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, the estimate of any variable proceeds, value of any project modifications being recognised and the impact of any disputes or contractual disagreements. As of 31 December 2019, we have recognised a total of NOK 9,936 million (2018: NOK 4,700 million) in accumulated revenue to date on projects in progress at year-end. For further information, see note 4.

Impairment test of goodwill

The Group performs annual tests to assess the impairment of goodwill, or more frequently if there is an indication of impairment. Goodwill had a carrying amount at 2019 year-end of NOK 2,611 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. No impairment loss has been identified as of 31 December 2019.

Purchase price allocation and accounting for contingent consideration in business combinations

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. Estimating the fair value of acquired assets, liabilities and contingent liabilities require determination of all facts and information available and how this will impact on the calculations. These calculations require the use of assumptions and estimates related to future cash flows and discount rate.

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.

Recognition of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that deferred tax liability or 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. The Group has total tax losses carried forward in Norway of NOK 546 million, in Sweden of NOK 651 million and in Finland of NOK 35 million (2018: a total of NOK 525 million) corresponding to a gross deferred tax assets of NOK 120 million in Norway, NOK 139 million in Sweden and NOK 7 million in Finland (2018: a total of NOK 115 million) that can be used to reduce future tax payments. As of 31 December 2019, deferred tax assets of NOK 93 million in Sweden and NOK 7 million in Finland have not been recognised. Considering the unrecognised assets as well as deferred tax and deferred tax assets on timing differences, a net deferred tax assets of NOK 69 million have been recognised as it is assumed probable that they can be utilised against future taxable profit based on forecasts and projections for a five-year period. Further details on taxes are disclosed in the accounting policies for Tax and 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.



Note 2

Business combinations in 2019

On 7 January 2019, NRC Group completed the transaction to acquire 100% of VR Track Oy at an estimated net settlement of NOK 2,027 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 was 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 allocation is final.

The acquisition of VR Track Oy was financed by cash and issuance of 9,877,953 consideration shares in NRC Group based on a fixed price of NOK 75.31 per share. The fair value of the consideration shares on the transaction day amounted to NOK 659 million. The estimated cash settlement amounted to NOK 1,458 million. The cash amount was mainly financed with a EUR 89 million and a NOK 550 million (exchanged to a fixed exchange rate forward contract at 9.5535) loan in Danske Bank. The acquisition of VR Track Oy resulted in an estimated goodwill of NOK 1,592 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. 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 Swedish operations.

Intangible assets related to the acquisition of VR Track Oy include customer contracts acquired through the business combination of NOK 112 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. Subsequent assessments about facts and circumstances that existed as of the acquisition date have led to net fair value adjustment increasing the right-to-use assets of NOK 37 million and increased leasing liabilities of in total NOK 37 million. Also, an increased provision for corporate income taxes of NOK 3 million has been made with a corresponding increase in goodwill.



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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 million

	VR Track Oy	VR Track Oy
Date of acquisition	07.01.2019	07.01.2019
Share of ownership	100%	100%
	NOK	EUR
Estimated cash settlement	1,458	148.8
Fair value of consideration shares in NRC Group ASA	659	67.2
Cash in target	-90	-9.2
Net settlement	2,027	206.8
Property, plant and equipment	114	11.6
Intangible asset: Customer contracts and relations	112	11.4
Other intangible assets	54	5.5
Right-of-use assets	320	32.7
Other non-current assets	17	1.7
Current assets	906	92.4
Long-term leasing liabilities	-235	-24.0
Non-current liabilities	-32	-3.3
Pension obligations	-14	-1.4
Tax payable and deferred tax	-57	-5.8
Short-term leasing liability	-86	-8.7
Other current liabilities	-663	-67.6
Net identifiable assets and liabilities	435	44.3
Non-controlling interests *	0	0.0
Goodwill (majority share)	1,592	162.4
Consolidated revenue from date of acquisition	2,388	
Consolidated operating profit/loss (EBIT) from date of acquisition	38	
Consolidated transaction costs expensed in 2018 and 2019	54	
Net profit from discontinued operations, ref. note 25	80	

The acquired operations that are continuing are consolidated for the full year. The Design business has been reported as discontinued operations and is not included in the consolidated figures, please refer to note 25 for further information.



Note 2, continued

Business combinations in 2018

Presented below is the final allocation of the purchase price for business combinations in 2018. The purchase prices have been allocated at the fair value of the assets and liabilities of the acquired companies.

Amounts in NOK million

	NSS Holding AS	Gunnar Knutsen AS
Date of acquisition	11.09.2018	28.09.2018
Share of ownership	100% *	100%
Estimated cash settlement	118	163
Fair value of consideration shares in NRC Group ASA	64	92
Cash/debt in target	-11	-17
Net settlement	171	238
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	-14	-10
Interest-bearing debt	-79	-11
Other current liabilities	-58	-47
Net identifiable assets and liabilities	30	65
Non-controlling interests *	-2	0
Goodwill (majority share)	143	173
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.

NSS Holding AS

On 11 September 2018, the Group completed the transaction to acquire NSS Holding AS. At the end of 2018, the estimated net settlement amounted to NOK 144 million. Based on additional information obtained after that date about facts and circumstances that existed at the acquisition date, the estimated fair value of the net settlement was subsequently adjusted to NOK 171 million.

Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The purchase price allocation for NSS was final in third quarter of 2019.

An initial purchase price settlement 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 Group share on the transaction day was NOK 75.47, leaving a fair value of the consideration of NOK 64 million.

The shares are subject to a lock-up period, whereby 1/3 of the shares were 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 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 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 and a provision for contract losses of NOK 13 million, included as other current liabilities.

The final net settlement in the share purchase agreement include a contingent consideration related to the final EBIT in NSS during 2018 and 2019. The net settlement is based on a guaranteed level of consolidated average EBIT for 2018 and 2019. The deviation multiplied by 2.2 will result in a subsequent adjustment to the settlement. During 2019, the operations have developed very positive, increasing the estimated final settlement. As this change in estimate is based on new information about development subsequent to the acquisition, the change has been expensed as Other income and expenses (M&A expenses) in 2019 and will not impact on the purchase price allocation. The final calculations will be concluded and paid in cash during 2020. The total amount expensed in 2019 related to the acquisition was NOK 46 million.

Gunnar Knutsen AS

On 28 September, NRC Group completed the transaction to acquire Gunnar Knutsen AS at an initial 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. The purchase price allocation for Gunnar Knutsen was final in third quarter of 2019. However, based on additional information obtained after that date about facts and circumstances that existed at the acquisition date, an adjustment to the estimated net settlement has subsequently been made. The adjustment increased the estimated net settlement from NOK 208 million to NOK 238 million, with a corresponding increase in goodwill of NOK 30 million. As the change would have no impact on the profit or loss or the equity statements in prior periods, the full adjustment was made in fourth quarter 2019 and hence no prior year adjustments of relevant balance sheet items have been made.

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

The initial settlement 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 Group 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 50% of the shares were subject to a lock-up period of 24 months and the remaining for 36 months.

Allocation of the purchase price was prepared using the acquisition method according to IFRS 3. The acquisition of Gunnar Knutsen AS resulted in an estimated goodwill of NOK 173 million. Goodwill is related to the expected synergies arising from the organisation's competence within project - and site management as well as transportation, 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 9 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 was based on an aggregate EBIT for the second half of 2018 and the full year of 2019 of NOK 45 million. The seller guaranteed an aggregate EBIT at this level and any deviation would result in a subsequent adjustment to the final purchase price, with a maximum adjustment of NOK 30 million. Based on the estimates it was assumed that the maximum variable consideration would be achieved.



Note 3

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, Finland 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 the internal financial reporting to the Group's highest decision-makers. Based on this, the Group has three operating segments, Norway, Finland and Sweden.

The largest customers of the Group are the Finnish Transport and Infrastructure Agency, aggregating 64% of the segment revenues in Finland, Trafikverket, aggregating 68% (2018: 71%) of the segment revenues in Sweden, and Bane Nor, aggregating 25% (2018: 21%) of the segment revenues in Norway for 2019. No other customers aggregate more than 9% of the Group's total revenues.

	Norway operations		Sweden operations		Finland operations		Others and eliminations		Consolidated	
<i>Amounts in NOK million</i>	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
External	2,272	1,587	1,538	1,589	2,383		0	0	6,193	3,176
Inter-segment	9	11	2	2	4		-15	-13	0	0
Total revenue	2,281	1,598	1,539	1,591	2,388		-15	-13	6,193	3,176
EBITDA*	186	136	-77	26	191		-33	-31	267	132
Depreciation	88	40	48	35	75		1	0	212	75
EBITA*	97	96	-125	-9	116		-34	-31	55	57
Amortisation and impairment	28	20	0	8	41		1	0	70	28
EBIT*	70	76	-125	-16	75		-35	-31	-15	29
Other income and expenses	45	7	0	0	37		8	21	91	28
Operating profit	24	69	-125	-16	38		-43	-52	-105	1
Current assets	437	403	376	717	986		3	117	1,802	1,237
Non-current assets	1,140	1,012	815	646	1,600		67	46	3,621	1,703
Total assets	1,577	1,415	1,190	1,363	2,586		70	162	5,423	2,940
Current liabilities	759	651	416	533	1,083		-403	-172	1,857	1,012
Non-current liabilities	257	190	346	423	977		-45	-127	1,534	486
Total liabilities	1,016	841	762	956	2,060		-488	-299	3,391	1,498
Backlog	1,969	1,492	2,277	1,256	2,905				7,151	2,748

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

Others and eliminations include activities in the Company and other holding companies as well as elimination of inter-segment revenues and expenses.

Design is reported as discontinued operations and not as part of the segment information.

Note 3, continued

Assets and liabilities are shown gross per segment and eliminations are shown separately. The aggregated information on Others and eliminations consists of the following:

	Parent and holding companies		Eliminations		Others and eliminations	
NOK million	2019	2018	2019	2018	2019	2018
Current assets	1,180	1,093	-1,177	-976	3	117
Non-current assets	1,217	370	1,150	-325	67	46
Total assets	2,397	1,463	2,327	-1,301	70	162
Current liabilities	797	827	-1,200	-999	-403	-172
Non-current liabilities	1,105	198	-1,150	-325	-45	-127
Total liabilities	1,902	1,025	-2,350	-1,324	-448	-299

Note 4

Revenues and projects in progress

Amounts in NOK million

Revenue	2019	2018
Contract revenue recognised during the year	5,766	3,164
Other revenue*	425	13
Total revenue	6,193	3,176
Revenue from public customers	4,897	2,478
Revenue from private customers	1,297	698
Total revenue	6,193	3,176
External revenue by nature of business:		
Rail construction	2,524	1,466
Rail maintenance	1,237	0
Civil construction	1,164	1,445
Environment	847	263
Other* and eliminations	421	3
Total revenue	6,193	3,176

* Other revenue is mainly related to sale of materials in Finland, connected to the business acquired in January 2019. Inventories as disclosed in note 26 are also linked to this revenue.

Note 4, continued

External revenue by nature of business by division

	Norway operations		Sweden operations		Finland operations		Consolidated	
<i>Amounts in NOK million</i>	2019	2018	2019	2018	2019	2018	2019	2018
Rail construction	745	657	548	809	1,231	0	2,524	1,466
Rail maintenance	0	0	506	0	731	0	1,237	0
Civil construction	682	673	482	772	0	0	1,164	1,445
Environment	847	263	0	0	0	0	847	263
Other and eliminations	-2	-6	2	9	421	0	421	3
External revenue	2,272	1,587	1,538	1,590	2,383	0	6,193	3,176

Projects in progress at year-end

Amounts in NOK million

Revenue	2019	2018
Contract costs plus profit less losses to date	9,936	4,700
Less progress billings including advances	9,916	4,677
Work in progress, net	21	23
Gross amounts due to customers for contract work (contract liabilities)	285	163
Gross amounts due from customers for contract work (contract assets)	306	186
Total contract value, ongoing contracts	16,522	6,994
Accumulated revenue recognised at year-end	9,936	4,700
Revenues not recognised	6,586	2,294
Expected to be recognised next 12 months	3,125	1,796
Expected to be recognised later	3,461	499
External revenue by nature of business:		
Billed amounts retained by customers	21	73
Provision for loss-making projects	22	0
Remaining revenue on loss making projects	247	6
Order backlog, ongoing projects	6,586	2,294
Order backlog, projects not started	565	454
Total order backlog	7,151	2,748

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.

Note 5

Salaries and personnel costs

<i>Amounts in NOK million</i>	2019	2018
Salaries	1,083	500
Social security taxes	259	115
Pension expenses	133	31
Other personnel costs	51	15
Total	1,526	661
Full time equivalent employees	2,346	758

The increase in FTE's is related to the operations acquired in Finland and Sweden, and in particular due to the maintenance businesses that have more permanent staff compared to the construction business using more subcontractors.

Note 6

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 2019

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 60% of gross annual salary and participate in the senior management share option programme. 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.

The remuneration of executive personnel in 2019 has been in accordance with the declaration that was presented to the general meeting in 2019.

Note 6, continued

Compensation to executive personnel

Salary and other remunerations to executive personnel in 2019:

Amounts in NOK million

Name	Position	Basic salary	Bonus paid	Other remuneration	Pension expense	Share option expense	Total	Notice period
Øivind O. Horpestad	CEO (to 02.05.19)	2,947	1,067	130	127	434	4,705	18 months
Henning Olsen	CEO (from 02.05.19)	2,652	1,000	-	111	-	3,763	18 months
Dag Fladby	CFO	2,120	909	180	170	203	3,582	12 months
Hans Olav Storkås	Managing Director NRC Norway	1,800	468	-	69	202	2,337	6 months
Harri Lukkarinen	Managing Director NRC Finland	2,337	1,652	-	245	8	4,242	12 months
Lars Öhman	Managing Director NRC Sverige (07.01.19-30.04.19)	2,222	-	-	667	-	2,888	6 months
Robert Röder	Managing Director NRC Sweden (from 01.09.19)	943	-	-	283	3	1,226	6 months
Alfred Beck	Legal Counsel (from 01.06.19)	2,082	909	180	170	203	3,544	12 months
Minttu Vilander	EVP Communication and Branding (from 01.06.19)	441	105	-	70	-	632	3 months
Mirka Nevala	EVP Strategy and Business Developm. (from 01.10.19)	257	1,315	-	144	-	1,715	3 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 2019, 33,125 share options will be granted related to 2019. The share options will be awarded to Alfred Beck, Dag Fladby, Hans Olav Storkås, Harri Lukkarinen and Robert Röder. The weighted average fair value of options granted to executive personnel during the year was NOK 8.12 each.

Based on the Group's achievement in 2018, 37,500 share options were granted and awarded to Hans Olav Storkås. The weighted average fair value of options granted was NOK 8.12 each.

The share option expense is allocated over the service period assumed in the option programme. For further information see note 7.

Salary and other remunerations to executive personnel in 2018:

Amounts in NOK million

Name	Position	Basic salary	Bonus paid	Other remuneration	Pension expense	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

Compensation to Board of Directors

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

<i>Amounts in NOK million</i>	2019	2018
Helge Midttun	740	425
Brita Eilertsen	388	263
Harald Arnet	363	245
Kjersti Kanne	338	203
Mats Williamson, from July 2018	363	63
Rolf Jansson, from January 2019	175	0
Eva Nygren, from January 2019	175	0
Total	2,540	1,198

The estimated remuneration for 2019 is based on the general assembly approved remuneration for 2018, and amount to NOK 600,000 for the chair and NOK 300,000 for the members. Additional remuneration for the audit committee is NOK 50,000 – 75,000, for the remuneration committee NOK 25,000 – 40,000 and for the project committee NOK 50,000 – 75,000.

Estimated remuneration for 2018 before the adjustment by the general assembly amounted to NOK 500,000 for the chair and NOK 250,000 for the members. Additional remuneration for the audit committee was NOK 50,000 – 75,000, for the remuneration committee NOK 15,000 – 25,000 and for the project committee NOK 15,000 – 25,000.

In addition, the Group has agreements with Visento AS (Helge Midttun), Hermia AS (Harald Arnet) and Mats Williamson to provide certain consultancy services on hourly basis. For further information see note 29.



Note 7

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	2019	2018
Senior Management Share Option Plan	1.2	1.2
Key Employee Share Option Programme	0.5	0.2
General Employee Share Programme	2.5	0.0
Total	4.1	1.4

General Employee Share Programme

During 2019, 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 9 April 2019, a total of 187,875 shares were sold under this offer with a total discount of approximately NOK 2.2 million net of social security tax. All the shares sold were treasury shares.

Senior Management Share Option Plan (equity settlement)

On 12 May 2016, the Company's Annual General Meeting approved implementation of an option programme 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 programme to comprise an aggregate of 900,000 share options over two years. On the Annual General Meeting 8 May 2019, the option programme for senior management was renewed for two more years, comprising in total 1,000,000 shares. The subscription price and other subscription terms are determined by the Board of Directors.

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 340,625 options were outstanding in connection with the Senior Management Option Programme. 131,407 of the options were exercised during the year. The weighted average exercise price of the remaining 340,625 options is NOK 57.45. 45,000 of the options expire in August 2020 and can be vested 15 January 2020. 225,000 of the options expire in May 2021. These options can be vested by 1/3 each year from May 2018 until expiry. 37,500 of the options expire in May 2022, and these options can be vested by 1/3 each year from May 2019 until expiry. The remaining 33,125 of the options expire in May 2023, and these options can be vested by 1/3 each year from May 2020 until expiry.

Vesting for options expiring in 2021 and later can be made within 12, 24 and 36 months with 1/3 each, from the official award date. Vesting conditions is full time employment, and the expense is accrued for over the service period for each group of options.

Share option programme for key employees

On 19 April 2018, the Company's Annual General Meeting approved implementation of an option programme for key employees comprising an aggregate of 400,000 shares over two years. On the Annual General Meeting 8 May 2019, granted the authorisation to increase the share capital by up to NOK 600,000 in connection with the option programme for key employees. The authorisation is valid for a period of two years until May 2021. The subscription price and other subscription terms are determined by the Board of Directors.

As per year-end, a total of 123,000 options are outstanding in connection with the option programme. 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 programme until the options are exercised. The employees paid NOK 1 or SEK 1 for each option.

70,250 options were forfeited during 2019 due to vesting conditions not being satisfied. There were no settlement, cancellations or modifications to the awards in 2019 or 2018.

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

<i>Amounts in NOK million</i>	2019 number	2019 WAEP	2018 number	2018 WAEP
Outstanding at 1 January	632,157	67.5	431,407	55.8
Granted during the year	33,125	62.1	275,750	82.3
Exercised during the year	-131,407	53.1	0	
Forfeited during the year	-70,250	85.8	-75,000	55.0
Outstanding at 31 December	463,625	65.0	632,157	67.5
Exercisable at 31 December	162,500		139,740	

WEAP will be adjusted for any dividend in the period from grant to exercise.

The weighted average remaining contractual life for the share options outstanding as of 31 December 2019, was 1.4 years (2018: 2.4 years).

The weighted average fair value of options granted during the year was NOK 8.1. Total value of the options aggregated NOK 0.3 million to be allocated over the service period assumed in the option programme.

The range of exercise prices for options outstanding at the end of the year was NOK 55.00 to NOK 85.78 (2018: NOK 55.00 to NOK 85.78), before any adjustment for future dividends.

The following tables list the inputs to the models used for all existing plans:

<i>Amounts in NOK million</i>	2019	2018
Weighted average fair values at the measurement date	7.51	9.06
Expected volatility (%)	23.5	23.5
Risk-free interest rate (%)	1.38	1.83
Expected life of share options, months	4-40	4-45
Weighted average share price	72.48	76.74
Model used	Binominal and Black Scholes	Binominal and Black Scholes
Weighted average fair values at the measurement date for options granted during the year	8.12	
Weighted average share price for options granted during the year	70.18	

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

Note 8

Other operating and administrative expenses

Amounts in NOK million	2019	2018
Travel expenses	161	106
Rent and other office expenses	70	61
External services	104	59
Expenses related to machinery, cars and equipment	181	63
Other operating and administrative expenses	117	53
Total	633	342

Other income and expenses

M&A expenses	91	28
Total other income and expenses	91	28

Compensation to auditors

Amounts in NOK million	2019	2018
Statutory audit fees	4.6	2.7
Other assurance engagements	0.1	1.3
Tax related services	0.2	0.1
Other services	0.0	0.0
Total	4.9	4.1

EY was the Group's auditors for 2019 and 2018. Total fees include fees to non-EY auditors amounted to NOK 0.0 million for 2019 (2018: NOK 0.3 million).

Note 9

Financial income and expenses

Amounts in NOK million	2019	2018
Interest income	2	1
Interest expenses	-70	-12
Net foreign currency gains/(losses)	4	1
Other net financial expense	-8	-1
Net financial items	-73	-11

Note 10

Taxes

Amounts in NOK million

Deferred tax relates to the following:	2019	2018
Intangible assets	-16	-8
Property, plant and equipment	-42	-14
Right-of use assets	-111	0
Net contract assets/receivables	-63	-41
Tax allocation reserve, Sweden	-25	-26
Tax losses carried forward	266	115
Lease liabilities	112	0
Pensions	2	0
Other temporary differences	23	-1
Total deferred tax assets/ liabilities (-)	146	24
Deferred tax assets not recognised	-100	-
Net deferred tax assets/ liabilities (-)	46	24
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	69	45
Deferred tax liabilities	-23	-20
Net deferred tax assets/ liabilities (-)	46	24
Reconciliation of net deferred tax assets/ liabilities (-):		
As of 1 January	24	43
Tax income/ expense (-) during the period	41	10
Tax income/ expense (-) during the period, recognised in OCI	3	-3
Deferred taxes acquired in a business combination	-23	-29
Effect of foreign currency translation	0	1
Other	2	2
As of 31 December	46	24

The Group has total tax losses carried forward in Norway of NOK 546 million, in Sweden of NOK 651 million and in Finland of NOK 35 million (2018: a total of NOK 525 million) corresponding to deferred tax assets of NOK 120 million in Norway, NOK 139 million in Sweden and NOK 7 million in Finland (2018: a total of NOK 115 million) that can be used to reduce future tax payments. As of 31 December 2019, deferred tax assets of NOK 93 million in Sweden and NOK 7 million in Finland have not been recognised. Net deferred tax assets of NOK 56 million in Norway and NOK 13 million in Sweden 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. 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. The net deferred tax of NOK 23 million is related to Finland.



Note 10, continued

Amounts in NOK million

The major components of income tax expense are:	2019	2018
Current income tax charge	15	2
Change in deferred tax	-41	-12
Tax expense/ income (-)	-26	-10
Tax related to other comprehensive income:		
Items that may be reclassified to profit and loss	-4	3
Items that will not be reclassified to profit and loss	1	0
Tax expense/ income (-) included in OCI	-3	3
Reconciliation of tax expense and accounting profit:		
Net income before tax from continuing operations	-178	-10
Estimated tax on income before tax	-37	-2
Effect of permanent differences	5	5
Effect of tax assets being(-)/ not being recognised	7	-20
Effect of change in tax rate	0	5
Other	0	2
Income tax expense/ income (-)	-26	-10

The tax rate for Sweden is 21.4% (2018: 22%). The tax rate will decrease to 20.6% in 2021.

The tax rate for Norway changed from 23% in 2018 to 22% in 2019.

The tax rate in Finland is 20%.

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 17.

Earnings per share (ordinary)	2019	2018
From continuing operations, NOK	-2.83	0.01
From discontinued operations, NOK	1.48	0.00
Profit/loss from continuing operations, NOK million	-152	0
Profit/loss from discontinued operations, NOK million	80	0
Profit/loss for the year, NOK million	-72	0
Weighted average externally owned shares	53,737,389	42,488,181
Effect of dilution from share options	553,019	348,688
Weighted average externally owned shares adjusted for dilution	54,290,408	42,888,819
Earnings per share (diluted):		
From continuing operations, NOK	-2.83	0.01
From discontinued operations, NOK	1.47	0.00

Note 12

Intangible assets

<i>Amounts in NOK million</i>	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2019	1,192	39	1,230
Translation differences	-12	0	-12
Acquisitions	1,619	167	1,759
Additions and adjustments	60	13	74
Disposals	-248	-29	-277
Amortisation for the year	-	-70	-43
Impairment for the year	0	0	0
Carrying amount as at 31/12/2019	2,611	119	2,730
Acquisition cost	2,611	289	2,873
Accumulated amortisation	-	-164	-137
Accumulated impairment	0	-6	-6
Carrying amount as at 31/12/2019	2,611	119	2,730

Other intangible assets consist of contracts, customer relationships, licenses, capitalised software development expenses and capitalised pre-contract expenses, which are amortised over remaining useful life of each asset. Assets acquired in 2019 and prior years have an expected life range of between 1 and 4 years. Acquisitions relate to the acquisitions of VR Track in January 2019, please refer to note 2, while disposals relate to the disposal of the Design business, with reference to note 25. Additions of goodwill of NOK 60 million relate to subsequent purchase price allocation adjustments related to NSS Holding AS and Gunnar Knutsen AS.

<i>Amounts in NOK million</i>	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, continued

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:

	2019	2018
Norway	787	727
Sweden	574	464
Finland	1,249	0
Total	2,611	1,192

The increase in the carrying amount of goodwill related to Sweden and to Finland is due to the acquisition of VR Track, please refer to note 2. The increase in the carrying amount of goodwill allocated to Norway is related to updated purchase price allocations of NSS Holding AS and Gunnar Knutsen AS, please also refer to note 2 for further information.

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, Sweden and Finland respectively.

Impairment tests

The Group considers the relationship between its market capitalization, carrying amounts and other factors when identifying indicators of impairment. During 2019, the market capitalisation of the Group has been above the carrying amount of equity. 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 fourth 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).

In February 2020 a capital increase was made at NOK 37 per share, i.e. a level indicating a market capitalisation below the carrying amount of the equity. Subsequently, the shares have also been traded at a level below NOK 37 per share. The impairment test for 2019 was made towards the end of the year. The management has made an updated assessment of the management assumptions used in the impairment test and concluded that none have been changed subsequently. Based on this, no amendments to the impairment test have been made.

Estimated cash flows for the years 2020 – 2024 are based on projections approved by the Board. Estimated revenue growth is approximately 2%, 6% and 7% in average per year, supported by the estimated market growth in Finland, Norway and Sweden respectively. EBITA margins are based on the same projections and supported by historical median margins as well as industry median margins. For the years subsequent to 2024, a terminal growth of the net cash flow of 2% in Norway, 1.5% in Sweden and 1.0% in Finland has been considered.

The discount rate before tax used is 7.3% for Norway, 5.5% for Sweden and 5.3% for Finland.

Sensitivity

The calculation of value in use is most sensitive to the estimates of revenues, EBITA 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 EBITA margin of 1 percentage point and terminal growth of 0%. Most sensitive to impairment is an increase in the discount rate. The level leading to an impairment is an increase to the range of 2.1 to 2.2 percentage point, impacting Sweden and Finland.



Note 13

Property, plant and equipment

<i>Amounts in NOK million</i>	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as of 31/12/2018	26	391	418
Reclassification of financial leasing*		-253	-253
Adjusted carrying amount as of 01/01/2019	26	138	164
Translation differences		-2	-2
Acquisitions		156	156
Additions		40	40
Disposal of business segment		-6	-6
Other disposal	-9	-10	-19
Depreciation for the year	-1	-56	-57
Carrying amount as of 31/12/2019	16	260	276
Total cost	20	431	451
Accumulated depreciation	-4	-171	-175
Accumulated impairment			
Carrying amount as of 31/12/2019	16	260	276

<i>Amounts in NOK million</i>	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as of 31/12/2017	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

*Financial leasing was part of the property, plant and equipment disclosure in 2018, but following the implementation of IFRS 16 in 2019, financial leasing is now part of the right-of-use assets, please refer to note 14.

Note 14

Right-of-use assets

Carrying amounts for groups of right-of-use (ROU) assets:

	31 December 2019	1 January 2019*
Intangible assets	2	5
Land, offices and buildings	117	62
Machinery, cars and equipment	402	262
Total ROU assets	522	329

*For information about the implementation effects of IFRS 16, see note 1.2.4 Changes in accounting policies. Also, please refer to 1.2.3 Summary of significant accounting policies – Leases for more information about the Groups accounting principles for leasing.

Depreciation charge during the year	2019
Intangible assets	2
Land, offices and buildings	35
Machinery, cars and equipment	118
Total depreciation expense	155

<i>Interest expense</i>	
Interest expense on lease liabilities	13

<i>Lease expense not capitalised in lease liabilities</i>	
Lease expense - short-term and low-value leases	127

Total cash outflow for all leases in 2019	295
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Addition of ROU assets during the financial year 2019	119
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For information about the related leasing liabilities, please refer to note 19.

Note 15

Trade receivables and other receivables

Amounts in NOK million

	2019	2018
Trade receivables	1,069	575
Provisions for expected losses	-19	-18
Trade receivables – net	1,051	557
Contract assets	306	186
Other current receivables	154	76
Other current financial assets	1	23
Total current receivables	1,511	841

Age distribution of trade receivables:

	2019	2018
Trade receivables not due for payment	858	361
Up to 30 days	109	89
Between 30 and 90 days	33	21
Over 90 days	70	104
Total receivables due for payment	211	214
Total trade receivables	1,069	575

Trade and other current receivables by currency:

	2019	2018
NOK	582	527
SEK	351	314
EUR	578	0
GBP	0	1
Total current receivables	1,511	841

Note 16

Cash and cash equivalents

	2019	2018
Cash and bank deposits	153	377
Restricted cash	1	19
Total	154	396

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

Cash and cash equivalents per currency:

	2019	2018
NOK	369	241
SEK	-203	157
GBP	0	0
EUR	-11	-2
Total current receivables	154	396

Negative cash in SEK and EUR is related to and netted as part of the Group's cash pool agreement with Danske Bank.

Note 17

Share capital and shareholder information

NRC Group ASA has one class of shares. Total number at year end were 54,023,133 shares (2018: 44,025,898), excluding 12,497 own shares, with a nominal value of NOK 1.00 each. The share capital as of 31 December 2019 totalled NOK 54,035,630 (2018: 44,026,270).

At the Annual General Meeting on 12 May 2016, the Board of Directors was granted the mandate to authorise a share option programme 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 programme for senior management of up to 900,000 shares over two years. On the Annual General Meeting 8 May 2019, the option programme for senior management was renewed for two more years, comprising in total 1,000,000 shares. The subscription price and other subscription terms are determined by the Board of Directors. This programme 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 a key employee option plan. The Annual General Meeting 8 May 2019 granted the authorisation to increase the share capital by up to NOK 600,000 in connection with the option programme for key employees. 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 8 May 2021. This programme is further described in note 7.

At the Annual General Meeting on 8 May 2019, 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 5,390,422.00. 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 2020, but not later than 30 June 2020. 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



Note 17, continued

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 was valid until the Annual General Meeting in the spring of 2019 and included 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, 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 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.

On the general meeting 8 May 2019, the Board of Directors were authorised to increase the share capital by up to NOK 10,780,844, through issuance of up to 10,780,844 new shares, each with a par value of NOK 1.00. The Board of Directors used the authorisation to increase the share capital by NOK 10,675,719 at 14 February 2020 in connection with the first tranche of the private placement announced 12 February 2020. On the Extraordinary General Meeting 9 March 2020, the EOG voted in favour of tranche 2 of the private placement, increasing the share capital with NOK 8,243,200, through issuance of 8,243,200 new shares, each with a par value of NOK 1.00. Further, in order to facilitate a subsequent offering to existing shareholders as of 12 February 2020 who were not allocated shares in the private placement, the Board of Directors were authorised to increase the Company's share capital with up to NOK 1,891,892 through issue of up to 1,891,892 shares, each with a nominal value of NOK 1.00. The subsequent repair offering was cancelled 8 March 2020 as the Company's shares had traded similar to or below the subscription price in the private placement of NOK 37.

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

Total number of shares on 1 January 2018	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
Acquisition of VR Track, 7 January 2019, see note 2	9,877,953
Issue of shares following share option exercise, 6 May 2019, see note 7	31,407
Issue of shares following share option exercise, 15 September 2019, see note 7	100,000
Total number of shares on 31 December 2019	54,035,630

Treasury shares

The Company owned 405,372 treasury shares at the beginning of 2018, and the Company did not acquire own shares during 2018. 405,000 own shares were used in connection with the acquisition of Gunnar Knutsen AS, see note 2. During 2019, the Company acquired 200,000 treasury shares at a total proceed of NOK 12 million. 187,875 of the shares were transferred to the employees participating in the 2019 share programme for employees. At the end of 2019, the Company owned 12,497 treasury shares corresponding to 0.023% of the total number of outstanding shares. The Board of Directors has a mandate until the Annual General Meeting in the spring of 2020, and no later than 30 June 2020, to acquire up to 5,390,422 of the Company's own shares.

Transaction costs related to the share issue in connection with the acquisition of VR Track, and the share issues following the share option exercises amounted in total to NOK 3 million. Gross proceeds from the issue of shares following the share option exercises was NOK 7 million, hence net proceeds from issue of shares in 2019 was NOK 4 million, with reference to the cash flow from financing activities in the cash flow statement.

Ownership structure

The number of shareholders as of 31 December 2019 was 2,618, compared with 2,257 as of 31 December 2018. The percentage of issued shares held by foreign shareholders was 69.0%, compared with 43.6% at year-end 2018.

NRC Group's 20 largest shareholders as of 31 December 2019:

Shareholder	No of shares	% of total
VR-YHTYMÄ OY	9,877,953	18.3%
NORDEA NORDIC SM CAP FD	5,061,930	9.4%
CARNEGIE INVESTMENT BANK AB	4,161,952	7.7%
ARCTIC FUNDS PLC	2,691,989	5.0%
ARCTIC FUNDS PLC	1,850,276	3.4%
DATUM AS	1,300,000	2.4%
GUNNAR KNUITSEN HOLDING AS	1,252,677	2.3%
NORDNET BANK AB	1,207,272	2.2%
LGA HOLDING AS	1,200,102	2.2%
HSBC TRINKAUS & BURKHARDT AG	1,192,917	2.2%
HANDELSBANKEN NORDISKA SMABOLAG	1,188,271	2.2%
HANDELSBANKEN NORDEN	1,086,141	2.0%
VERDIPAPIRFONDET EIKA SPAR	980,000	1.8%
HAUGO RIVING AS	850,745	1.6%
VERDIPAPIRFONDET EIKA NORGE	785,000	1.5%
GIMLE INVEST AS	750,357	1.4%
REGENTS OF THE UNIVERSITY OF MICHIGAN	687,756	1.3%
FONDITA NORDIC MICRO CAP INV FD	655,000	1.2%
AVANZA BANK AB	634,418	1.2%
THE NORTHERN TRUST COMPANY, LONDON BR	629,740	1.2%
TOTAL 20 LARGEST SHAREHOLDERS	38,044,496	70.4%
OTHER SHAREHOLDERS	15,991,134	29.6%
TOTAL NUMBER OF SHARES	54,035,630	100.0%



Note 17, continued

Shares held by members of the Board of Directors and executive management on 31 December 2019 including shares controlled through holding companies and related parties:

	Ordinary shares	Share options
Helge Midttun ¹⁾	110,000	
Kjersti Kanne	1,500	
Eva Nygren	1,000	
Harald Arnet ²⁾	100,000	
Henning Olsen	28,000	
Dag Fladby	49,400	82,500
Hans Olav Storkås	22,170	50,000
Harri Lukkarinen	670	7,500
Robert Röder		3,125
Alfred Beck		82,500
Mirka Nevala	670	

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.

225,625 share options were exercisable at the year end. See note 7 for further information.

Dividend

Based on the 2019 results, the Board of Directors will propose no dividends for 2019.

Note 18

Pensions

The Group has defined contribution plans covering all employees in Norway, Sweden and Finland. In Norway the Group additionally has a contractual pension scheme that is accounted for as a defined contribution scheme. In Finland the Group has a defined benefit plan related to a supplementary old age pension scheme in an insurance company. See accounting principles for further details about these schemes.

Pension expenses	2019	2018
Defined contribution plans	129	30
Defined benefit plans	2	0
Contractual pension, multi-employer plan, Norway	2	1
Total pension expenses	133	31
Number of employees covered		
Defined contribution plans	2 012	872
Defined benefit plans, active	117	0
Defined benefit plans, pensioners	455	0
Early retirement scheme, Norway (AFP)	191	171

Note 18, continued

Defined benefit expenses

Defined benefit plan, net expense	2	0
Actuarial gain and losses recognised in OCI, net of tax	-4	0
Recognised in total comprehensive income	-2	0

Defined benefit obligation

Defined benefit obligation 1 January	0	0
Business acquired	132	0
Current service cost	2	0
Interest cost	2	0
Benefits paid	-9	0
Actuarial gain (+)/ losses (-)	-7	0
Disposal of Design	-5	0
Currency differences	-1	0
Defined benefit obligation 31 December	115	0

Plan assets

Plan assets 1 January	0	0
Business acquired	117	0
Interest income	2	0
Benefits paid	-9	0
Actuarial gain (+)/ losses (-)	-3	0
Disposal of Design	-4	0
Currency differences	1	0
Plan assets 31 December	104	0

Net defined benefit liability 31 December	11	0
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Actuarial assumptions	31.12.19	07.01.19
Discount rate	0.40%	1.30%
Salary increase	2.60%	3.00%
Inflation	1.10%	1.70%
Mortality (TyEL)	K2016	K2016
Benefit increase	1.90%	1.90%
Insurance company bonus index	1.00%	1.00%
Turnover rate	3.00%	3.00%

Sensitivity

Change in discount rate with 0.50 percentage point will change net pension liability with approximately NOK 1 million.
Change in benefit or bonus index with 0.50 percentage point will change net pension liability with approximately NOK 5 million.

Note 19

Loans and other non-current liabilities

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

Amounts in NOK million

Interest-bearing non-current liabilities:	2019	2018
Lease liabilities, financial agreements	214	152
Lease liabilities, operating agreements	125	0
Bond debt	600	0
Other loans and borrowings	561	287
Total interest-bearing non-current liabilities	1,500	440
Current interest-bearing liabilities:		
Lease liabilities, financial agreements	123	89
Lease liabilities, operating agreements	63	0
Loans and borrowings	101	86
Other current interest-bearing liabilities	287	175

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, other than the bond, 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	EUR	SEK
Financial leasing	3-month NIBOR + 1.50% - 3.90%	3-month EURIBOR* + 0.50% - 1.75%	3-month STIBOR* + 0.90% - 3.50%
Bond debt	3-month NIBOR** + 4.00%		
Other loans and borrowings		3-month EURIBOR* + 1.70% - 2.50%	

*Minimum zero

**The 3 months NIBOR has been hedged to a fixed rate of 1.838% for the full period.

The margin on the bank loans depend on the leverage ratio (net interest-bearing debt to adjusted EBITDA). During 2019, the margin has been ranged from 1.45% to 2.50% including NOK and SEK loans that have been repaid in full.

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

	2019	2018
NOK	878	431
EUR	829	0
SEK	80	183
Total interest-bearing liabilities	1,787	615

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 2019							
	1H 2020	2H 2020	2021	2022	2023	2024	2025 ->
Leasing	112	97	139	95	49	28	51
Bond	18	18	36	36	36	627	-
Bank loans	41	75	148	144	141	169	-
Total	171	190	322	275	226	824	51
Hereof interest	32	31	57	51	45	30	2

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

The Company's term facilities with Danske Bank ASA contains standard market terms and covenants. The facilities include covenant restrictions on interest cover ratio ≥ 3.0 (the ratio of adjusted EBITDA to net interest payable of any relevant 12 month period – compared to actual 4.7 as per 31 December 2019), leverage ratio ≤ 7.0 (actual 5.6), 5.25 until 30 September 2020, 4.0 until 30 September 2021, 3.50 until 30 September 2022 and 3.25 thereafter (ratio of total net debt on the last day of that relevant period to adjusted EBITDA in respect of that relevant period), equity ratio $>25\%$ (the ratio of the book value of the equity of the Group to book value of total assets of the Group – actual 38%). The covenants are based on the facilities agreements and not directly related to the IFRS reported numbers. EBITDA is adjusted for acquisition costs and certain non-recurring items limited to 5% of EBITDA for any relevant period. There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period.

The Company completed the issuance of a NOK 600 million senior unsecured bond 29 August 2019. Final maturity of the bond is 13 September 2024. The bond includes restrictions on interest coverage ratio >2.5 (the ratio of adjusted EBITDA to net financial payable of any relevant 12-month period – compared to actual 4.0 as per 31 December 2019) and equity ratio $>25\%$ compared to actual 38% as per December 2019). 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. Certain transactions such as paying dividend and taking on new loan agreements require an incurrence test with leverage ratio (net interest-bearing debt to adjusted EBITDA) < 3.5 . The incurrence test restricts such transactions until the approved capital increases in 2020 are completed.

Changes in interest-bearing liabilities arising from financing activities:

Amounts in NOK million	2019	2018
Interest-bearing liability at 1 January	615	438
Proceeds from borrowings	2,022	145
Repayment of borrowings	-1,128	-81
Payments of lease liabilities	-165	-48
IFRS 16 implementation effect	76	
Interest-bearing debt in acquired companies	243	90
Leasing liabilities, new contracts	124	76
Currency adjustment	-	-5
Interest-bearing liability at 31 December	1,787	615



Note 20

Other current liabilities

The contingent consideration relates to the estimated final net settlements of the share purchase agreements of NSS Holding AS and Gunnar Knutsen AS, please refer to note 2 for further information.

Amounts in NOK million	2019	2018
Accrued salaries etc	272	111
Accrued project expenses	168	102
Provisions	33	7
Contingent consideration	111	0
Other current liabilities	160	53
Total	744	273

The contingent consideration relates to the estimated final net settlements of the share purchase agreements of NSS Holding AS and Gunnar Knutsen AS, please refer to note 2 for further information.

Note 21

Provisions

Amounts in NOK million	Warranty provisions	Provisions for loss-making projects	Total provisions
Opening Balance 1 January 2019	7	0	7
Acquisitions	7	29	35
Arising during the year	0	7	7
Utilised	-3	-13	-16
Closing Balance 31 December 2019	10	22	33

Warranty provisions and provisions for loss-making projects of approximately NOK 35 million has been included as part of the acquisition of VR Track in January in 2019.

Note 22

Pledged assets, guarantees and security

Bank loans amounting to NOK 662 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries, other than Miljøvakta AS, amounting to NOK 2,000 million, receivables, inventory and operating equipment amounting to NOK 500 million per entity and intra-group loans of NOK 2,000 million. Total book value of receivables and inventory amounts to NOK 1,493 million. Leasing liabilities amounting to NOK 525 million are secured by way of the underlying assets for which the legal ownership is kept by the lease counterpart. Total book value of right-of-use assets amounts to NOK 522 million.

The Group has framework agreements with Tryg Garanti/ Tryg Forsikring A/S (utilised NOK 275 million out of NOK 450 million), Nordic Guarantee (utilised NOK 165 million out of NOK 250 million), House of Guarantees AS (utilised NOK 64 million out of NOK 200 million), Euler Hermes Norge (utilised NOK 61 million of NOK 200 million) and Garantia Insurance Company Ltd (utilised EUR 20 million of EUR 30 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 23

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						
	Balance sheet on 31 December 2019	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	24	3	21			
Trade receivables	1,051		1,051			
Contract assets	306		306			
Other current receivables	154					154
Other current financial assets	1	1				
Cash & cash equivalents	154		154			
Total	1,690	4	1,532			154
Non-current liabilities	1,500				1,500	
Interest-bearing current liabilities	287				287	
Trade payables	358				358	
Contract liabilities	285					285
Other current liabilities	744			111		633
Total	3,174			111	2,145	918
	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

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

Note 23, continued

The table below analyses financial instruments recorded at fair value according to valuation method. The different levels are defined as follows:

Level 1: Fair value is measured using quoted prices from active markets for identical financial instruments. No adjustment is made for these prices.

Level 2: Fair value is measured using other observable input than that used in level 1, either directly (prices) or indirectly (derived from the prices).

Level 3: Fair value is measured using input that is not based on observable market data.

Financial assets at fair value:

	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss			9	9
Derivatives defined as hedging instruments		23		23
Total at 31 December 2018		23	9	32
Financial assets at fair value through profit or loss			3	3
Derivatives defined as hedging instruments		1		1
Total at 31 December 2019		1	3	4

Financial liabilities at fair value:

	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss			25	25
Derivatives defined as hedging instruments				
Total at 31 December 2018			25	25
Financial liabilities at fair value through profit or loss			111	111
Derivatives defined as hedging instruments				
Total at 31 December 2019			111	111

The carrying value of cash and cash equivalents and liabilities to credit institutions is virtually the same as their fair value, since these instruments have a short maturity term. Correspondingly, the carrying value of trade receivables, contract assets, contract liabilities and trade payables are virtually the same as the fair value, as they are agreed upon under "normal" terms. This also applies to unpaid government charges, tax payable and current liabilities. A large proportion of non-current liabilities have variable interest rates and continuous interest rate adjustment and therefore the carrying value is substantially the same as the fair value. The fair value of the group's interest rate hedge per year-end is estimated using the forward rate on the balance sheet date and is confirmed by the financial institution with which the agreement is signed. For more information about the hedging instruments, please refer to note 24.

Note 24

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 2018 and 2019, 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. Further, EUR 42.5 million of the proceeds from the sale of Design was hedged at a forward rate of EUR 10.0525. For both contracts the hedged exposure exactly matched the EUR leg of the forward contracts, hence there was clear economic relationships between the hedging instrument and the hedged items. The hedge ratios for both contracts were 100%.

Net foreign exchange gains totalled NOK 4 million in 2019 (2018: NOK 1 million).

The Company has investments in foreign subsidiaries whose net assets are exposed to foreign currency translation risk, the risk being related to net assets in SEK and EUR. The Group has a EUR 68 million loan hedging the exposure of the net investment in Finland. The currency translation difference in equity as of 31 December 2019, totalled a net gain of NOK 8 million (2018: net loss of NOK 6 million).

The NOK/SEK rate of exchange as of 31 December 2019 was 0.9442 (2018: 0.9701), while the average of the monthly average rates used to translate the income statement was 0.9305 (2018: 0.9359). The NOK/EUR rate of exchange as of 31 December 2019 was 9.8638 (2018: 9.9483), while the average of the monthly average rates used to translate the income statement was 9.8502 (2018: 9.5996).

The following tables demonstrate the sensitivity to a reasonably possible change in SEK and EUR 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	2019	2018
Change in SEK rate	-5%	-5%
Effect on net income	5	1
Effect on equity	-29	-28
Change in EUR rate	-5%	-5%
Effect in one net income	2	0
Effect on equity	-5	0

b. Interest rate risk

The Group has interest-bearing debt as described in note 19. The Group has loan agreements with Danske Bank, a 5-year bond, and operational and financial leases being interest-bearing, and addition net cash, netting off some of the interest rate risk. The NOK 600 million bond issued in September carries an interest of 3 months NIBOR + 4% until maturity 13 September 2024. The 3 months NIBOR has been hedged to a fixed rate of 1.838% for the full period using an interest rate swap. The bond creates an exposure to pay 3 months NIBOR interest on the NOK 600 million notional. The interest rate swap on the same notional creates an equal and opposite interest receipt and a fixed interest payment, therefore creating an exact offset for this transaction resulting in a net fixed interest payable of 1.838%.



Note 24, continued

As the interest rate swap is based on the same notional, settlement dates and maturity as the bond, the hedge ratio is 100%. The fair value of the interest rate swap was NOK 1 million at year-end.

Net interest expense for 2019 amounts to NOK 68 million (2018: NOK 11 million). An increase in interest of 1% would increase interest on debt by approximately NOK 9 million a year.

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.

79% of the revenues for 2019 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 any transactions that involve financial derivatives or other financial instruments to mitigate credit risks.

As of 31 December 2019, the Group has provisions of NOK 19 million (2018: NOK 18 million) for potential future losses on specific trade receivables. The loss provision represents the total expected credit loss based on individual assessments of specific trade receivables at the reporting date. The Group is focusing on reducing outstanding trade receivables. The age distribution of the Group's trade receivables is specified in Note 15.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 23.

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 153 million in liquid reserves at the end of the year, compared with NOK 377 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK 1 million and total cash were NOK 154 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 that are due to be paid during 2020 amounts to NOK 287 million.

Moreover, the Group has total current liabilities excluding interest-bearing debt as of 31 December 2019, totalling NOK 1,569 million. Total current assets, excluding cash and cash equivalents, amounts to NOK 1,648 million.

The Company's capital structure has in the beginning of 2020 been evaluated in light of a number of important factors, including; (i) required financial flexibility to execute on the new strategic plan, including the ability to consider bolt-on M&A opportunities; (ii) existing debt financing arrangements; (iii) financial flexibility with regard to working capital needs; and (iv) the long term ambition to have an NIBD/EBITDA-ratio below 2.5x. 12 February 2020, the Company announced that it has raised approximately NOK 700 million in gross proceeds through a private placement of 18,918,919 new shares. The net proceeds from the Private Placement will enhance the financial strength and flexibility of the Group and will also be used for general corporate purposes. For further information about the share issue, please refer to note 30.

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 amongst 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. For more information about capital management considerations, see separate section under liquidity risk above.

Note 25

Discontinued operations

On 12 August 2019, the Group announced the decision of its Board of Directors to sell the Design segment. Following this decision, Design was classified as a disposal group held for sale and as a discontinued operation. The transaction was closed on 1 November 2019. With Design being classified as discontinued operations, the Design segment is not presented in the segment note.

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the disposal group is available for immediate sale in its present condition. These criteria were met when signing the agreement for the sale of the business segment 12 August 2019. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Design had a limited amount of intragroup sales. These transactions are eliminated such as the discontinued operation discloses profit that Design has generated through external transactions only.

The major classes of assets and liabilities of the Design segment classified as held for sale were derecognised upon the sale 1 November 2019.

The results of the disposal group (Design) for 2019 are presented below:

<i>Amounts in NOK million</i>	2019
External	341
Inter-segment	26
Total revenue	367
EBITDA*	55
Depreciation	11
EBITA*	43
Amortisation and impairment	4
EBIT*	39
Other income and expenses	10
EBIT	29
EBT	23
Taxes	-11
Net profit	12
Eliminations of intercompany transactions	7
Net profit before gain on sale	5
Gain on sale of subsidiaries after income tax	74
Net profit from discontinued operations	80

Note 25, continued

The net gain consists of:

Amounts in NOK million	2019
Consideration received or receivable	
Cash	431
Contingent consideration	8
Total disposal consideration	439
Carrying amount of the net asset sold	352
Gain on sale before sales expenses and reclassification of foreign currency translation reserve	87
Sales expenses	-22
Reclassification of foreign currency translation reserve	9
Gain on sale after income tax	74

Note 26

Inventories

Amounts in NOK million	2019	2018
Raw materials and materials for resale	123	0
Finished goods	14	0
Total inventories	136	0

Inventory relates to the Finish operations. No write-downs have been made to inventory in 2019. Inventories have been pledged for short- and long-term loans, see note 22.

Note 27

Disputes and claims related to projects

Through its ongoing operations, the Group is involved in disputes with customers regarding the interpretation and understanding of contracts and agreements. 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 28

Subsidiaries, associates and joint ventures

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

NRC Group Holding AS, Norway
 NRC Norge AS, Norway
 NRC Bane AS, Norway
 NRC Gravco AS, Norway
 Septik Tank Co AS, Norway
 NRC Anlegg AS, Norway
 Fibertech AS, Norway
 NSS Holding AS, Norway
 Norsk Saneringsservice AS, Norway
 Miljøvakta AS, Norway ¹⁾
 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
 Nordic Railway Construction Underhåll AB, Sweden
 NRC Holding Finland Oy, Finland
 NRC Group Finland Oy, Finland

¹⁾ Miljøvakta is 70% owned by Norsk Saneringsservice AS

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

Joint venture:

Sjursøya-Lemminkäinen-Alti ANS (50%)

Net profit/loss and net assets of joint venture are immaterial at 31 December 2019 and 2018, 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 two projects are planned to be completed at late 2021 (E03) and late 2026 (E04) and have a combined percentage of completion of approximately 8% as of year-end. The book value of AGN Haga AB in the Group accounts is unchanged at NOK 500,000, and no profit share has been booked to profit and loss in 2019.

Note 29

Related party transactions

Note 27 provides information about the Group's structure, subsidiaries and associated companies. Note 17 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. NRC Group ASA has agreements with Board members for consultancy services related to certain internal projects such as acquisitions and management recruitment. The agreements are based on hourly rates, are carried out on arm's length terms and total expense amounted to NOK 0,5 million for 2019. Currently, there exists agreements with Visento AS, Hermia AS and Mats Williamson. The Chairman of the Board, Helge Midttun, is the owner of Visento AS. The Board member Harald Arnet is the majority owner of Hermia AS. Except for this, no significant related party transactions exist.

Note 30

Subsequent events

The Company has raised approximately NOK 700 million in gross proceeds through a private placement (the "Private Placement") of 18,918,919 new shares (the "New Shares"), at a price per share of NOK 37. The Private Placement took place through an accelerated book building process after close of markets on 12 February 2020 and has been carried out in two separate tranches: 10,675,719 New Shares in tranche 1 ("Tranche 1") and 8,243,200 New Shares in tranche 2 ("Tranche 2").

The Board of Directors used their authorisation to increase the share capital by NOK 10,675,719 at 14 February 2020 in connection with the first tranche of the private placement announced 12 February 2020. On the Extraordinary General Meeting 9 March 2020, the EOG voted in favour of tranche 2 of the private placement, increasing the share capital with NOK 8,243,200, through issuance of 8,243,200 new shares, each with a par value of NOK 1.00. Further, in order to facilitate a subsequent offering to existing shareholders as of 12 February 2020 who were not allocated shares in the private placement, the Board of Directors were authorised to increase the Company's share capital with up to NOK 1,891,892 through issue of up to 1,891,892 shares, each with a nominal value of NOK 1.00. The subsequent repair offering was cancelled 8 March 2020 as the Company's shares had traded similar to or below the subscription price in the private placement of NOK 37. The prospectus regarding the completion of a private placement was approved and published 11 March 2020.

On 26 February 2020 and subsequent to publishing the interim report for the fourth quarter of 2019, the Company received notice of the outcome of an arbitration case related to a dispute dating back to 2015, that incurred additional expenses of NOK 14 million. The expense, net of taxes, is reflected in the annual financial statements for 2019, but not in the fourth quarter report.

The coronavirus outbreak may significantly impact our markets and operations in 2020. To what extent will depend on how the virus will spread and the measures being implemented by the governmental authorities. The Group follows public recommendations closely and update our policies accordingly daily. Our project workers are spread on a large number of projects in different locations, which reduces the risk. However, in a scenario with wide-spread virus, it can significantly impact our operations. A significant part of our revenues come from public customers with a low credit risk. Private sector clients will be closely followed up to minimize any change in credit risk related to corona. The strong orderbook limits the short-term impact on revenues. The project execution and revenue will however depend on our project people including sub-contractors being available considering any effect of the spread and the restrictions and measures implemented by the authorities. It is likely that the situation will lead to delays in projects and incur additional expenses. Financial impact will depend on the contractual terms. In a longer timeframe, we see limited impact on infrastructure investments.

The Group had an equity ratio at year end at 37% and a cash position of NOK 154 million before the NOK 700 million capital increase. The capital situation of the Group is therefore strong up front of any impact. As a result of the coronavirus the NOK currency in March 2020 has significantly weakened against SEK and EUR. If this situation remain, consolidated revenues, expenses and net assets from Sweden and Finland will increase. Markets rates for NIBOR, STIBOR and EURIBOR will also be impacted.

NRC Group ASA accounts



Income statement / NRC Group ASA

1 January - 31 December 2019

All amounts in NOK million

	Note	2019	2018
Operating revenue	2	17	10
Salaries and personnel costs	3	34	28
Depreciation		1	0
Other operating and administrative expenses	4	32	17
Operating expenses		67	45
Operating profit/loss (-)		-51	-34
Financial income/expenses (-)	5	9	2
Net financial items		9	2
Profit/loss before tax		-41	-32
Tax expense (-)/ income	6	8	24
Net profit/loss (-) for the year		-33	-8
Allocation of profit/loss:			
Dividend		0	0
Transfer from share premium		-33	-8
Total allocations		-33	-8

Statement of financial position / NRC Group ASA

31 December 2019

All amounts in NOK million

ASSETS	Note	2019	2018
Intangible assets		3	3
Deferred tax asset	6	77	69
Total intangible assets		80	72
Plant, property and equipment		0	1
Shares in subsidiaries	7	1,746	990
Long-term intercompany receivables	8	938	107
Total financial assets		2,684	1,097
Total non-current assets		2,764	1,169
Other receivables	8/12	1,298	704
Cash and cash equivalents	9	143	339
Total current assets		1,442	1,044
TOTAL ASSETS		4,206	2,212

Statement of financial position / NRC Group ASA

31 December 2019

All amounts in NOK million

EQUITY AND LIABILITIES	Note	2019	2018
Paid-in capital:			
Share capital		54	44
Treasury shares		0	0
Share premium		1,626	1,006
Total equity	10	1,680	1,050
Interest-bearing liabilities		1,161	249
Total non-current liabilities	11/13	1,161	249
Interest-bearing liabilities	13	101	71
Intercompany payables	12	1,249	830
Public fees payable		3	2
Other current liabilities		12	10
Total current liabilities		1,365	913
Total liabilities		2,525	1,162
TOTAL EQUITY AND LIABILITIES		4,206	2,212

Lysaker, 17 March 2020

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Harald Arnet
Board member

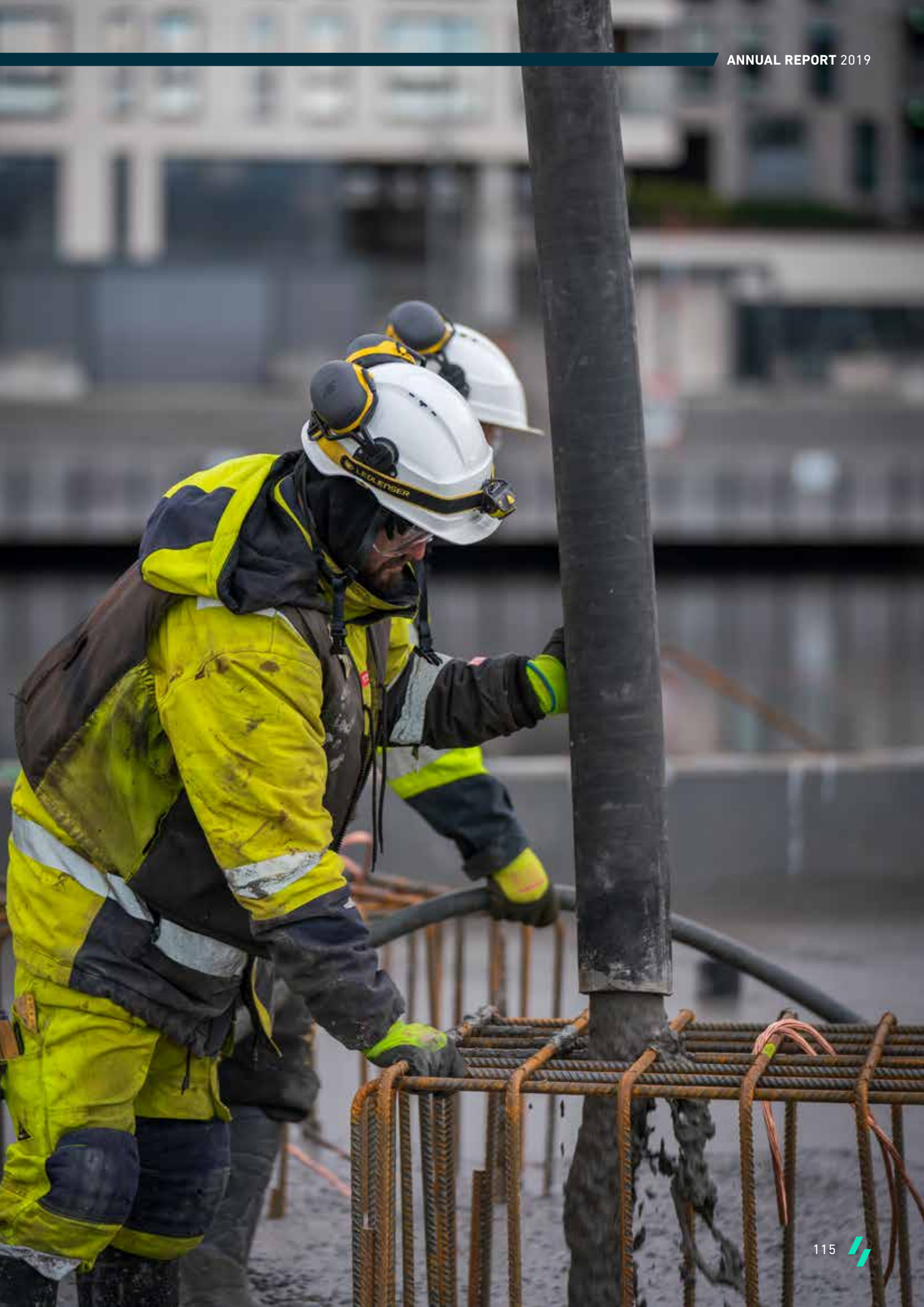
Kjersti Kanne
Board member

Mats Williamson
Board member

Rolf Jansson
Board member

Eva Nygren
Board member

Henning Olsen
CEO



Cash flow statement / NRC Group ASA

Indirect model (Amounts in NOK million)

	Note	2019	2018
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		-41	-32
Depreciation, amortisation and impairment		2	
Net financial items		-9	-2
Change in current receivables		-1	0
Change in trade payables		-1	2
Change in other accruals		34	2
Net cash flow from operating activities		-16	-30
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		-1	-3
Payments for acquisition of subsidiaries	12	-1,329	0
Other investments in subsidiaries		-5	-15
Repayment from subsidiaries		82	152
Net effect of cash-pool	12	172	-171
Other long-term investments		0	5
Net cash flow from investing activities		-1,081	-32
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		4	0
Proceeds from sale of treasury shares		7	0
Proceeds from borrowings		2,006	145
Repayment of borrowings		-1,077	-49
Acquisition of treasury shares		-12	-3
Net interest paid		-27	2
Dividend paid	10	0	-73
Net cash flow from financing activities		901	22
Net change in cash and cash equivalents		-196	-40
Cash and cash equivalents as at 1 January		339	379
Cash and cash equivalents as at 31 December	9	143	339

Notes to the ASA accounts



Note 1

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% (2018: 22%) 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 tax losses carried forward and net 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.

Changes in accounting policies:

Cash flow statement

Upon the new acquisition financing in 2019 and the bond issue in September, the financing activities of the Company have increased significantly. In 2018, the interest expenses were considered as part of profit before tax, and differences between interest expense and interest paid were included in "Change in working capital and other accruals". To better reflect the underlying activities in the cash flow statement, the interests paid have been reclassified from operating activities and presented under a separate line under financing activities. Interests received are immaterial and therefore interests are presented net. Comparable numbers from prior periods have been restated such as:

Amounts in NOK million	2019	2018
Net financial items	-9	-2
Change in working capital and other accruals	36	4
Net cash flow from operating activities	27	2
Net interest paid	-27	2
Net cash flow from financing activities	-27	-2
Net change in cash and cash equivalents	0	0

Note 2

Revenue

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

<i>Amounts in NOK million</i>	2019	2018
Norway	6	6
Sweden	5	4
Finland	6	0
Total operating revenue	17	10

Note 3

Salaries and personnel costs

<i>Amounts in NOK million</i>	2019	2018
Salaries	27	20
Social security tax	4	4
Pension costs	2	2
Other personnel costs	1	2
Total	34	28

The full-time equivalent employees' number for 2019 was 13 (2018: 11). 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 4

Other operating and administrative expenses

<i>Amounts in NOK million</i>	2019	2018
Rent and other office expenses	3	3
External services	15	6
Merger and acquisition expenses	8	4
Other operating and administrative expenses	5	4
Total	32	17

Compensation to auditors

<i>Amounts in NOK million</i>	2019	2018
Statutory audit	0.7	0.9
Other assurance engagements	0.0	0.5
Tax related services	0.1	0.0
Other services	0.0	0.0
Total excluding VAT	0.8	1.4

Note 5

Financial income and expenses

<i>Amounts in NOK million</i>	2019	2018
Interest income from subsidiaries	56	10
Other interest income	2	1
Currency gain	24	4
Total financial income	82	15
Interest cost to subsidiaries	5	2
Other interest and financial expenses	59	7
Currency loss	9	4
Total financial expenses	73	13

Note 6

Tax

Amounts in NOK million	2019	2018
Tax expense:		
Tax payable	0	0
Change in deferred tax	8	24
Total tax expense (-) / income	8	24
Result before tax	-41	-32
Change in temporary differences	1	1
Permanent differences	5	1
Basis for tax payable for the year	-35	-29
Tax payable	0	0
Temporary differences between tax and book values and tax losses carried forward		
Tax losses carried forward	-348	-313
Other differences	0	1
Net	-348	-312
Unrecognised tax benefit basis	0	0
Basis for deferred tax	-348	-312
Net deferred tax (-)/ tax asset	77	69
Tax rate	22%	22%

Note 7

Subsidiaries

Name	Place of business	Ownership	Book value
NRC Group Holding AS	Oslo	100%	1,746

See also note 28 in the Group accounts.

Note 8

Non-current and current receivables

<i>Amounts in NOK million</i>	2019	2018
Non-current receivables subsidiaries (note 12)	938	107
Total non-current receivables	938	107
Receivables subsidiaries (note 12)	1,297	698
Other current receivables	1	5
Total current receivables	1,298	704

Note 9

Cash and cash equivalents

<i>Amounts in NOK million</i>	2019	2018
Cash and bank deposits	143	338
Restricted bank deposits	0	1
Total	143	339

Cash include the net deposit in the Group cash pool owned by NRC Group ASA. See further information in note 12.

Note 10

Equity

<i>Amounts in NOK million</i>	Share capital	Treasury shares	Share premium	Total equity
Equity as at 31 December 2017	42	0	873	915
Profit/loss for the year			-8	-8
Increase in 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
Profit/loss for the year			-33	-33
Increase share capital	10		656	666
Costs related to capital increase			-3	-3
Employee share programme ¹⁾			11	11
Share-based payments			1	1
Treasury share transactions ¹⁾		0	-12	-12
Equity as at 31 December 2019	54	0	1,626	1,680

¹⁾ The Company has in 2019 acquired 200,000 treasury shares in the market and sold 187,275 treasury shares to employees as part of the employee share programme.
Reference is also made to note 17 Share capital and shareholder information in the consolidated accounts.

Note 11

Pledged assets and security

Bank loans amounting to NOK 662 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries amounting to NOK 2,000 million (book value NOK 1,746 million), Group receivables, Group inventory and Group operating equipment amounting to NOK 500 million per entity and material intra-group loans amounting to NOK 2,000 million (book value NOK 1,303 million). Total book value of receivables and inventory amounts to NOK 1,493 million in the Group 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 1,303 million at year-end consisting of a SEK 112.5 million loan with an interest at STIBOR + 2.5%, EUR 68.3 million loans with an interest at EURIBOR + 2.9% and EUR 27.5 million loans with an interest at EURIBOR + 3.1% (see note 5 and 8), 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 143 million, including a total receivable from Group companies of NOK 921 million and a liability to Group companies of NOK 1,248 million (see note 8 and 9).

NRC Group ASA has agreements with Board members for consultancy services related to certain internal projects such as acquisitions and management recruitment. The agreements are based on hourly rates, are carried out on arm's length terms and total expense amounted to NOK 0.5 million for 2019. Currently, there exists agreements with Visento AS, Hermia AS and Mats Williamson. The Chairman of the Board, Helge Midttun, is the owner of Visento AS. The Board member Harald Arnet is the majority owner of Hermia AS. Except for this, no significant related party transactions exist. All related party transactions are carried out on arm's length terms.

Note 13

Interest-bearing liabilities

Amounts in NOK million

Interest-bearing non-current liabilities:	2019	2018
Bond debt	600	0
Other loans and borrowings	561	249
Total interest-bearing non-current liabilities	1,161	249
Current interest-bearing liabilities:		
Loans and borrowings	101	71
Other current interest-bearing liabilities	101	71

Statement by the Board of Directors and CEO

We confirm that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2019 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.

Lysaker, 17 March 2020

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Kjersti Kanne
Board member

Harald Arnet
Board member

Mats Williamson
Board member

Rolf Jansson
Board member

Eva Nygren
Board member

Henning Olsen
CEO



Statsautoriserte revisorer
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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 2019, 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 2019, 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 2019, 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 2019 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 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Penneo Dokumentnøkkel: 7A6OI-UA0V5-BYVKE-EI0QB-SWW5O-E3YAZ



Business combinations and related purchase price allocations (PPA)

During 2019 the Group has finalized the acquisition of VR Track Oy as disclosed in Note 2. The acquisition was completed January 7th, 2019 and was accounted for as business combinations in accordance with IFRS 3. The purchase price was allocated between fair value of identifiable assets and liabilities and consideration in excess of fair value of net identifiable assets and liabilities was recognized as goodwill. Net identifiable assets and liabilities amounts to NOK 435 million whereas NOK 1 592 million is recognized as goodwill, equal to a total estimated net settlement of NOK 2 027 million. Independent valuations specialists were engaged by the Group to support management with the purchase price allocations.

The valuation and identification of net identifiable 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 transaction and the significant judgments and assumptions involved in the valuation and identification of the net identifiable assets and liabilities as part of the completed acquisition of VR Track Oy.

As part of our audit procedures, we obtained an understanding of the valuation process and the valuation methods used, including involvement of our internal valuation specialists. We further reviewed the share purchase agreement, 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 net identifiable 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 1.2 Significant accounting principles, note 1.3 Material accounting judgements, estimates and assumptions and note 2 Business combinations to the 2019 consolidated financial statements.

Impairment of goodwill

As at December 31, 2019 the group had a balance of goodwill of NOK 2 611 million. Recognized goodwill has increased significantly compared to last year due to an acquisition completed in 2019.

Management tests whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 1. The recoverable amounts of cash generating units ("CGUs") have been determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on future prognosis approved by the management and the board of directors. Due to the significant increase in book value of goodwill, the negative operating profit in 2019, and significant judgments involved in the assessment of impairment of goodwill, this area was considered to be a key audit matter. The significant judgement involves an assessment of revenue growth rates, EBITA margins, operating margins and discount rates applied to the estimates of the recoverable amount. Changes in these assumptions may impact the recoverable amount of goodwill. Management concluded that the goodwill was not impaired.

We performed the following procedures to assess the reasonableness of the key assumptions including discount rates, revenue growth rates, EBITA margins and operating margins applied by management in the impairment assessment of goodwill based on value-in-use calculations:

- ▶ Involved our internal valuation experts to evaluate the valuation methodologies and assess the reasonableness of the discount rates in the impairment assessment applied by management and benchmarked the discount rates applied to other comparable companies in the same industry;
- ▶ Conducted sensitivity and multiple analysis with benchmarks against research reports from analysts;
- ▶ Agreed the input data used by management to supporting evidence such as actual results, future prognosis approved by the management and the board of directors and order backlogs
- ▶ Assessed the reasonableness of key assumptions applied in future prognosis such as revenue growth rates, EBITA margins and operating margins applied by management by comparing the



current year actual results with the prior year forecast to assess the reasonableness of management forecasts

We also evaluated the presentation of the Group's disclosures in note 1.2 Significant accounting principles, note 1.3 Material accounting judgements, estimates and assumptions and note 12 Intangible assets to the consolidated financial statements

Revenue recognition in the contractor business

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 1.2 Significant accounting principles, note 1.3 Material accounting judgements, estimates and assumptions and note 4 Revenues and projects in progress 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;
- ▶ 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, 17 March 2020
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

Penneo Dokumentnøkkel: 7A6OI-UA0V5-BYVKE-EI0QB-SWW5O-E3YAZ

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. The Group believes that APMs such as EBITA* and EBITDA* (excluding other income and expenses) are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation on fixed assets, amortisation on intangible assets and M&A expenses, which can vary significantly, depending upon accounting methods (in particular when acquisitions have occurred) or based on non-operating factors. Accordingly, the Group discloses these APMs to permit a more complete and comprehensive analysis of its underlying operating performance relative to other companies and across periods, and of the Group's ability to service its debt. Because companies may calculate EBITA and EBITDA, and EBITA and EBITDA margin differently, the Company's presentation of these APMs may not be comparable to similar titled measures used by other companies.

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 on intangible assets, including intangible assets such as customer relations and order backlog accounted for as part of the purchase price allocation under business combinations.

EBITA %

EBITA in relation to operating revenues.

EBITDA

EBITA plus depreciations on fixed assets and right-to-use assets.

EBITDA %

EBITDA in relation to operating revenues.

EBIT*, EBITA* AND EBITDA* (EX M&A)

EBIT, EBITA and EBITDA plus other income and expenses.

EBITDA* (EX M&A) %

EBITDA ex M&A 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.

OTHER INCOME AND EXPENSES

Other income and expenses consist of M&A expenses and any subsequent adjustment of contingent considerations in business combinations recognised in profit or loss.

ORDER BACKLOG

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

ORDER INTAKE

Total nominal value of orders received.

ORGANIC GROWTH

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

Reconciliation of EBIT*, EBITA* and EBITDA* (ex M&A):

All amounts in NOK million

	FY 2019	FY 2018
Operating profit/loss (EBIT)	-105	1
Other income and expenses	91	28
EBIT*	-15	29
Amortisation	70	28
EBITA*	55	57
Depreciation	212	75
EBITDA*	267	132

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