Annual Report 2020

NRC Group

Content

Key figures

(Amounts in NOK million)

	2020	2019
INCOME STATEMENT		
Revenue	6,449	6,193
EBITDA*	264	267
EBITA*	50	55
EBIT*	-8	-15
EBITA* (%)	0.8 %	0.9 %
Employees	1,975	2,070
Order backlog	6,475	7,151
Cash flow from operating activities (continuing operations)	312	-38
BALANCE SHEET		
Non-current assets	3,852	3,621
Cash and cash equivalents	610	154
Other current assets	1,404	1,648
Equity	2,731	2,033
Non-current liabilities	1,489	1,534
Current liabilities	1,647	1,856
Net debt	1,158	1,633
Equity ratio	47 %	37 %

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

Building a sustainable company

The Covid-19 pandemic affected our way of living and the way we work in 2020, and I want to thank our employees who rapidly adapted to a challenging situation. Health, safety and environment will always be our number one priority, and our collective effort as a team enabled us to continue safe operations during the year.

CHIEF EXECUTIVE OFFICER
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).

We made good progress on our organisational development, internal processes, and cost reduction to build a more flexible cost base. Even though we achieved many operational goals, we did not reach our profitability target for 2020. This was mainly due to weak margins in the demolition- and recycling business, low activity in Civil Norway, and too few projects won in a very competitive market in Sweden. Overcapacity during first half of the year in Finland led to higher production overhead costs. Summing up, these factors generated unsatisfactory results for 2020 and lowered our 2021 expectations.

BUILDING A STRONGER PLATFORM FOR FUTURE GROWTH

Our improvement programs are taking effect across the organisation and we see the results in more robust processes and in financial performance at project level. We are winning the right projects at the right price, supported by a structured and disciplined tendering process, and the quality of our orderbook is improving.

I would like to highlight the strategic importance of the maintenance contract we won in Finland during the year, which confirmed our competitiveness and strong position in this important market. In late 2020, we also won a sizeable contract for rehabilitation of Nittedal railway station in Norway. This is a project that fully leverages our combined capabilities in civil works and rail services. We also won contracts for demolition, remediation and mass removal on the new Fornebubanen metro line in Oslo, which is one of the largest sustainable infrastructure projects in Norway in the coming years. In Sweden, The Swedish Transport Administration, appointed us a contract of SEK 149 million for catenary work on the railway connections Österås-Bispgården, Ramsjö-Ljusdal and Storvik-Gävle.

BUILDING OPPORTUNITIES FOR THE FUTURE

As a Nordic leader in sustainable infrastructure, we take great pride in building environmentally friendly solutions to connect people and cities. The light rail projects in Finland and Fornebubanen in Norway are great examples of how NRC Group's services contribute to efficient transports, reduced emissions and a more sustainable society.

We are always mindful of how we conduct our operations. NRC Group has experience from executing low emission projects and have established a leading market position within environmental services for the construction industry in Norway. In order for us to deliver the solutions for tomorrow, we also recognise that we need to be transparent on how we conduct our operations and minimise our own footprint when building zero-emission infrastructure such as railroads, tramlines or electric ferry ports.

During the year we decided to better identify how we can help address the climate challenge, and the commercial opportunities this creates for NRC Group. We identified material topics and completed a climate risk analysis, to strengthen our ability to build environmentally friendly solutions connecting people and cities. For us to deliver sustainable solutions for tomorrow, we recognise our responsibility to minimise NRC Group's impact on the external environment. We will present our material topics and how we work with them, climate accounting and GRI standard reporting in a separate sustainability report.

Our ambition is to make a positive impact for all our stakeholders, and we believe an integrated framework for handling environmental, social and governance factors will support our external brand recognition, tendering processes, project execution and talent recruitment for long-term value creation.

LONG-TERM AMBITION STANDS FIRM

A year ago, we presented our 'Tomorrow in the making' - strategy, positioning us for strong growth in the infrastructure markets across Norway, Sweden and Finland. We also presented long-term ambitions of NOK 10 billion in revenue and 7% EBITA margin in 2024.

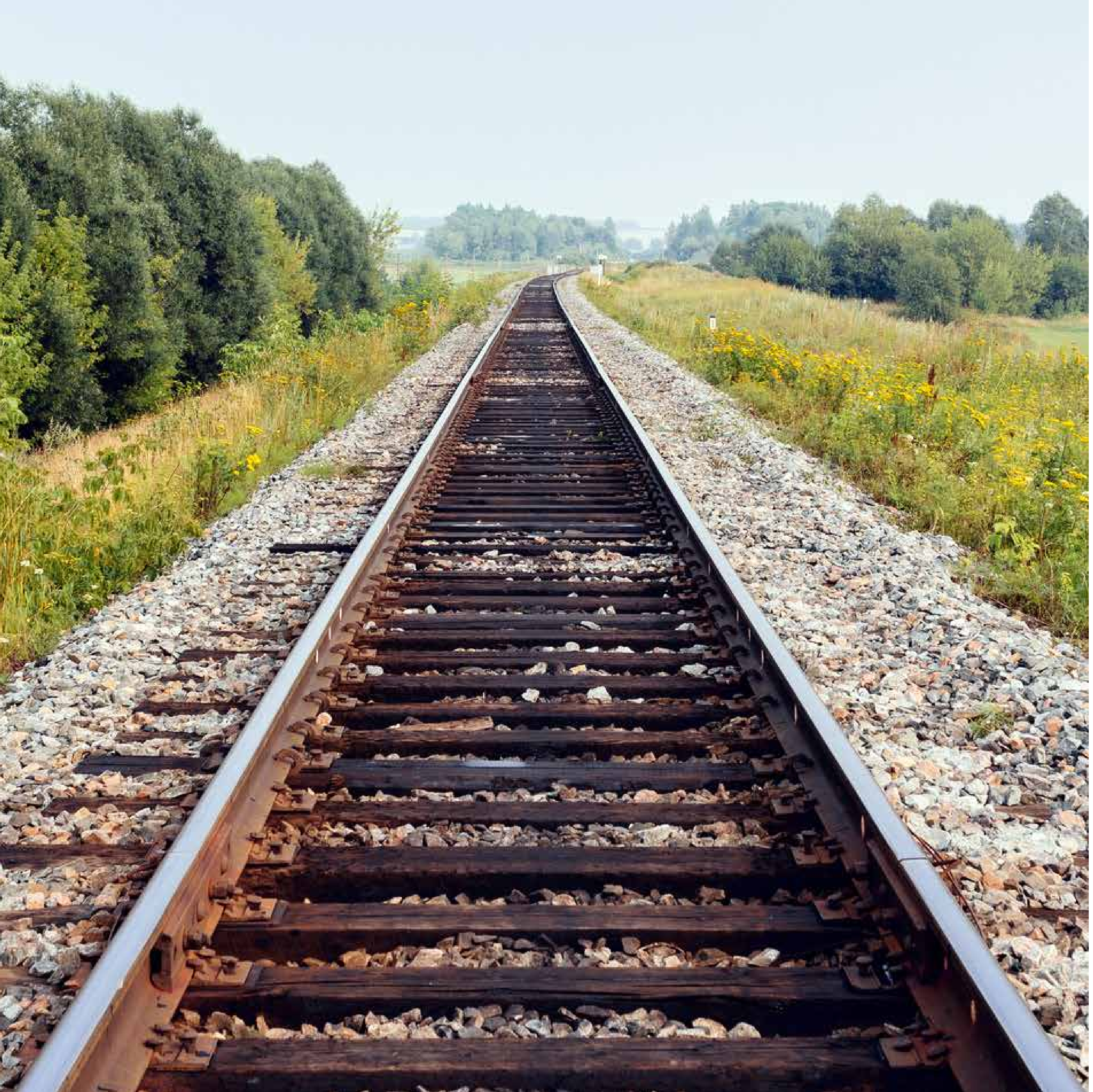
These ambitions remain intact. Lower results than expected in 2020, give us less time, still I'm confident that we are building an even stronger foundation for the company. Our improvement programs show good progress and significant results. We firmly believe that our ambitions are at the right level.

The long-term outlook for sustainable infrastructure investments remains strong across the Nordics, which is confirmed in the public budgets in Norway, Sweden and Finland. We are fully committed to establishing the position as the most profitable sustainable infrastructure provider in these markets and continue to see growth opportunities in all our segments.

Lysaker, 15 March 2021

Henning Olsen
CEO

Company introduction



Built on a deep understanding of life in the Nordics, NRC Group creates sustainable ways for people and cities to connect. By developing infrastructure that goes beyond the demands of today, the company builds opportunities for tomorrow. The Group has experienced strong growth since its inception in 2011 and is today the largest Nordic entrepreneur within railway infrastructure.

NRC Group provides 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. A unique set of capabilities and services from planning and project management to construction and maintenance is provided to build complex infrastructure.

Access to high-quality sustainable infrastructure solutions with low carbon footprint enabling safe and efficient transport solutions is increasingly important. NRC Group is positioning itself to be the sustainable service-provider of choice and aims to be a Nordic leader with clear strategic priorities to restore profitability and drive growth with a 2024 ambition of NOK 10 billion of revenue and 7% EBITA margin. Through operational improvements, the company will capitalise on the leading Nordic position and a strong market outlook.

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 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 population growth and urbanisation trends, and environmental challenges will add to already increasing maintenance backlogs. These factors are leading to increasing budget allocations to infrastructure investments across the Nordic region.

We build innovative infrastructure for a sustainable future.

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 have a strong commercial mindset and always search for better solutions.

Group structure and presence

NRC Group's head office is at Lysaker near Oslo, Norway. The Group has three operating segments, NRC Group Norway, NRC Group Sweden, and NRC Group Finland. In 2020, the Swedish operations generated 27% of Group revenue (25% in 2019), the Finnish operations generated 44% (38%), and the Norwegian operation represented the remaining 29% (37%).

Considerate, dynamic and entrepreneurial in spirit, we provide a unique environment for people to thrive and gain competence.

Oslo Head office

NRC Group Norway is responsible for operations in Norway and has branch offices in the Eastern and Southern parts of Norway.

In 2020, there were three operating divisions in Norway:

- Civil construction
- Rail construction
- Environment

Stockholm Country head office

NRC Group Sweden is responsible for operations in Sweden and has its head office in Stockholm and branch office in Karlstad.

In 2020, there were three operating divisions in Sweden:

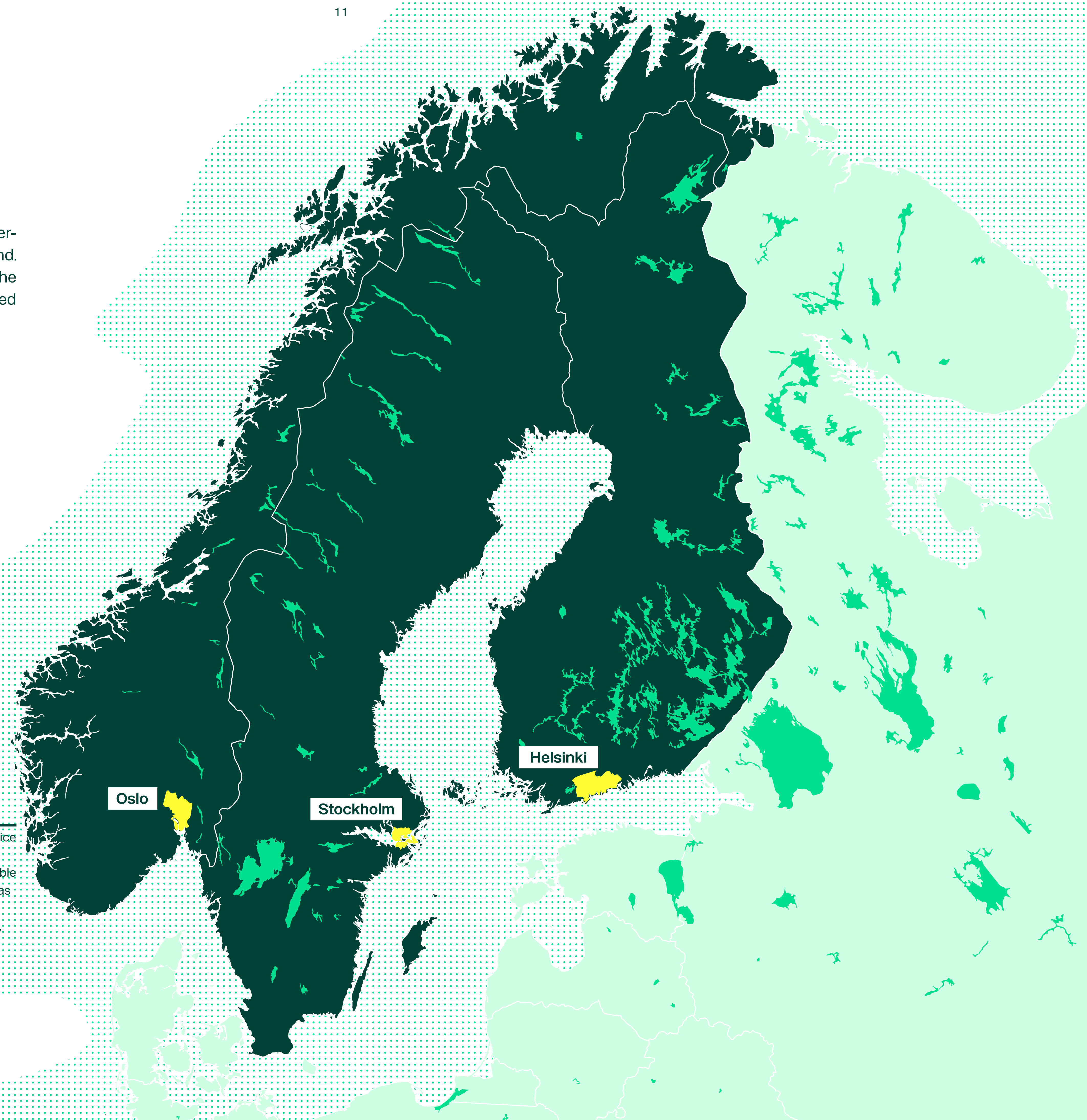
- Civil construction
- Rail construction
- Rail maintenance

Helsinki Country head office

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

In 2020, there were three operating divisions in Finland:

- Rail construction
- Rail maintenance
- Materials



Operations

NRC Group is a fully integrated infrastructure contractor 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.

Rail construction

NRC Group holds all necessary approvals to work within the train, tram/light rail and metro segments including electrical installations with specialist capabilities across the entire rail value chain. 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

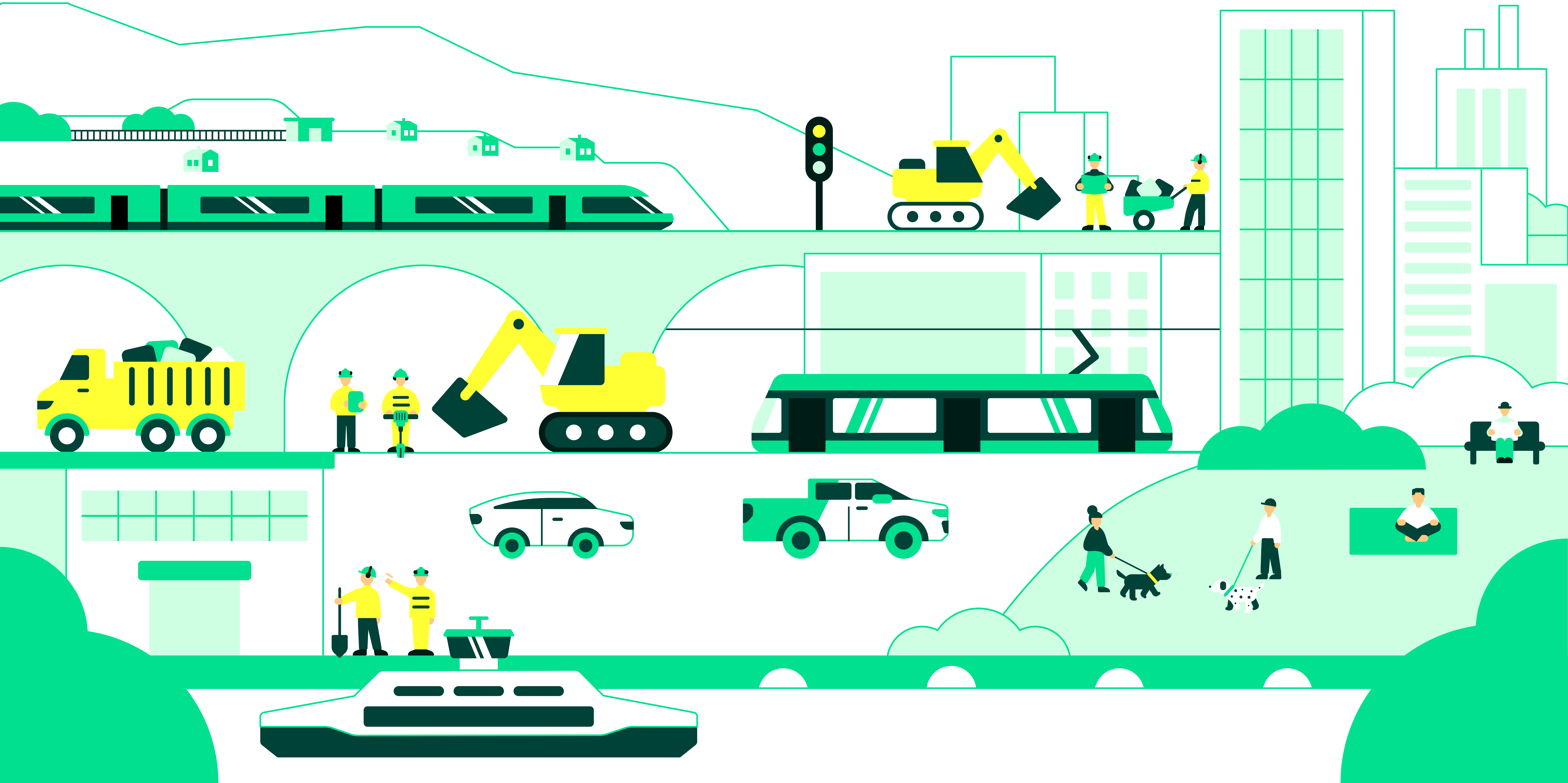
NRC Group in Norway and Sweden has established separate organisations specialising in civil construction. These include concrete works, installation and construction of steel structures, road- and groundworks, water and wastewater work, and landscaping. The services support development of transport infrastructure, 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 essential for the projects the Group executes on and an integrated 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. NRC Group provides services within transport, mass handling, demolition and recycling, water and sewage services as well as environmental management and mapping.

Tomorrow in the making



Sustainable infrastructure – because tomorrow matters

Tampere Tramway – a sustainable city on rails

Traffic and transport are important in terms of climate impact. In Tampere, Finland, traffic generates over 25 % of the total emissions in the city, and therefore public transport as sustainable mobility plays a major role to becoming carbon neutral by 2030. An efficient public transport will support the population growth and achieve a denser urban structure. The new light rail lines in Tampere, will cover areas in which the public transport network is the most congested and it will also extend to the major new development areas of the city.

The alliance with NRC Group Finland, Sweco Finland and YIT, was appointed to the first phase of a contract by the City of Tampere and Tampere Tramway Ltd in 2016, with a contract value of EUR 114 million for NRC Group Finland. The first phase is soon ending, and the commercial traffic of Tampere Tramway will open from August 2021.

Since 2017, the alliance has been responsible to carry out the groundwork and substructure for sewerage, cabling, bridges, retaining walls, rail installation, pavement structures, sett paving, roundabouts, footpaths and built 23 tram stops. The alliance has built nine bridges, including 250-meter long Vacker bridge and constructed a depo for 26 tram cars, including a power supply station, office locations and a building for maintenance. Most of the 250 000m3 of masses from the depo area have been reused for the embankments on the lot. In August 2021, 15km of light rails can be opened for commercial traffic.

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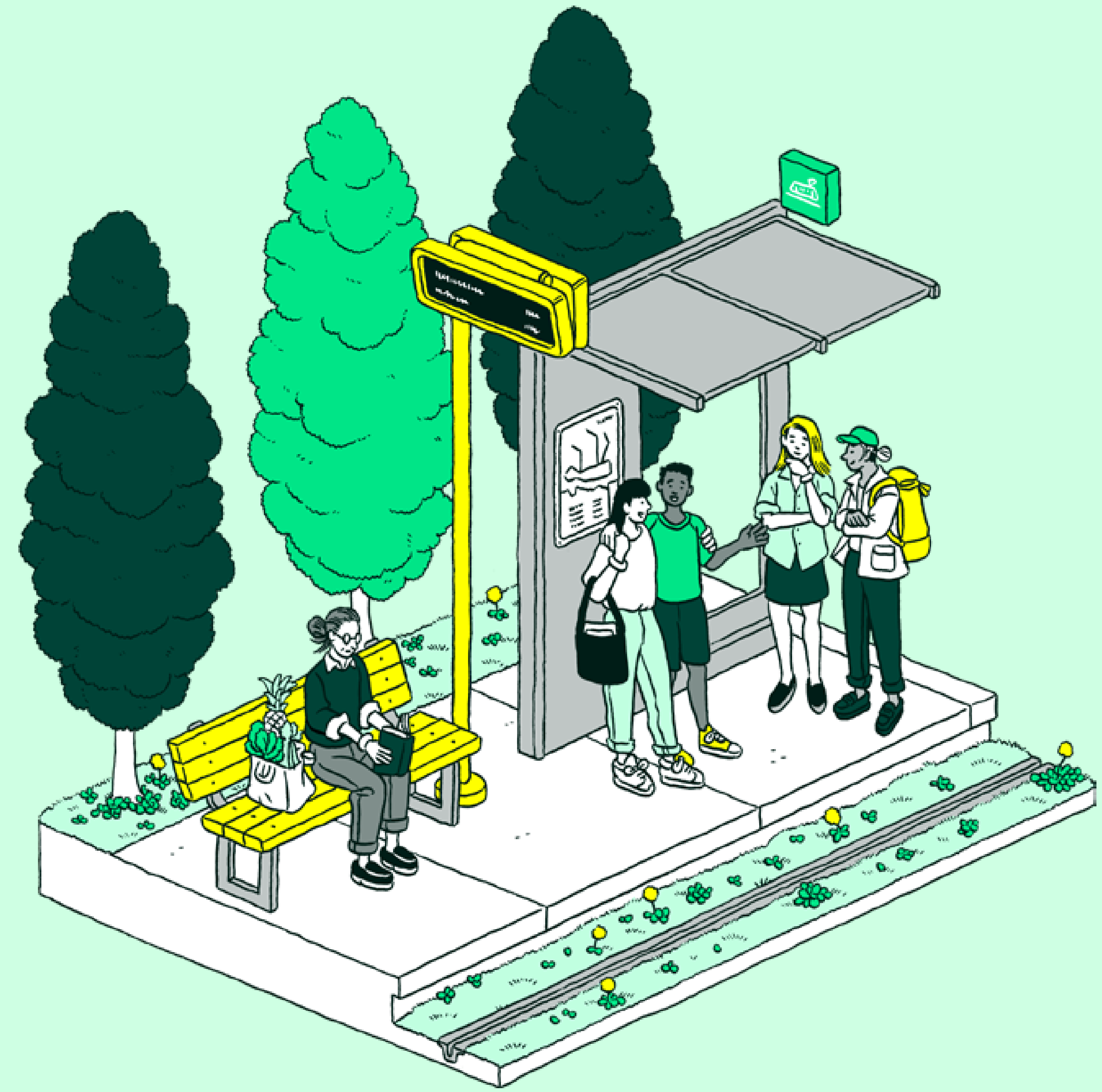


Key projects

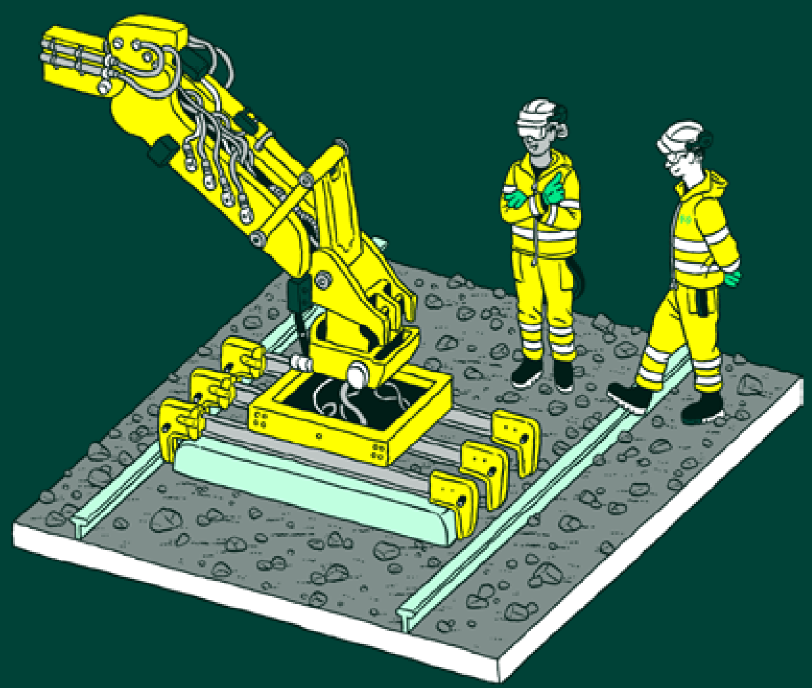
NRC Group creates and maintains sustainable infrastructure, including rail-based systems, harbours and roads and helps promote greener, safer and more efficient transportation of people and goods.

Examples of major projects awarded in 2020:

Railway Maintenance, Finland

Multi-year railway maintenance contract in Northern Finland. The maintenance area ranges from Kokkola and Äänekoski in the south up to Oulu, Kontiomäki and Vartius in the north. NRC Group Finland will be responsible for preventive maintenance and corrective measures on the track lines, and the contract will include rail services such as track and signalling.The contract is valued at approximately EUR 16.1 million.

Start	November 2020
Completion	June 2024
Client	Finnish Transportation Infrastructure Agency (FTIA)

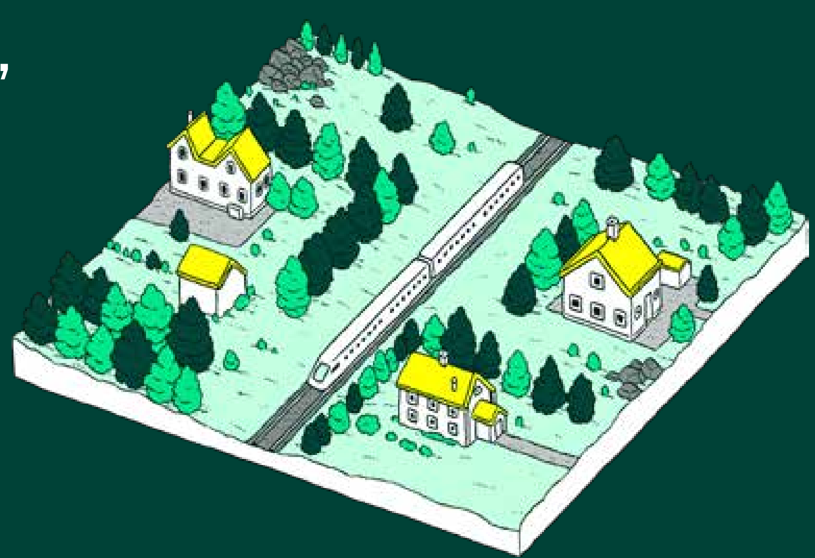


Railway Nittedal Station, Norway

Multidisciplinary contract with deliverables from Rail construction and Civil construction. Contract for the rehabilitation and upgrading of Nittedal railway station. The work involves services such as ground-work, track, electro and signal/telecom. The project will increase the quality and track capacity to ensure long-term reliability on the Gjøvikbanen railway line northeast of Oslo. The contract is valued at approxi-mately NOK 220 million.

Start	December 2020
Completion	August 2022
Client	Bane NOR

Railway Avesta-Hedmora, Sweden



Multidisciplinary contract involving specialist rail services and groundworks. The contract covers 21 km of railway and will improve stand-ard and regularity on Sweden's Dalbanan line. NRC Group executed track renewal work on the railway connection between Avesta and Hedemora in Sweden, involving groundwork, track, electro and signal/telecom. The contract is valued at approximately SEK 100 million.

Start	March 2020
Completion	Late 2020
Client	The Swedish Transport Administration

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 a significant and growing maintenance deficit in the public railroad, tramway and metro systems following years of underinvestment.

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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 Infrastructure 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 plans 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.

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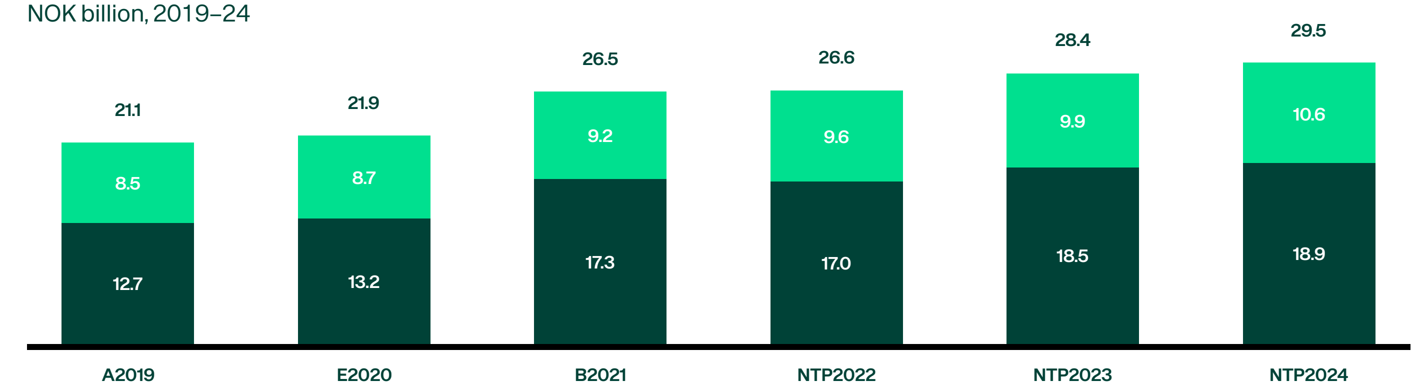
The Norwegian market is expected to grow by approximately 7% annually in the 2020-2024 period. The 2021 national budget confirmed broad political support to improve the national railway system with NOK 26.5 billion allocated to the railway sector in 2021, up close to 20% from the revised 2020 budget. This includes an increase of NOK 4.6 billion to rail investment projects and a NOK 500 million increase to maintenance and renewal spending. The increase in investment projects is mainly targeted towards InterCity projects already awarded. The maintenance backlog is expected to increase further to NOK 23 billion at the end of 2021, as renewal and maintenance spending of NOK 3.5 billion yearly are required to offset actual wear on existing infrastructure.

Norway[1]

NOK billion, 2019–24



Operations, maintenance and renewal
Investment and investment planning

1) Norway: Proposed National budget 2021, National Railway Directorate NTP filings. Maintenance figures include Bane NOR operations and renewal, partly addressable. Excluding tram and metro. NTP: National Transportation Plan 2018–2029

The Swedish market is expected to grow by approximately 5% per year for the 2020-2024 period. The Swedish national budget for rail investments and maintenance spending in 2021 is SEK 30.4 billion, with a SEK 2.9 billion increase allocated to investment projects. Most of the increase is targeted to already on-going projects. The Government has also decided a yearly increase in maintenance spending of SEK 500 million to keep up with the maintenance backlog. In 2022, new investments and maintenance spending are expected to remain at the same high level as in 2021 after two year with strong growth. 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.

Sweden[1]

SEK billion, 2019–24

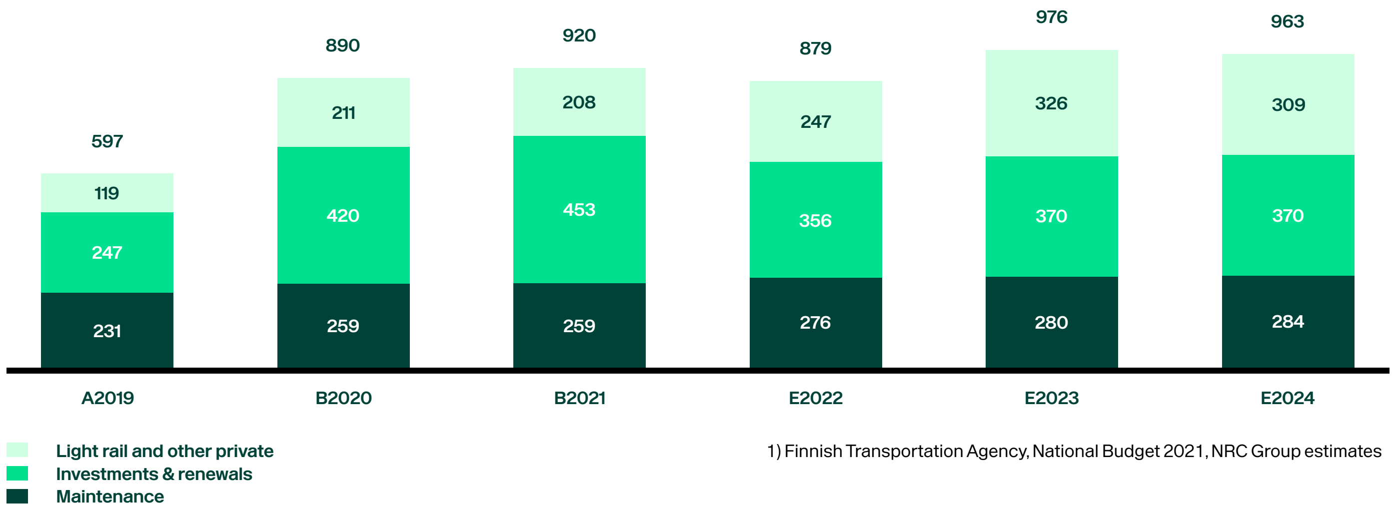
Investments
Maintenance, renewals and operation

1) Sweden: National budget 2021 with estimated for 2022–23, Swedish Transport Administration estimates for 2024 excluding estimated railroad tax; Maintenance is including renewal/reinvestements. Excluding tram and metro

In Finland, the market is expected to grow by approximately 10% per year in the 2020-2024 period. The addressable market is estimated at EUR 920 million in 2021, up 3% from the 2020 estimated level, which was a year with nearly 50% increase in funding. One of the main drivers for the growth is light rail projects, where NRC Group is already part of the projects in the market, and high renewal and reinvestment activity. The Maintenance segment is expected to be stable in 2021.

Finland[1]

EUR million, 2019–24



1) Finnish Transportation Agency, National Budget 2021, 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. Finland will most likely present its first 12-year National Transport Plan in 2021, expanding its planning cycles to address the same underlying factors to 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.

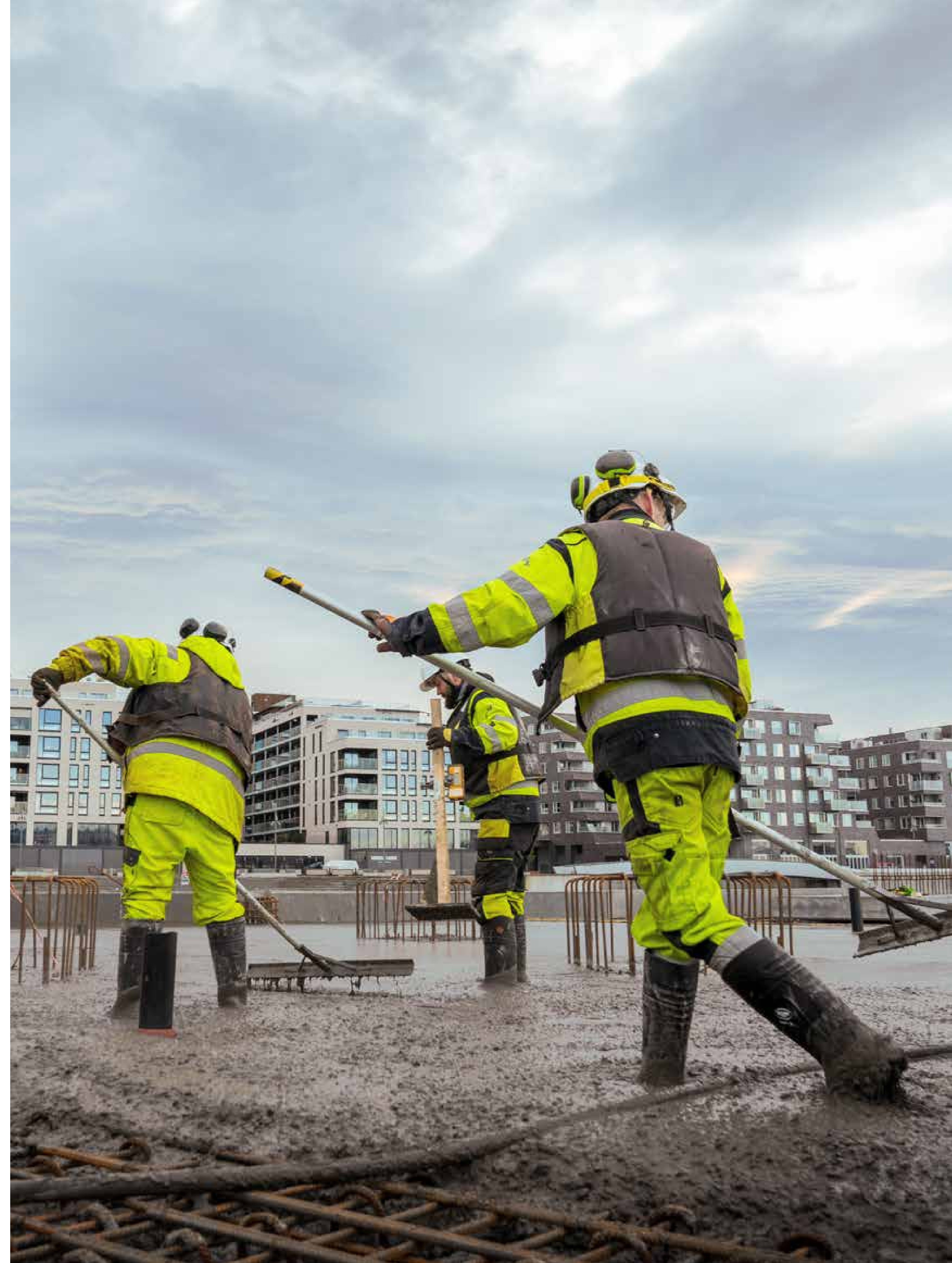
In Norway, several large rail development projects are planned or underway, including the Intercity development to improve connectivity between the major cities in the populous areas surrounding Oslo.

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 holds lead roles in the consortiums building a light rail system in Tampere and the Jokeri Light Rail between Helsinki and Espoo and is involved in the development phase as an alliance partner for a large project in Helsinki which is expected to be approved in second half of 2021.

The NTPs and local plans for investments in transport related infrastructure in Norway, Sweden and Finland, increasing maintenance backlog in all countries and strong demand for sustainable and environment friendly transport solutions, support expectations for continued long-term growth in NRC Group's main markets.



Management Team 2020

Henning Olsen
Chief Executive Officer (CEO)
NRC Group ASA

Henning Olsen joined NRC Group in May 2019 from the position as executive vice president in AF Gruppen, where he was 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. At year-end, Olsen held 62,773 shares and 10,000 share options in NRC Group.

Dag Fladby
Chief Financial Officer (CFO)
NRC Group ASA

Dag Fladby has a broad managerial background from different industries, including CFO at Holta Invest and Finance Director with the Norwegian Armed Forces Logistical Organisation (FLO), Chief Investment Director with Norwegian Property ASA and CEO and CFO with Scandinavian Beverage Group. Fladby has been CFO of the company since March 2016. At year-end, Fladby held 50,659 shares and 82,500 share options in NRC Group.

Robert Röder
EVP and Managing Director
NRC Group Sweden

Robert 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 EVP and Managing Director NRC Group Sweden since September 2019. At year-end, Röder held 30,000 shares and 3,125 share options in NRC Group.

Harri Lukkarinen
EVP and Managing Director
NRC Group Finland

Harri 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 EVP and Managing Director NRC Group Finland since January 2019. At year-end, Lukkarinen held 5,429 shares and 7,500 share options in NRC Group.

Arild Ingar Moe
EVP and Managing Director
NRC Group Norway

Arild Ingar Moe has more than 30 years' experience from the civil industry. Since 2009 he has been EVP for the Civil Construction division and a part of the executive management at AF Gruppen in Norway. Previous roles in AF Gruppen include leading the integration of the acquired construction company Ragnar Evensen and the position as Managing Director for this company, which later became AF Bygg Oslo. Moe has been EVP and Managing Director NRC Group Norway since November 2020. At year-end, Moe held 90,000 shares in the company.

Lene Engebretsen
EVP and Head of
Communications

Lene Engebretsen joined NRC Group in May 2020 from the position as Director for Internal Communications Europe in Cognizant. She has been responsible for strategic communications and change management lead for several large projects the last years. Her previous roles in Cognizant include Director of Business Relations and Head of Communications. Before joining Cognizant in 2016, she held positions as Head of Communications for different tech and media companies. At year-end, Engebretsen held 1,259 shares in NRC Group.

Mirka Nevala
EVP and Head of Strategy
and Business Development

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 Head of Strategy at NRC Group Finland. At year-end, Nevala held 670 shares in NRC Group.

2020 in brief

Building opportunities for the future

Access to high-quality sustainable infrastructure solutions with low carbon footprint is increasingly important as Nordic cities and populations grow. As an entrepreneur of environmentally friendly transport solutions, NRC Group takes pride in building a sustainable future for the generations to come.

To further strengthen the position as a Nordic leader in sustainable infrastructure, the company engaged with stakeholders and analysed the impacts of operations, to define material topics to be included in future reporting. A comprehensive sustainability report has been prepared in accordance with the GRI Standards – the world's most widely used sustainability reporting standard. The initial result of this commitment is presented in the first annual Sustainability Report, available on www.nrcroup.com.

Implementing improvement programs

A year ago, NRC Group presented its strategy update and long-term ambitions supported by targeted improvement programs, improving profitability and building the execution platform for future growth. These programs progressed according to plan with a positive impact for the entire organisation. This has resulted in more robust processes, reduced overhead costs and improved project execution. By prioritising profitability-over-growth supported by more comprehensive risk assessments and tender processes, the quality of the order backlog has also improved.

Sustainability Reporting

We deliver sustainable, low-carbon solutions that create value today and for future generations.

Sustainability is key to our vision. We deliver sustainable, low-carbon solutions that create value today and for future generations. We're always looking for ways to improve. Recognizing our responsibility, we're striving to make our operations environmentally, socially and economically sustainable.

A COMPREHENSIVE APPROACH TO SUSTAINABILITY REPORTING
In 2020, we engaged with our stakeholders and analysed the impacts of our operations. This helped us to determine which sustainability topics are the most material and to be included in our reporting. A comprehensive sustainability report has been prepared in accordance with the GRI Standards – the world's most widely used sustainability reporting standard.

OUR MATERIAL TOPICS
The following topics have been determined to be material for our 2020 sustainability report:

- Health and safety of our employees
- Climate and emissions
- Ethical business practices
- Employment
- Environmental safety and site management
- Sustainable supply chain.

A more detailed description of the materiality assessment process, including stakeholders engaged and topics raised, is included in the Sustainability Report.

A safe and secure workplace for our employees

Our number one priority is that all employees and partners shall return home safe and free of injuries every day. We work and focus on safety in all we do, in line with our policies for health, working environment and safety. All employees shall have a safe and secure working environment at NRC Group.

A COMPREHENSIVE APPROACH TO HEALTH AND SAFETY
All of NRC Group's countries operate a health and safety system that is certified to the ISO 45001 standard and is independently audited annually. Health and safety training starts at induction and continues throughout employment at NRC Group. We maintain a focus on learning from all incidents to enhance our knowledge and continuously upgrade our health and safety systems. Our ultimate goal is zero harm. Our approach includes supporting proactive health measures for our employees and building a single, strong health and safety culture throughout the organisation.

OUR INJURY FREQUENCY RATE DECREASED IN 2020
Our LTI-1 frequency (injuries resulting in absence at least one full day per million man-hours) decreased to 5.6 in 2020 from 6.0 in 2019. Subcontractors are included in the figures. Zero serious injuries were reported for the year (2019: 2). There were no fatal incidents in 2020. While it is pleasing to see a reduction in our lost time injury rate, our focus on health and safety remains uncompromising. We believe that all injuries are preventable, and we will continue to learn and implement changes to create a safe and healthy workplace for all. The sickness absence

rate was 4.8% in 2020, an increase from 3.5% in 2019, mainly due to COVID-19 regulations.

Building a low-carbon future

The past years have seen an increasing focus on the climate commitments of the Nordic countries in which we operate, and we recognise our responsibility to make our operations even more sustainable. At the same time investor and stakeholder expectations around greenhouse gas (GHG) emission reductions are becoming urgent and unified. A general agreement on the need for net zero GHG emissions by 2050 is being established, in an effort to limit global warming to less than two degrees Celsius. NRC Group is highly aware of these expectations and the likelihood of climate-related regulation. That is why, as a provider of services to build sustainable, low-carbon infrastructure solutions, NRC Group is positioning itself to be the sustainable service-provider of choice. Shifting our own business to a low-carbon operation is a key priority.

IDENTIFYING CLIMATE RISKS AND OPPORTUNITIES

In 2020, we undertook a review of our climate-related financial risks and followed the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. The review covered how we approach climate-related risks and opportunities from a governance, strategy and risk management perspective. It also includes the metrics and targets we use.

The past years have seen an increasing focus on the climate commitments of the Nordic countries in which we operate.

Additionally, it highlighted the need for group-wide management of climate risks, alongside establishing defined metrics and targets. Business development opportunities associated with increased long-term investment in low carbon transport solutions were analysed, as well as upgrades to existing infrastructure. More details from the climate risk review are included in our sustainability report that can be downloaded from www.nrcgroup.com.

WE HAVE ESTABLISHED A GHG EMISSIONS BASELINE

In 2020, we established a group-wide GHG emissions baseline, including scope 1, 2 and 3 emissions. Our total emissions were 13,274 tonnes of carbon dioxide equivalents (t CO2e). The majority of our GHG emissions are generated in scope 1 through

LTI-1 2020

5.6

2019: 6.0

Sickness absence 2020

4.8%

2019: 3.5%

the use of diesel fuels in our equipment. In order to reduce these emissions, we are investing in operational efficiencies and alternative, renewable energy sources where it is fit for purpose. In 2021, we will be establishing our GHG emission reduction targets, including investigating the use of the Science Based Targets methodology to guide our emissions reduction pathway. We will also be developing appropriate emission intensity factors to provide useful context in our GHG reporting.

Training and developing our people

NRC Group considers competence and knowledge development as important factors for building a shared company culture, as well as to attract and retain great people. We believe that by investing in our people we achieve a more skilled, loyal and effective work force. Our people's passion, dedication and expertise are essential for delivering high quality projects.

WE INVESTED OVER 40,000 HOURS OF TRAINING FOR OUR PEOPLE

In 2020, we delivered a wide range of training programs across the group, with more than 40,000 hours of training for our people. The NRC Academy is NRC Group's competence center with a clear focus on developing our peoples' capabilities at all levels in the organisation. The academy offers courses for all employees at different levels and offers courses in five core subject areas: HSEQ, Technical subjects, Law and Management, Economics and Leadership. The training includes E-learning, classroom-based or digital education experiences. During 2020, number of trainings on digital platforms increased and employees could join session from anywhere. NRC Group offers an extensive leadership program for all employees with management responsibility in each country of operation.

BUILDING DIVERSITY AND EQUAL OPPORTUNITY

We believe that diversity creates value. Being able to listen to and acknowledge different opinions, different backgrounds, experiences and perspectives, makes for more effective corporate decision-making. A diverse workforce leads to diversity in thinking - a key driver for innovation and growth. As of 31 December 2020, NRC Group employed 1,914 persons (2019: 2,070) of which 10.3% were female (2019: 7.2%). Female representation in the senior management team is 17% (2019: 28%) and 43% on NRC Group's Board of Directors (2019: 43%). In our efforts to build a diverse workforce we are focusing on our recruitment and internship programs. We are proactively promoting roles with diversity as a key selection criterion.

Ensuring ethical business practices

NRC Group's business success is built on a foundation of trust. We believe that our business behaviour should reflect the highest ethical standards. Our long-term relationships with our customers and suppliers are where we demonstrate our commitment to ethical business practice. Actively reviewing and maintaining these high standards, makes ethical business practice a material topic.

A COMPREHENSIVE ETHICS POLICY AND COMPLIANCE PROGRAMME

The business ethics programme at NRC Group focuses on priority ethics areas including transparency, anticorruption, anti-bribery, fair competition and supply chain integrity. Routines and systems for whistleblowing have been established in accordance with the Norwegian Working Environment Act. The Business Ethics and Code of Conduct Policy serves as NRC Group's primary governance document for ethical business practices. Since 2019, NRC Norway has been ISO 37001 certified, the internationally recognised ISO standard for anti-bribery management systems. An annual risk analysis is undertaken as part of the certification process. All managers have completed formal anti-corruption training.

> Our people's passion, dedication and expertise are essential for delivering high quality projects.

NRC GROUP'S WHISTLEBLOWING PROCESS

Whistleblowing reports are dealt with in accordance with NRC Group's formal whistleblowing process. Following a whistleblowing report, any investigations and actions are considered on a case-by-case basis. NRC Group will, as soon as possible upon receiving a whistleblowing report, draw up a draft action plan. The plan may include the initiation of internal investigations and an assessment of sanctions in accordance with labour law legislation. Three whistleblowing reports were received in 2020. The reports were followed up in accordance with NRC Group's formal whistleblowing process and the Business Ethics and Code of Conduct Policy.

Continually improving environmental performance

Environmental regulations, contract conditions for environmental management and stakeholder expectations around environmental performance are increasing. Our approach to environmental management is guided by our environmental policies, which state that:

- 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.

RESPONSIBLE SITE MANAGEMENT

Some of our most visible environmental impacts occur on our work sites. Impacts such as noise, dust, vibration, emissions, soil and vegetation removal are all regulated and specified in many of our project contracts. We are meeting and exceeding these environmental performance requirements, primarily through the implementation of NRC Group's environmental management system. Our Norwegian and Finnish operations are certified to ISO14001, the internationally recognised environmental management standard. No harmful spills were reported in 2020 or incidents regarding the handling of hazardous substances.

WE HAVE ESTABLISHED A WASTE BASELINE

In 2020, we established a waste baseline measurement using a standardised method across the group. Due to the nature of waste and recycling handling in our countries of operation, combined with our different business activities, waste and recycling figures may vary considerably. In 2020, the total waste generated was 22,750 tonnes, with a recycling rate of 91%. We will avoid approximately 2,200 tonnes of GHG emissions that would have been created by using new materials for the project.

CREATING A SUSTAINABLE SUPPLY CHAIN

We see our suppliers as key partners in our business. Their success contributes to our success. The Covid-19 pandemic has demonstrated that having a robust and resilient supply chain is crucial to maintaining business continuity. We approach the management of our supply chain in two ways. Firstly, we actively select suppliers that align with our vision and values. This means they meet our expectations and requirements for health and safety, environmental performance and other relevant factors. Secondly, we seek to build meaningful and long-term relationships with our suppliers. In doing so, we establish trustful working relationships where we can learn and grow successfully together.

Corporate governance report

The company's business is investment in, and operational management of, companies that provide services within transportation and infrastructure related work.

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 (or "Board") 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 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, instructions for the audit committee, instructions for the remuneration- and project committee, insider manuals, manual on disclosure of information, ethical guidelines and guidelines for corporate social responsibility. The company's corporate governance framework is subject to annual reviews and discussions by the Board of Directors.
In accordance with reporting requirements for stock exchange listed companies, the Board of Directors prepares a report on the company's corporate governance practices and how NRC Group has complied with the Code of Practice in the preceding year. This report is included in the annual report. In the company's own assessment, NRC Group did not deviate from any sections of the Code of Practice at year-end 2020.

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 provide 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 on 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 summary of the sustainability report "sustainability", included in the annual report. A separate Sustainability Report is available on the company's website.

3. EQUITY AND DIVIDENDS

Equity and capital structure

On 31 December 2020, the company's consolidated equity was NOK 2,731 million, which is equivalent to 47% of total assets. The Board of Directors considered the capital structure at year-end to be satisfactory in relation to the company's objectives, strategy and risk profile.

Dividend policy

NRC Group expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy comparable with peer groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks.

The Board of Directors at NRC Group has adopted a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. The Annual General Meeting (AGM) resolves the annual dividend, based on the proposal by the Board of Directors.

The Board of Directors will not propose to pay a dividend for 2020 based on the financial results for the year. NRC Group did not pay any dividend for 2019.

Board authorisations

At the AGM in 2020, three authorisations were granted to the Board of Directors:

- On 8 May 2019, the company's AGM approved an option program for key employees comprising a total of 600,000 shares over two years. At the AGM in 2020, the share option program was expanded by additional 200,000 shares to attract and retain more key employees than previous years. 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 800,000. The authorisation replaced the previous authorisation and is valid until 6 May 2022. On 31 December 2020, a total of 526,500 share options have been granted and 273,500 were available under the existing authorisation.
- The AGM on 6 May 2020 approved an authorisation to acquire treasury shares for up to a maximum nominal value of NOK 7,295,454.90. 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 and up until the AGM in the spring of 2021, but no later than 30 June 2021. During the year, NRC Group acquired 216,887 treasury shares under the authorisation to be used in connection with the company's 2020 Employee Share Program. On 31 December 2020, the Company held 26,842 treasury shares.
- The AGM approved a general authorisation to issue shares and to increase the share capital by a maximum of NOK 7,295,455. The authorisation covers both cash and non-cash considerations, including mergers. The authorisation is valid until the AGM in the spring of 2021, but no later than 30 June 2021. On 31 December 2020, the authorisation has not been used.

There was a separate vote on each of the three authorisations. For supplementary information, see notice and minutes of the AGM available from www.newsweb.no or the company's website.

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 2020, NRC Group executed a NOK 700 million private placement, where the shareholders' pre-emption rights were set aside by an existing board authorisation. For details, see stock exchange releases from February 2020.

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 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 2020 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 2020. 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. Extraordinary general meetings (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 ensures that the resolutions and supporting information distributed are sufficiently detailed, comprehensive and specific allowing shareholders to form a view on all matters to be considered at the meeting. The deadline for shareholders to give attendance notice is set as close to the date of the meeting as possible.

Participation and execution

As a general rule, the Board of Directors and the chairperson of the nomination committee are present at general meetings. The auditor attends the AGM and any EGM to the extent required by the agenda items or other relevant circumstances.

The chairperson of the Board chairs the general meetings, but the Board ensures 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.

On 6 May 2020, NRC Group held its AGM digitally, with 23.7 percent of the share capital represented. In addition, one EGM was held on 9 March in connection with the private placement, with 52.8 percent of the shares represented.

7. NOMINATION COMMITTEE

The nomination committee is governed by the articles of association section 10. The AGM on 6 May 2020 elected the following three members for the nomination committee: Kjell Forsén (as committee leader), Albert Collett (re-elected) and Lasse Olsen (new). The members are elected with a term of two years, until the company's AGM in 2022. All three 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 current instructions were revised in 2020 and approved by the AGM.

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. On 31 December 2020, the Board of Directors consisted of seven members (see table below). The chairperson of the Board has been elected by the general meeting. The board members are elected for a term of up to two years at a time and may be re-elected. At the AGM on 6 May 2020, Kjersti Kanne and Harald Arnet resigned from the Board, and David Christopher Montgomery and Tove Elisabeth Pettersen were elected as new Directors. The remaining five Directors were 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. Board members are encouraged to own shares in the company.

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 overall 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 meets at least 6 times per year. At least once a month, the CEO informs the Board about the company's activities, position and profit trend. In 2020, the Board held ten ordinary meetings and three extraordinary 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. There were no such cases in 2020.

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. On 31 December 2020, the audit committee consisted of Board members Brita Eilertsen, Rolf Jansson and Tove Elisabeth Pettersen, all 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
- Review and monitor the independence of the company's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

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

The remuneration committee

The company's remuneration committee is governed by a separate instruction adopted by the Board of Directors. The members of the remuneration committee are appointed by and among the members of the Board of Directors and shall be independent of the company's executive management. On 31 December 2020, the remuneration committee consisted of board members Helge Midttun and Eva Nygren.

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 has established a project committee for larger projects composed of two board members. On 31 December 2020, 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 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.

10. RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors assess the company's risks on an ongoing basis. Each year, as a minimum, the Board undertakes a thorough assessment of the significant parts of the Group's business and outlook, to identify potential risks and remedy all incidents 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 incoporate

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation Board meetings 2020	Shares in NRC (direct/ indirect) at 31.12.2020
Helge Midttun	Chair	Yes	02.12.2015	AGM 2022	100 %	110,000
Brita Eilertsen	Board member	Yes	28.05.2015	AGM 2022	100 %	0
Mats Williamson	Board member	Yes	01.07.2018	AGM 2022	92 %	0
Rolf Jansson	Board member	No	05.11.2018	AGM 2022	100 %	9,877,953[1]
Eva Nygren	Board member	Yes	05.11.2018	AGM 2022	100 %	1,000
David Montgomery	Board member	Yes	06.05.2020	AGM 2022	78 %	0
Tove Elisabeth Pettersen	Board member	Yes	06.05.2020	AGM 2022	100 %	0

[1] Mr Jansson is the president and CEO of VR Group, Finnish Railways, which represents the largest shareholders holding approximately 18% of the shares in NRC Group

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 2020, the implementation process continued, with 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. Implementation is an ongoing activity and NRC Group will ensure that the required resources are dedicated to these activities.

The Board of Directors' reporting routines

The Board of Directors seek to ensure that the company has sound internal control and systems for risk management, including with respect to the company's corporate values, ethical guidelines and guidelines for sustainability, 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 a summary of sustainability is 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 reflects 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, 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. There was one such assignment in 2020. See note 29 on transactions with related parties for more information.

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 percent of the gross annual salary, participation in share option program 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 Board of Directors' statement on determination of salaries and other benefits payable to senior executives was presented to and adopted by the AGM in 2020. 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 can be found in the AGM notice documents for 2016-2019, and details on the share option programme for key employees can be found in the AGM notice documents for 2020 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 of the 2020 annual report.

13. INFORMATION AND COMMUNICATIONS

NRC Group seeks to comply with Oslo Børs' IR recommendation, last revised 1 July 2019. The Board has adopted an investor relations policy, which clarifies roles and responsibilities related to financial reporting and regulates 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 shall also ensure that the shareholders have sufficient information and time to assess the offer. The Board 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.

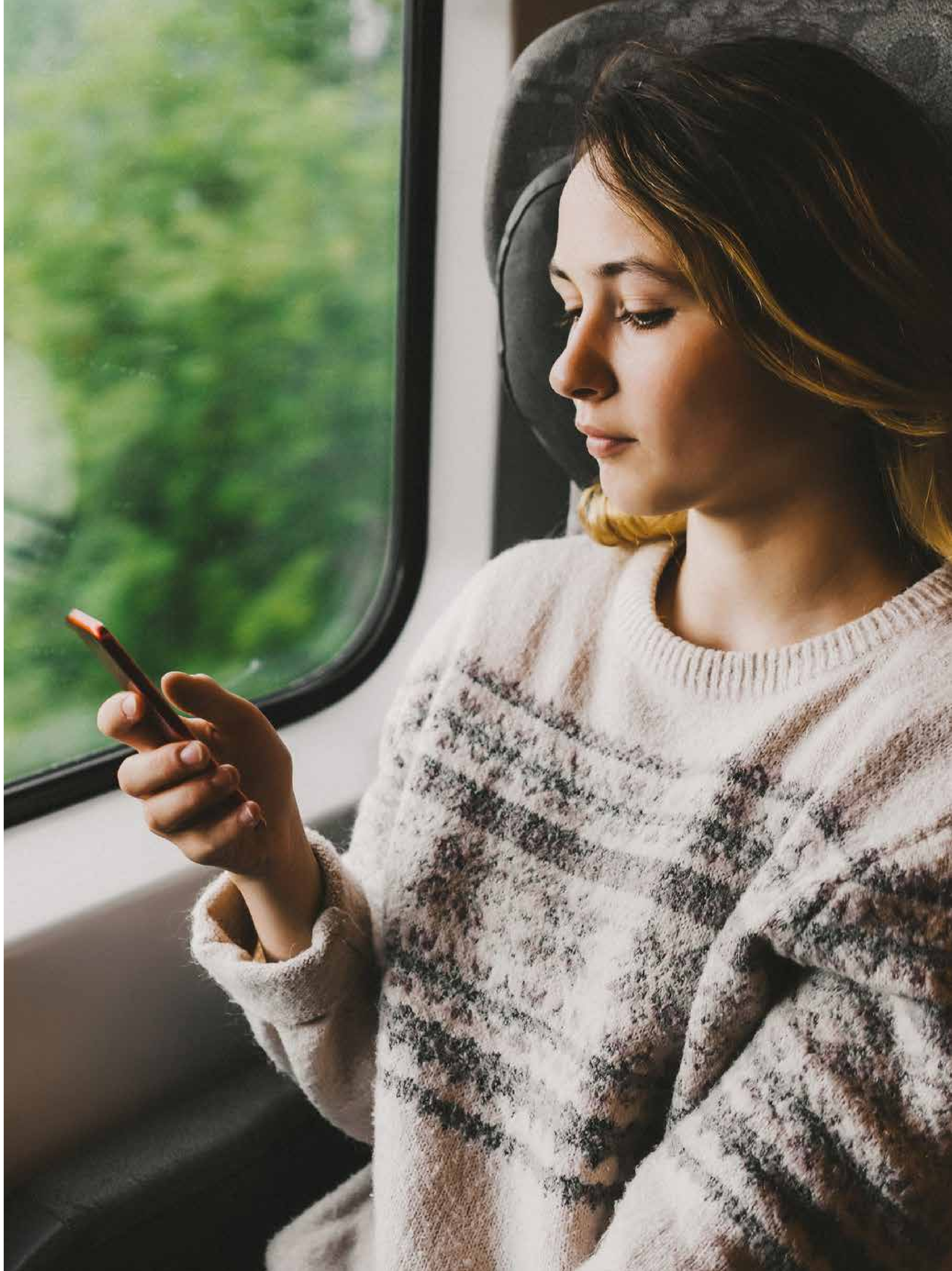
15. AUDITOR

The company's external auditor is EY. The auditor is appointed by the General Meeting and is independent of NRC Group ASA.

Each year, the company's auditor presents 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. The auditor participates in Board meetings that deal with the annual accounts. At least once per year, the auditor meets with the Board without anyone from the executive management being 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. There were no such assignments during 2020.

The remuneration to the auditor is approved by the AGM. Fees for audit work and any fees for other specific assignments are reported by the Board to the General Meeting. For more information about remuneration to the auditor, see note 8 in the 2020 financial statements.



Board of Directors' report

Introduction

NRC Group is the leading Nordic entrepreneur within railway infrastructure, holding top-three positions in the railway construction and maintenance market in Norway, Sweden and Finland. The Group also offers civil construction services in Norway and Sweden, with complementary positions in environmental services in Norway.

In February 2020, NRC Group presented a strategy update, positioning the company as a Nordic leader in sustainable infrastructure, with a clear priority to restore profitability and establish a growth roadmap towards NOK 10 billion in revenue and 7% EBITA margin in 2024. These ambitions stand firm, with the company implementing measures to improve profitability and building an execution platform that combines organic growth in existing markets with selective expansion into complementary services.

The ambitions are unaffected by the COVID-19 pandemic, which in 2020 impacted people and societies in the Group's core markets. The pandemic had limited impact on operations owing to proactive measures and transparent communication providing for safe project execution in the field and remote work from home.

The implementation of improvement measures progressed as planned during the year. However, reduced overhead costs and improved project margins contributed positively to profitability. This was offset by weak results in the Environmental operation in Norway, additional write-downs in Sweden of the zero margin projects following the project adjustment in quarter four 2019, overcapacity costs in Finland and lower activity level in Civil in Norway. Hence, overall earnings were unsatisfactory, with an EBITA* margin below the target set by the Group in the beginning of the year.

NRC Group continues to prioritise profitability-over-growth. Improved tender processes enabled higher quality of the orderbook. Combined with improved project execution processes and a strengthened organisation, this provides a solid platform for improved profitability going forward.

In line with the strategy, NRC Group also strengthened Group management in 2020. Arild Moe was appointed new Executive Vice President (EVP) for Norway from November and Lene Engebretsen joined the management team as EVP Communications in May.

In 2020, NRC Group committed to strengthening the framework to minimise the impact on the external environment. This includes transparency and handling of the Group's material environmental, social and governance (ESG) risks and opportunities, by identifying material topics and a climate risk analysis. The work includes consolidation of relevant data and goals with a globally recognised reporting system, Global Reporting Initiative (GRI) framework.

A systematic approach to sustainability will support the strategic positioning as a Nordic leader in sustainable infrastructure and will drive commercial opportunities and attract new employees.

COVID-19

The COVID-19 pandemic impacted people, businesses and societies in the Group's core markets during 2020. NRC Group adopted all relevant public guidelines and policies to prevent and handle COVID-19 incidents to safeguard personnel, ongoing operations, and business continuity.

The Group has secured regular and transparent communication of all relevant information, provided for safe project execution in the field, and enabled relevant personnel to work remotely from home.

The pandemic has overall had limited effect on operations, although new restrictions on workforce mobility towards the end of the year led to higher costs for certain projects. NRC Group will depend on the public transport agencies and municipalities in Norway, Sweden and Finland continuing to announce and award tenders in a timely manner in order to plan and efficiently execute projects in 2021 and onwards. The general observation is that tendering processes to a large extent have continued as scheduled, although certain projects such as SL Stockholm's maintenance tenders were put on hold in 2020.

Parts of NRC Group's activities are related to maintenance and upgrade of existing railway infrastructure, which are deemed critical functions by the authorities in NRC Groups markets. The company will prioritise these activities in case of resource scarcity.

The health and safety of employees remain the priority across all Group operations, together with delivering quality services to all clients. Further outbreaks and related public restrictions continue to represent health risks and risks for higher production costs or slower project execution. The Group closely monitors the development of the pandemic and its potential impact on the industry and on business continuity. The initiation of vaccination programs in early 2021 holds promise that the risk may be reduced over time.

STRATEGY EXECUTION

NRC Group is positioned to benefit from large and growing infrastructure markets which are supported by strong macro trends such as population growth and urbanisation, stronger focus on sustainability, and political consensus for increased investments in Norway, Sweden and Finland.

NRC Group's strategic target is to become a Nordic leader in sustainable infrastructure and the company has defined clear long-term financial and operational ambitions. The near-term priority is to restore profitability through operational improvements, and then capitalise on a leading Nordic position and strong markets and utilise its Nordic capabilities to expand into complementary services.

The 2024 margin ambition of 7% implies a return to the 2016-2017 average margins, with the main uplift to come from internal improvements. The NOK 10 billion revenue ambition is built on expected annual growth of 9% for the Nordic rail services market, organic growth and expansion opportunities in complementary services, and bolt-on M&As in existing segments and services. The Group believes that access to competent management capacity will be one of the most important factors to reach the ambitions. NRC Group aspires to be the most attractive employer for tomorrow's infrastructure.

The Group has taken significant measures to professionalise the organisation, including change of management in business units with weak financial performance. The Group has also strengthened the tendering and risk assessment processes and project execution processes. The progress made across the Group in 2020 provides a platform for increased profitability and growth from 2021 onwards.

The positive result of improvement measures and organisational changes in NRC Group Sweden has been offset by additional write-downs on the zero-margin projects. In NRC Group Norway, the Rail division successfully strengthened the organisation and improved the tender and project execution processes. This yielded significant financial improvements but was offset by weak results in the demolition and recycling operation and lower activity in the Civil operation. NRC Group Finland has implemented measures during the year to reduce the costs and to establish a more flexible cost base. The financial effects from these measures are expected to take full effect in second quarter of 2021.

CORPORATE EVENTS

In combination with the strategy update, NRC Group ASA on 12 February executed a NOK 700 million private placement at a subscription price of NOK 37 per share to enhance the financial strength and flexibility. During the year, the company acquired 216,887 treasury shares, whereof 202,542 shares were transferred to employees participating in the 2020 share programme for employees. At the end of the year, the company had 26,842 treasury shares.

Two minor acquisitions were executed in Sweden during the year; Järnvägskonsulterna Bollnäs AB (JVK), and Gästrike Signal & Projektering AB (GSP), which expanded capabilities and capacity in line with the Group's long-term strategic priorities.

ORGANISATION

At the end of 2020, the Group management consisted of Henning Olsen as Chief Executive Officer (CEO), Dag Fladby as Chief Financial Officer (CFO), Robert Röder as Executive Vice President (EVP) and Managing Director (MD) NRC Group Sweden, Harri Lukkarinen as EVP and MD NRC Group Finland, Arild Ingar Moe as EVP and MD NRC Group Norway, Lene Engebretsen as EVP and Head of Communications and Mirka Nevala as EVP and Head of Business Development and Strategy.

The Annual General Meeting (AGM) on 6 May 2020 elected Tove Elisabeth Pettersen and David Christopher Montgomery as new independent members to the Board of Directors, replacing Harald Arnet and Kjersti Kanne. The remaining Board of Directors of NRC Group were re-elected. The AGM also re-elected Kjell Forsén (Chair) and Albert Collett to the Nomination Committee, and elected Lasse Olsen as new member of the committee.

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. Implementation of the updated strategy, programmes to improve the profitability and developing a group-wide sustainability and people development framework were focus areas for 2020. Main priorities for 2021 are to improve the core processes in tendering and project execution to restore the profitability.

OPERATIONS

The Group had an order intake of NOK 5,339 million in 2020, compared to NOK 7,596 million in 2019. The order intake in 2019 included Jokeri light rail project in Finland, and Nykirke-Barkåker, the largest rail construction contract ever in NRC Group Norway. Orderbook at the end of the year amounted to NOK 6,475 million compared to NOK 7,151 million at the end of 2019.

NRC Group had 1,914 employees as of 31 December 2020, a decrease from 2,070 employees at the end of 2019.

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, followed up by the individual subsidiaries. Sickness absence reported by the Group was 4.8% in 2020 compared to 3.5% in 2019. No serious injuries were reported for the year, compared to two such injuries in 2019. The Group immediately registers, deals with and follows up on all unwanted incidents. By the end of December, the Lost Time Injury (LTI) rate, which measures safety at work, defined as the number of work-related accidents with at least one full day absence per million working hours (including subcontractors), was 5.6 (6.0 in 2019). The Group systematically works to reduce the rate and investigates each incident to identify why and how the company can avoid similar incidents.

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 2020 and the financial position at year end.

PROFIT AND LOSS

Group revenue was NOK 6,449 million in 2020, compared to NOK 6,193 million in 2019, an increase of 4.1%. The increase is related to currency effects. EBITA* (*before other income and expenses) was NOK 50 million for 2020, corresponding to an EBITA* margin of 0.8%, compared to NOK 55 million and a margin of 0.9% in 2019. Profitability was negatively affected by lower profitability in Sweden due to additional write-downs of the zero margin projects, lower revenue in Civil operation in Norway reducing the profitability due to scale effects, and weak results in the demolition and recycling business. Finland delivered strong results in 2020.

The Group operating loss (EBIT) for 2020 amounted to NOK 10 million compared to an operating loss of NOK 105 million in the previous year. 2020 was negatively impacted by the developments described above. However, other income and expenses (M&A expenses) were reduced from NOK -91 million in 2019 to NOK -1 million in 2020. A major part of the M&A expenses in 2019 was related to the acquisition of VR Track and an adjustment of the contingent considerations in the business combination of Norsk Saneringsservice (NSS). Annual amortisation of intangible assets decreased from NOK 70 million in 2019 to NOK 59 million in 2020.

Net financial items amounted to NOK -84 million for 2020, compared to NOK -73 million last year. The company issued a NOK 600 million senior unsecured bond 13 September 2019 increasing the overall financial expenses.

Tax income amounted to NOK 34 million, compared to NOK 26 million in 2019. 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 for tax purposes must be capitalised as part of the cost of shares. Taxable income in Finland and in Sweden (maintenance) have also led to recognising tax assets of NOK 8 million not previously being recognised.

The Board of Directors is not satisfied with the results for 2020.

CASH FLOW

Net cash flow from continuing operating activities was NOK 312 million, compared to NOK -38 million in 2019. EBITDA increased by NOK 87 million year-over-year. Net working capital and other accruals were reduced by NOK 66 million due to continuous focus on optimising working capital, compared to an increase last year of NOK 155 million. Cash flow from discontinued operations relates to the Design business sold in 2019.

Net cash flow from continuing investing activities was NOK -133 million for the year (2019: NOK -1,145 million). Investments in 2020 included settlement of a contingent consideration and final purchase price for Norsk Saneringsservice (NSS) and Gunnar Knutsen, amounting to NOK 96 million, and the acquisitions of Järnvägskonsulterna Bollnäs AB (JVK) and Gästrike Signal & Projektering AB (GSP), both in Sweden, for a cash consideration of SEK 27 million. Capital expenditures amounted to NOK 34 million (2019: NOK 40 million). Cash inflow from sale of fixed assets amounted to NOK 23 million (2019: NOK 41 million). In 2019, the cash payment for the acquisition of VR Track (NRC Finland) net of discontinued operations and cash in target, amounted to NOK 1,146 million. Net cash from discontinued operations in 2019 of NOK 214 million was related to the sale of the design business.

Net cash flow from financing activities was NOK 304 million (2019: NOK 628 million). Net proceeds from issuing new shares in the private placement amounted to NOK 672 million (2019: NOK 4 million). Repayment of borrowings amounted to NOK 119 million (2019: NOK 1,128 million). Payment of lease liabilities amounted to NOK 179 million (2019: NOK 165 million). Interest paid amounted to NOK 70 million (2019: NOK 84 million).

Total net cash flow was NOK 470 million (2019: NOK -232 million). Including effect of currency exchange rate changes, the total cash position increased from NOK 154 million at the end of 2019 to NOK 610 million at the end of 2020.

FINANCING AND BALANCE SHEET

In 2020, the strengthening of the EUR and SEK exchange rates against NOK impacted all balance sheet items in foreign currency.

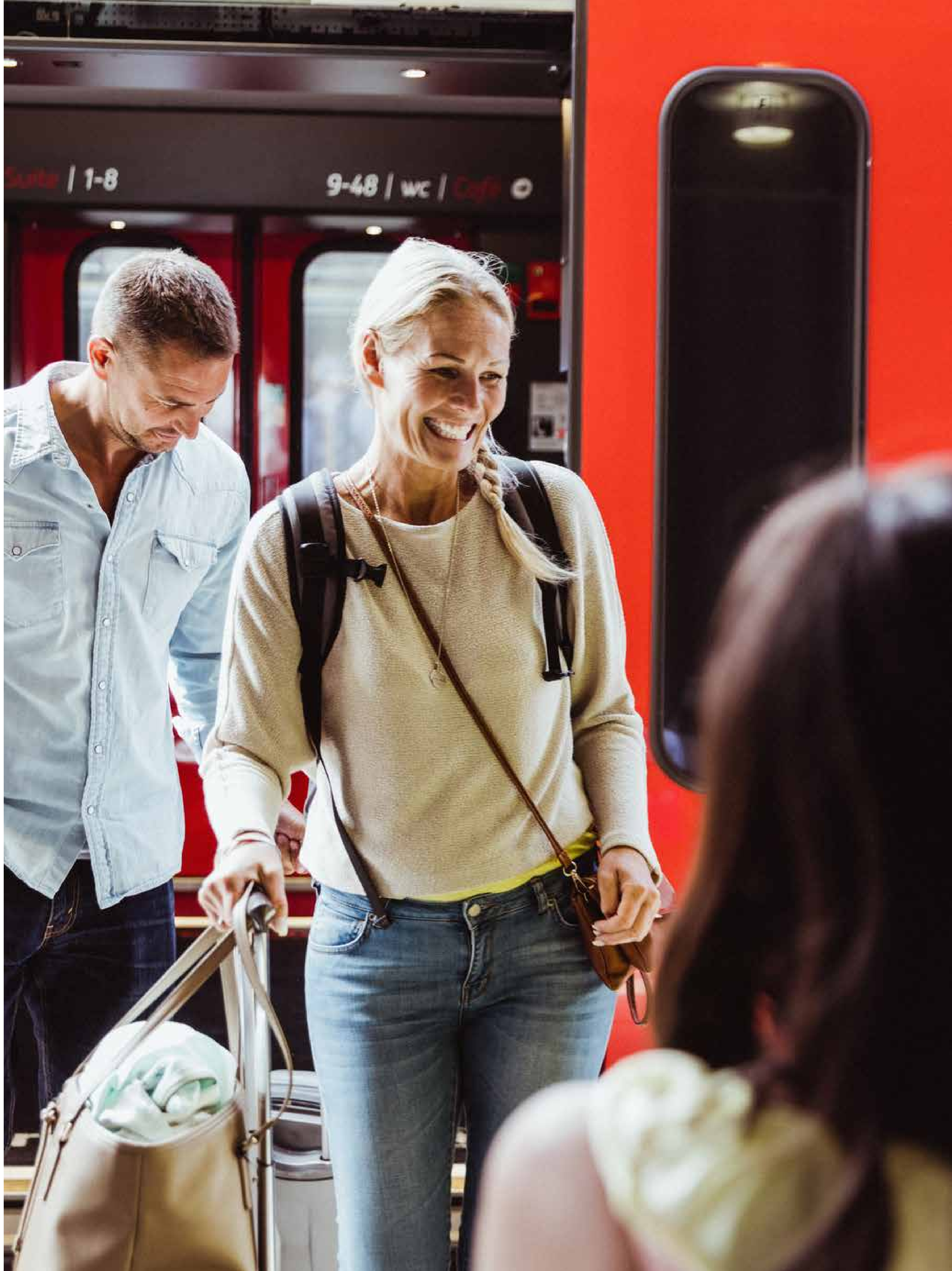
Intangible assets increased by NOK 211 million to NOK 3,010 million in 2020, reflecting mainly currency changes. Goodwill increased by NOK 169 million due to the GSP and JVK acquisitions (SEK 32 million in total) and currency translation effects. Deferred tax assets increased with NOK 46 million reflecting capitalised tax benefit related to timing differences and tax losses expected to be utilised in the following years. Other intangible assets decreased with NOK 4 million, reflecting that new investments and currency adjustments were lower than the total amortisations of NOK 59 million. New investments were mainly related to IT software separation investments in Finland following the transaction in 2019.

The combined amount of tangible and right-of-use assets increased by NOK 21 million due to currency as the total net investments and new leases were slightly less than the total depreciation of NOK 214 million.

Inventory is related to the operation in Finland and decreased by NOK 103 million following initiatives to reduce inventory and improve the working capital, including two larger transactions of materials to FTIA of approximately NOK 170 million in total in the first quarter and third quarter of 2020. Despite significant currency adjustments, total receivables including contract assets decreased by NOK 139 million to NOK 1,371, mainly due to sharp focus on measures to reduce the net working capital.

Total equity increased by 699 million to NOK 2,731 million. The increase is manly related to the private placement of new shares, raising NOK 700 million in gross proceeds in February. The equity ratio at the end of the year was 47% (2019: 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 has in total increased by NOK 48 million to NOK 573 million. The increase relates to currency effects in addition to capitalised



new leases exceeding the total lease payments of NOK 179 million. Other interest-bearing liability decreased by NOK 68 million explained by repayment of NOK 119 million partly offset by currency effects. On 31 December 2020, the remaining liability consisted of the NOK 600 million bond and a EUR 57.3 million bank loan. At year end, the Group had NOK 200 million in unused credit facilities.

Net interest-bearing debt decreased by NOK 475 million during the year. The decrease is mainly due to net cash proceeds from the private placement and positive operating cash flow net of instalments of interest-bearing debt, currency effects and investments.

SEGMENTS

Total revenue in Norway amounted to NOK 1,866 million (2019: NOK 2,281 million). Organic growth was -18% due to lower activity in Civil construction, lower revenue in the demolition and recycling business in the Environmental division and planned reduced activity level in Rail Construction. EBITA* decreased from NOK 97 million in 2019 to NOK -14 million in 2020. The EBITA* margin decreased from 4.3% to -0.7%. The reduced profitability was due to weak results in the demolition and recycling business and lower results in the Civil operation, explained by lower revenues. Rail construction improved the profitability significantly due to a successful execution of the improvement program initiated in 2019.

Total revenue in Sweden amounted to NOK 1,777 million (2019: NOK 1,539 million). The organic growth was 4%. The remaining part of the revenue growth in NOK was due to currency effects. EBITA* amounted to NOK -69 million (2019: NOK -125 million). The result was negatively affected by additional write downs of the zero margin projects due to higher-than-expected production costs. This was partly offset by reduced overhead costs and positive development in other projects, reflecting measures initiated in second half of 2019 to restore profitability in Sweden.

Finland had a revenue of NOK 2,811 million (2019: NOK 2,388 million). The organic growth for the year was 8%, mainly driven by high activity on the Light Rail projects and high activity in sales of materials, while Maintenance was down due to loss of maintenance area 1 from second quarter 2020. The revenue in NOK was positively affected by currency effects. EBITA* amounted to NOK 161 million (2019: NOK 116 million). The EBITA* margin increased from 4.3% to 5.7%. The improved profitability was mainly driven the Light Rail projects. The total profitability was strong considering high production overhead, due to overcapacity as the activity levels was low in maintenance and in core rail operations.

CORPORATE SOCIAL RESPONSIBILITY

NRC Group is committed to creating safe, low-carbon transport systems to efficiently connect people,

goods and cities. The company 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 climate and environmental responsibility. Increasing expectations from external and internal stakeholders alongside with stricter regulations, require sharp focus on minimising the impact on external environment and on safety considerations in tendering processes.

NRC Group recognises that its employees are the most important resource within the Group. The Group is committed to provide a safe and nurturing working environment, offering an inclusive working environment with equal opportunities, as well as recognising its responsibility to minimise negative impact on the environment.

During 2020, NRC Group identified material topics and completed a climate risk analysis, to enable the company to build greener solutions that connect people and cities. For the company to deliver sustainable solutions for tomorrow, NRC Group recognises its responsibility to minimise the impact on the external environment. To improve transparency related to the Group's material environmental, social and governance (ESG) risks and opportunities and handling thereof, a separate Sustainability Report has been developed in accordance with the Global Reporting Initiative (GRI) framework. A separate section of this annual report contains a summary of the Sustainability Report, while the full report is available at www.nrcgroup.com.

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

NRC Group is committed to creating safe, low-carbon transport systems to efficiently connect people, goods and cities.

assumption is based on the financial position of the Group, forecasted results and cash flows for 2021 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. Based on the 2020 results, the Board of Directors will not propose a dividend for 2020.

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 -56 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 changes 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.

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. The Group have a currency loan to hedge the net investment in Finland. The bond issued in September 2019 carries an interest of three months NIBOR + 4% until maturity 13 September 2024. The three months NIBOR has been hedged to a fixed rate of 1.838% for the full period. The fair market value of the hedge at the end of the year was NOK -25 million impacting other comprehensive income.

The overall demand for rail-based transport systems is expected to grow by approximately 7% annually in NRC Group's markets in the coming years.

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due. The Group had total current assets of NOK 2,014 million at the end of the year, NOK 367 million more than short-term liabilities. Total cash amounted to NOK 610 million in addition to an unused multi-currency credit facility of NOK 200 million. The central management team and the local managers of the subsidiaries monitor the Group's liquid resources and credit facilities through revolving forecasts based on expected cash flow. The cash flow is impacted by seasonal fluctuations. The current cash position and the multi-currency cash pool provides appropriate flexibility for managing cash flows and reserves within the Group.

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

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 customers to be low.

See note 24 of this report for a more detailed review of financial risk.

The Covid-19 outbreaks may still significantly impact markets and operations going forward as the situation affects both operational, financial and market risks. The extent will depend on how the virus infection spreads and the measures that are implemented by the authorities. The Group follows public recommendations closely and continuously update internal policies accordingly. NRC Group project workers are active on a large number of projects in various locations, which reduces the risk. However, a scenario with wide-spread virus infection, significant impact on operations may occur. A substantial part of Group revenue comes from public customers with a low credit risk. Private sector clients will be closely followed up to minimise credit risk related to the coronavirus. The current orderbook limits the short-term impact on revenue. However, project execution and revenue will depend on the availability of project people including sub-contractors considering Covid-19 impact and restrictions and measures implemented by the authorities. It is likely that the situation may lead to delays in projects and additional expenses. Financial impact will depend on the contract terms on a project-by-project basis. Long-term, NRC Group sees limited negative impact on infrastructure investments.

EVENTS AFTER THE BALANCE SHEET DATE

In January 2021, NRC Group appointed Jussi Mattsson as EVP Strategy and Business Development. He joined the NRC Group management team on 1 February. Based in Espoo/Helsinki, he leads NRC Group's strategy development and implementation, including local strategic initiatives in Finland.

On 21 January, NRC Group announced an update on the estimated financial results. Preliminary results for 2020 indicated that the EBITA* would end around NOK 50 million resulting in an EBITA* margin for 2020 of 0.8%, which was lower than estimated in the release of the third quarter 2020 results. Estimated revenues for 2020 was NOK 6.45 billion. The estimates were in line with the final outcome.

OUTLOOK

The overall demand for rail-based transport systems is expected to grow by approximately 7% annually in NRC Group's markets in the coming years, supported by strong population growth, urbanisation, and an increasing need for environmentally sustainable transport solutions. This growth projection is well supported by approved national transport plans in Norway and Sweden and long-term plans in Finland, as well as already sanctioned upgrade and expansion projects, increased tendering activity, and the growing maintenance backlog related to the installed rail infrastructure in the Nordic region.

Railways, light-rail and metro lines are highly effective systems for environmentally friendly and sustainable transport of people and goods, and public plans to expand and modernise rail systems reflect national- and city-level political consensus across Norway, Sweden and Finland.

For 2021, NRC Group will prioritise continued improvements to restore profitability, targeting an EBITA*-margin of 1.75-2.5% for the full year. With a positive market outlook, strenghtened organisation and a strong tender pipeline, NRC Group is well positioned for further profitable growth from 2021 onwards.

Lysaker, 15 March 2021

Helge Midttun Chairman of the Board	**Brita Eilertsen** Board member	**Mats Williamson** Board member
Eva Nygren Board member	**Rolf Jansson** Board member	**Henning Olsen** CEO
Tove Elisabeth Pettersen Board member	**David Montgomery** Board member	

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 Son AS, Skaugen AS and Låssenteret 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

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 is holding positions as Board member in several companies in Sweden. At year-end, Williamson held no shares in the company. Member of the Board of NRC Group since July 2018.

Board member

Rolf Jansson

Rolf Jansson is currently President and CEO of VR Group, Finnish Railways. Prior to that, he was Senior Vice President of Logistics as well as Senior Vice President of Corporate Development 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, East Office of Finnish Industries and Service Sector Employers PALTA. Jansson represents VR Group Oy which holds approximately 18% of the shares in NRC Group. At year-end, Jansson held no shares in the company. Member of the Board of NRC Group since January 2019.

Board member

Eva Nygren

Eva Nygren has more than 35 years of operational experience in the building and civil engineering industry, including as Director of Investment at Swedish Transport Administration, President and CEO of Rejlers and President of Sweco Sverige. She is currently active as a professional Board member and Chairman in several stock exchange listed, private and state-owned companies in the Nordics. At year-end, Nygren held 1,000 shares in the company. Member of the Board of NRC Group since January 2019.

Board member

Brita Eilertsen

Brita Eilertsen has vast experience from investment banking and consulting institutions like SEB Enskilda, Orkla Finans and Touche Ross Mgmt Consultants. She has held board positions for several listed and private companies in different industries since 2005. Eilertsen currently holds board positions for Pareto Bank, Axactor and C WorldWide. Eilertsen holds a "Siviløkonom" title from the Norwegian School of Economics (NHH) and is a Certified Financial Analyst. At year-end, Eilertsen held no shares in the company. Member of the Board of NRC Group since May 2015.

Board member

Tove Elisabeth Pettersen

Tove Elisabeth Pettersen has extensive experience from several senior positions at Hafslund and, most recently, from her positions as Director of Administration at Bane NOR and Jernbaneverket. Pettersen has served on the Boards of Eidsiva Vekst, Client Computing Europe ASA, DNB Livforsikring, Infratek and Klemetsrudanlegget. Currently, she holds the position as Department director Finance and administration at Norwegian Red Cross and serves the Board of Statnett SF as Board member and deputy. At year-end, Pettersen held no shares in NRC Group. She has held the position as Board member in NRC Group since May 2020.

Board member

David Montgomery

David Montgomery has extensive international experience from his career as MD for WSP International Europe and Hifab International, and from his position as Executive Director for International Operations for Sweco Civil AB, Sweco Rail AB and Sweco Society AB. Montgomery has served on the boards of, among others, Scandinavian Health Care Alliance, Multiconsult AS, Swedish Trade Council, various WSP companies in Europe and Sweco Saudi. Currently, he serves as Chairman of the Board of Sweroad Consulting AB. At year-end, Montgomery held no shares in NRC Group. He has held the position as Board member in NRC Group since May 2020.

Shareholder information

SHARE PRICE DEVELOPMENT

NRC Group ASA has one class of shares. There were 72,954,549 shares issued at the end of 2020, each with a nominal value of NOK 1.00, compared to 54,035,630 shares issued at the end of 2019. The increase in share-count reflects the 18,918,919 new shares issued in the first quarter of 2020 following a private placement raising NOK 700 million in gross proceeds.

In 2020, the Group's shares traded between NOK 18.44 and NOK 57.50 per share. During the year, 57 million shares were traded in total.

MAJOR SHAREHOLDERS AND VOTING RIGHTS

NRC Group had 4,019 registered shareholders in the Norwegian Central Securities Depository (VPS) at 31 December 2020, whereof the 20 largest shareholders owned 71.3%. The percentage of issued shares held by foreign shareholders was 67.2%, compared with 69.0% at year-end 2019. 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 2020:

Name	Country	Holding	Stake
VR-YHTYMÄ OY	FIN	13,336,415	18.28 %
J.P. MORGAN BANK LUXEMBOURG S.A.	FIN	7,496,763	10.28 %
CARNEGIE INVESTMENT BANK AB	SWE	5,219,040	7.15 %
THE BANK OF NEW YORK MELLON SA/NV	IRE	4,935,276	6.76 %
THE BANK OF NEW YORK MELLON SA/NV	IRE	4,750,911	6.51 %
J.P. MORGAN BANK LUXEMBOURG S.A.	SWE	1,970,373	2.70 %
J.P. MORGAN BANK LUXEMBOURG S.A.	SWE	1,804,937	2.47 %
VERDIPAPIRFONDET DELPHI NORDIC	NOR	1,345,531	1.84 %
GUNNAR KNUTSEN HOLDING AS	NOR	1,252,677	1.72 %
LGA HOLDING AS	NOR	1,200,102	1.64 %
VERDIPAPIRFONDET NORDEA KAPITAL	NOR	1,184,533	1.62 %
VJ INVEST AS	NOR	1,137,452	1.56 %
VERDIPAPIRFONDET NORDEA AVKASTNING	NOR	889,546	1.22 %
HAUGO RIVING AS	NOR	850,745	1.17 %
J.P. MORGAN BANK LUXEMBOURG S.A.	LUX	832,606	1.14 %
SKANDINAVISKA ENSKILDA BANKEN AB	SWE	812,091	1.11 %
DANSKE INVEST NORGE VEKST	NOR	812,000	1.11 %
DNB MARKETS AKSJEHANDEL/-ANALYSE	NOR	807,437	1.11 %
CLEARSTREAM BANKING S.A.	LUX	711,051	0.97 %
SKANDINAVISKA ENSKILDA BANKEN AB	FIN	700,000	0.96 %
Total number owned by top 20		**52,049,486**	**71.34 %**
Total number of shares		**72,954,549**	**100 %**

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

Corporate actions	Date
Capital Markets Update	12.02.20
Private placement of NOK 700 million announced	12.02.20
New share capital registered related to the private placement of NOK 700 million	14.02.20
Cancellation of subsequent repair offering	08.03.20
Extraordinary General Meeting regarding the private placement of NOK 700 million	09.03.20
New share capital registered related to tranche 2 of the private placement of NOK 700 million	16.03.20
Grant of 43,125 share options to senior management	19.03.20
Initiation of share buyback program for up to NOK 3 million, related to the 2020 employee share program	30.03.20
Initiation of share buyback program for up to NOK 2 million, related to the 2020 employee share program	23.04.20
Annual General Meeting	06.05.20
Initiation of share buyback program for up to NOK 2 million, related to the 2020 employee share program	22.05.20
Transfer of treasury shares related to the company's 2020 employee share program	02.06.20

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. Based on the 2020 results, the Board of Directors will not propose any dividend for 2020.

ANALYST COVERAGE
Five Norwegian and Nordic investment banks had active coverage of NRC Group ASA in 2020, compared with seven in 2019. For contact details, please see the company website www.nrcgroup.com.

GENERAL MEETINGS AND BOARD AUTHORISATIONS
The 2020 AGM granted the Board of Directors the following authorisations:

1) Authorisation to increase the share capital by up to NOK 800,000 in connection with option programme for key employees.
2) Authorisation to acquire treasury shares in NRC Group ASA for up to a maximum nominal value of NOK 7,295,454.9.
3) Authorisation to increase the share capital by a maximum of NOK 7,295,455. 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 2021

Event	Date
Annual General Meeting	06.05.2021
1st quarter 2021 results	12.05.2021
Half-yearly 2021 results	19.08.2021
3rd quarter 2021 results	09.11.2021

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

NRC Group accounts

Consolidated income statement – NRC Group 1 January – 31 December

(Amounts in NOK million)

	Note	2020	2019
Operating revenue	4	**6,449**	**6,193**
Cost of materials and subcontractors		3,945	3,768
Salaries and personnel costs	5/6/7	1,602	1,526
Depreciation, amortisation and impairment	12/13/14	273	281
Other operating and administrative expenses	8	638	633
Operating profit before other income and expenses		**-8**	**-15**
Other income and expenses	8	-1	-91
Operating profit		**-10**	**-105**
Finance income		4	6
Finance expense		-88	-78
Net financial items	9	**-84**	**-73**
Profit before tax		**-94**	**-178**
Tax expense / income (-)	10	-34	-26
Profit from continuing operations		**-59**	**-152**
Net profit from discontinued operations	25	**-2**	**80**
Net profit for the year		**-61**	**-72**
Profit/loss attributable to:			
Shareholders of the parent		-63	-73
Non-controlling interests		1	1
Net profit / loss		**-61**	**-72**
EARNINGS PER SHARE			
Earnings per share in NOK (ordinary):			
From continuing operations	11	-0.82	-2.83
From discontinued operations	11	-0.03	1.48
Earnings per share in NOK (diluted):			
From continuing operations	11	-0.82	-2.83
From discontinued operations	11	-0.03	1.47

Consolidated statement of comprehensive income – NRC Group 1 January – 31 December

(Amounts in NOK million)

	Note	2020	2019
Net profit/loss for the year		**-61**	**-72**
Items that may be reclassified to profit or loss (net of tax):			
Translation differences		101	14
Net gain on hedging instruments	24	-20	-17
Items that will not be reclassified to profit or loss (net of tax):			
Net actuarial gain/loss on pension expense	18	0	4
Other comprehensive income		**81**	**0**
Total comprehensive income for the year		**20**	**-72**
Total comprehensive income attributable to:			
Shareholders of the parent		18	-73
Non-controlling interests		1	1
		20	**-72**

Consolidated statement of financial position – NRC Group 31 December

(Amounts in NOK million)

Assets	Note	2020	2019
Deferred tax asset	10	115	69
Goodwill	2/12	2,780	2,611
Customer contracts and other intangible assets	2/12	115	119
Total intangible assets		**3,010**	**2,799**
Tangible assets	13	231	276
Right-of-use assets	14	588	522
Other non-current assets	23	24	24
Total non-current assets		**3,852**	**3,621**
Total inventories	26	33	136
Trade receivables	15	923	1,051
Contract assets	1/4/15	299	306
Other current receivables	15	150	154
Other current financial assets	23/24	0	1
Total receivables		**1,371**	**1,511**
Cash and cash equivalents	16	**610**	**154**
Total current assets		**2,014**	**1,802**
TOTAL ASSETS		**5,867**	**5,423**

Consolidated statement of financial position – NRC Group 31 December

(Amounts in NOK million)

Equity and liabilities	Note	2020	2019
Paid-in capital:			
Share capital	17	73	54
Treasury shares		-0	-0
Other paid-in capital		2,322	1,662
Other equity:			
Translation reserves		109	8
Hedge reserve	24	-20	1
Retained earnings		244	305
Total equity attributable to owners of the parent		**2,729**	**2,030**
Non-controlling interests		3	3
Total equity		**2,731**	**2,033**
Pension obligations	18	12	11
Interest-bearing non-current liabilities	19	1,437	1,500
Deferred tax	10	9	23
Other non-current liabilities	23/24	31	0
Total non-current liabilities		**1,489**	**1,534**
Interest-bearing current liabilities	19	330	287
Total interest-bearing current liabilities		**330**	**287**
Trade payables		382	358
Contract liabilities	1/4	336	285
Public fees payable		131	182
Tax payable	10	21	1
Other current liabilities	20/21	447	744
Total other current liabilities		**1,316**	**1,569**
Total current liabilities		**1,647**	**1,856**
Total liabilities		**3,136**	**3,391**
TOTAL EQUITY AND LIABILITIES		**5,867**	**5,423**

Lysaker, 15 March 2021

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Mats Williamson
Board member

Eva Nygren
Board member

Rolf Jansson
Board member

Henning Olsen
CEO

Tove Elisabeth Pettersen
Board member

David Montgomery
Board member

Consolidated statement of changes in equity – NRC Group

(Amounts in NOK million)

	Share capital	Treasury shares	Other paid-in capital	Hedge reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 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**
Equity at 1 January 2020	**54**	**0**	**1,662**	**1**	**8**	**305**	**2,030**	**3**	**2,033**
Profit/loss for the period						-61	-61	0	-61
Other comprehensive income				-20	101	0	81		81
Discontinued operations							0		0
Increase share capital	19		681				700		700
Costs related to capital increase			-22				-22		-22
Dividend paid							0	0	0
Employee share program			6				6		6
Share-based payments			1				1		1
Acquisition of treasury shares		0	-6				-6		-6
Total changes in equity	**19**	**0**	**660**	**-20**	**101**	**-61**	**699**	**0**	**699**
Equity at 31 December 2020	**73**	**0**	**2,322**	**-20**	**109**	**244**	**2,729**	**3**	**2,731**

Consolidated statement of cash flow – NRC Group

(Amounts in NOK million)

	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the year		-61	-72
Net profit from discontinued operations	25	2	-80
Tax expense	10	-34	-26
Depreciation, amortisation and impairment	12/13/14	273	281
Income taxes paid	10	-10	-58
Net financial items	9	77	73
Change in trade receivables		178	-56
Change in inventories and work in progress		238	-76
Change in trade payables		9	-56
Change in other accruals and unrealised foreign exchange		-359	33
Net cash flow from operating activities – continuing operations		**312**	**-38**
Net cash flow from operating activities – discontinued operations	25	4	109
Net cash flow from operating activities		**316**	**71**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	-34	-40
Payments for acquisition of subsidiaries, net of cash acquired	2	-123	-1,146
Proceeds from sale of shares, other investments and equipment		23	41
Net cash flow from investing activities – continuing operations		**-133**	**-1,145**
Net cash flow from investing activities – discontinued operations	25	-17	214
Net cash flow from investing activities		**-150**	**-931**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	17	672	4
Proceeds from borrowings	19	0	2,022
Repayment of borrowings	19	-119	-1,128
Payments of lease liabilities	19	-179	-165
Interest paid	9	-70	-84
Net proceeds from acquisition/sale of treasury shares		1	-5
Dividend paid		0	-1
Net cash flow from financing activities – continuing operations		**304**	**642**
Net cash flow from financing activities – discontinued operations	25	0	-14
Net cash flow from financing activities		**304**	**628**
Net change in cash and cash equivalents		**470**	**-232**
Cash and cash equivalents as at 1 January		154	396
Effects of exchange rate changes on cash and cash equivalents		-14	-9
Cash and cash equivalents as at 31 December	16	**610**	**154**
Hereof presented as:			
Free cash		610	153
Restricted cash		1	1
Cash and cash equivalents – continuing operations	16	**610**	**154**
Cash and cash equivalents – discontinued operations	16	0	0

Notes to the Group accounts

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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 15 March 2021.

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 2020. 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, unsettled balances 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 any 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 but 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.

Note 1 (continued)

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. For contracts where performance obligations are not satisfied over time, revenue is recognised on delivery or upon completion of the services.

The aggregated amount of project revenue incurred to date, less progress billings, is determined on a project-by-project basis. The contracts where this amount is positive are presented in the balance sheet as contract assets, whereas the contracts where the amount is negative (prepayments) are presented as contract liabilities. Contract assets are the Group's right to consideration in exchange for goods or services that the entity has transferred to a customer. Unconditional rights to considerations based on the agreement are invoiced and presented separately as a receivable. Contract assets 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 the total contract costs of meeting the obligations will exceed total contract revenue, the expected loss for the unavoidable marginal contract cost is recognised as an expense immediately according to IAS 37. An impairment loss is recognised for any contract assets or accounts receivable related to the contract before a separate provision is made.

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 have a limited number 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 payment 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 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.

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 in 2019, met these criteria's as it was considered as an operating segment (see segment reporting below), and have 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. Discontinued operations in 2020 are related to net subsequent settlements and income and expenses related to the business disposed in 2019.

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 the internal financial reporting to the Group's chief operating decision-maker. The internal financial reporting follows current IFRS standards as described in these notes to the Group accounts, except for Other income and expenses (M&A expenses). These income and expenses

Note 1 (continued)

can vary significantly from period to period and are excluded in the internal financial reporting 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. 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 reasonable period of time.

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 minimum annual impairment testing.

Intangible assets are recognised at cost less accumulated amortisation and impairment loss. Intangible assets are recognised when they are identifiable, controlled and provide future economic benefits for the entity. The assets are initially measured at cost and amortised on a straight-line basis over the expected useful life of the asset, normally 3-5 years. The cost of an intangible asset includes costs that are directly attributable to the procurement of the 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 over their estimated useful lives based on the timing of projected cash flows, normally 1 - 4 years, depending on the type of assets. Intangible assets with indefinite useful life are subject to minimum annual impairment testing.

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 2020, 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.

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

Note 1 (continued)

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 Group has elected to use the two exemptions proposed by the standard (IFRS 16) 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 low value

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense over the lease term 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 2.37%.

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.

Note 1 (continued)

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 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 with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

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 financing activities. Interests received are immaterial, hence interests are presented net. 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 in Norway. The AFP pension scheme is a defined benefit multi-employer plan that is financed though 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.

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

There have been no significant changes to the accounting policies of the Group in 2020.

Note 1 (continued)

IFRS standards, amendments and interpretations not yet effective

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform
The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments may have impact on the consolidated financial statements as the Group has as an interest rate hedge relationship as described in note 23 concerning the NOK 600 million bond maturing in 2024.

There are not any other 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, the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are evaluated continuously 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.

Covid-19
NRC Group continues a sharp focus on adopting guidelines and policies to prevent and handle Covid-19 outbreaks. The Group monitors the development of the pandemic and its potential impact on the industry and our business continuously. The main risks are related to potential operational impact if outbreaks intensify and restrictions are resumed. Operations also depend on that customers, predominantly the public transport agencies and the municipalities in Norway, Sweden and Finland, continue to announce and award tenders as scheduled to enable efficient planning and execution of projects during 2021. Governmental restrictions and recommendations were intensified in all three countries as the numbers of affected have increased towards the end of 2020 and in the beginning of 2021. Stricter rules on foreign nationals seeking entry to our markets will impact production over time. The Group's main priority is to keep employees safe while maintaining operations. The Group complies with restrictions and guidelines from relevant authorities and follows up with immediate actions when relevant and needed. Parts of NRC Group's activities are related to maintenance and upgrades of existing railway infrastructure. These operations are defined as critical to the society, and the company will prioritise these activities in case of situations where certain resources become scarce. NRC Group is well positioned to ensure business continuity. The Covid-19 pandemic has had limited operational impact for NRC Group to date. Still the long-term impact for the societies and people is characterised by uncertainty due to increase in infection rates and further intensified restrictions. This may also impact on our material accounting judgement, estimates and assumptions, and in particular regard to assumptions related to revenue from contracts with customers and the impairment test of goodwill as described below.

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. The coronavirus outbreak has increased the uncertainty related to total project expenses, including any projects being delayed due to resources not being available and increased cost for sub-contractors or delivery of materials. As of 31 December 2020, the Group has recognised a total of NOK 10,340 million (2019: NOK 9,936 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. The NRC Group's share price development, Covid-19, operating losses the last two years and the update on estimated financial results, are impairment indicators being considered as part of the test. Goodwill had a carrying amount at 2020 year-end of NOK 2,780 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 coronavirus outbreak has increased the uncertainty of the cash flow estimates. The uncertainty is however mainly related to the short-term prognosis that have limited impact on the impairment test. No impairment loss has been identified as of 31 December 2020 or subsequently. Most sensitive to impairment is our operations in Sweden with a book value of goodwill of SEK 640 million as of 31 December 2020. The current headroom of approximately SEK 170 million is most sensitive to the discount rate and the estimated future cash flows. 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.

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 463 million and in Sweden of NOK 701 million corresponding to gross deferred tax assets of NOK 102 million in Norway and NOK 144 million in Sweden that can be used to reduce future tax payments. Net of deferred taxes and unrecognised assets, deferred tax assets of NOK 81 million in Norway and NOK 34 million in Sweden have been recognised as it is assumed probable that they can be utilised against future taxable profit based on forecasts and projections. Further details on taxes are disclosed in the accounting policies for Tax and in note 10.

Note 2

Business combinations

BUSINESS COMBINATIONS IN 2020

Järnvägskonsulterna Bollnäs AB (JVK)
On 16 April 2020, NRC Group completed the transaction to acquire 100% of JVK at an estimated net settlement of SEK 15 million, including a contingent consideration of SEK 3 million. The acquisition of JVK was financed by cash. The purchase price has been allocated at the fair value of the assets and liabilities of the acquired company using the acquisition method according to IFRS 3. The allocation was not finalised by 31 December 2020, and preliminary estimates are made regarding the opening balance sheet and estimated purchase price. The acquisition resulted in an estimated goodwill of SEK 15 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within track renewal projects. Total revenue from the date of acquisition is SEK 4.4 million, of which all is group internal. The corresponding profit before tax is NOK 0.4 million. Transaction costs expensed as Other income and expenses were NOK 0.4 at year-end.

Gästrike Signal & Projektering AB (GSP)
On 2 July, NRC Group completed the transaction to acquire 70% of GSP at an estimated net settlement of SEK 17.5 million including a contingent consideration of SEK 2.5 million. The non-controlling interests in GSP is measured at the proportionate share of the identifiable net assets. The acquisition was financed by cash. The purchase price has been allocated at the fair value of the assets and liabilities of the acquired company using the acquisition method according to IFRS 3. The allocation is not finalised, and preliminary estimates are made regarding the opening balance sheet and estimated purchase price. The acquisition resulted in an estimated goodwill of SEK 17 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within signalling projects. Total revenue from the date of acquisition is NOK 17 million of which group internal is NOK 13 million. The corresponding profit before tax is NOK 5.0 million. Transaction costs expensed as Other income and expenses were NOK 0.8 million at year-end.

BUSINESS COMBINATIONS IN 2019

VR Track Oy (NRC Finland)
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.

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.

Note 2 (continued)

(Amounts in NOK million)

	VR Track Oy NOK	VR Track Oy EUR
Date of acquisition	07.01.2019	07.01.2019
Share of ownership	100%	100%
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 were 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.

BUSINESS COMBINATIONS IN 2018
A final settlement of NOK 30 million related to the purchase price of Gunnar Knutsen AS, acquired in 2018, were made in 2020. The settlement was provided for as contingent consideration and did not have any impact on Oher income and expenses.

A final settlement of NOK 66 million related to the purchase price of NSS Holding AS acquired in 2018 were made in 2020. The settlement was lower than provided for as contingent consideration as of 31 December 2019 and resulted in positive adjustments to Oher income and expenses.

Note 3

Segment reporting

The Group is a contractor related to public transportation, including rail, harbour and road related infrastructure. For management purposes, the Group is organised in business units and operating segments based on geographical areas that include Norway, Finland and Sweden. These are the Group's reportable segments and are reported in the same manner as the internal financial reporting to the Group's chief operating decision-makers. In each operating segment the Group can provide services and products such as rail construction, rail maintenance, civil construction, environmental services and sale of materials.

The largest customers of the Group are Trafikverket, aggregating 77% (2019: 68%) of the segment revenues in Sweden, the Finnish Transport and Infrastructure Agency aggregating 31% (2019: 64%), HKL (Helsinki City Transport) aggregating 23% (2019: 6%) and Tampereen Raitiotie Oy (Tampere Tramway) aggregating 10% (2019: 20%) of the segment revenues in Finland and Bane Nor, aggregating 29% (2019: 25%) of the segment revenues in Norway for 2020. No other customers aggregate more than 10% of the various segment's total revenues.

(Amounts in NOK million)

	Norway operations		Sweden operations		Finland operations		Others and eliminations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
External	1,863	2,272	1,775	1,538	2,811	2,383	0	0	6,449	6,193
Inter-segment	3	9	2	2	0	4	-5	-15	0	0
Total revenue	**1,866**	**2,281**	**1,777**	**1,539**	**2,811**	**2,388**	**-5**	**-15**	**6,449**	**6,193**
EBITDA*	**82**	**186**	**-21**	**-77**	**231**	**191**	**-27**	**-33**	**264**	**267**
Depreciation	95	88	48	48	70	75	1	1	214	212
EBITA*	**-14**	**97**	**-69**	**-125**	**161**	**116**	**-28**	**-34**	**50**	**55**
Amortisation and impairment	9	28	2	0	45	41	2	1	59	70
EBIT*	**-23**	**70**	**-71**	**-125**	**116**	**75**	**-30**	**-35**	**-8**	**-15**
Other income and expenses	-4	45	1	0	0	37	4	-8	1	91
Operating profit	**-19**	**24**	**-73**	**-125**	**116**	**38**	**-34**	**-43**	**-10**	**-105**
Current assets	272	437	334	376	1,011	986	397	3	2,014	1,802
Non-current assets	1,196	1,140	949	815	1,613	1,600	94	67	3,852	3,621
Total assets	**1,467**	**1,577**	**1,283**	**1,190**	**2,624**	**2,586**	**492**	**70**	**5,866**	**5,423**
Current liabilities	634	759	699	416	1,195	1,083	-881	-403	1,646	1,857
Non-current liabilities	300	257	57	346	813	977	319	-45	1,489	1,534
Total liabilities	**934**	**1,016**	**756**	**762**	**2,008**	**2,060**	**-563**	**-488**	**3,135**	**3,391**
Order backlog	1,796	1,969	2,112	2,277	2,568	2,905			6,475	7,151

*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.

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

Note 3 (continued)

(Amounts in NOK million)

	Parent and holding companies		Eliminations		Others and eliminations	
	2020	2019	2020	2019	2020	2019
Current assets	2,361	1,180	-1,963	-1,177	397	3
Non-current assets	804	1,217	-710	1,150	94	67
Total assets	**3,165**	**2,397**	**-2,673**	**2,327**	**492**	**70**
Current liabilities	1,082	797	-1,963	-1,200	-881	-403
Non-current liabilities	1,003	1,105	-684	-1,150	319	-45
Total liabilities	**2,085**	**1,902**	**-2,648**	**-2,350**	**-563**	**-448**

Note 4

Revenues and projects in progress

(Amounts in NOK million)

	2020	2019
Contract revenue recognised over time	5,791	5,766
Other revenue	659	425
Total revenue	**6,449**	**6,193**
Revenue from public customers	4,856	4,897
Revenue from private customers	1,593	1,297
Total revenue	**6,449**	**6,193**

EXTERNAL REVENUE BY NATURE OF BUSINESS BY SEGMENT

(Amounts in NOK million)

	Norway operations		Sweden operations		Finland operations		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019
Rail construction	612	745	894	548	1,578	1,231	3,084	2,524
Rail maintenance	0	0	605	506	611	731	1,216	1,237
Civil construction	492	682	274	482	0	0	766	1,164
Environment	759	847	0	0	0	0	759	847
Materials	0	0	0	0	617	409	617	409
Other and eliminations	0	-2	1	2	6	8	7	8
External revenue	**1,863**	**2,272**	**1,775**	**1,538**	**2,811**	**2,383**	**6,449**	**6,193**

Note 4 (continued)

PROJECTS IN PROGRESS AT YEAR-END

(Amounts in NOK million)

	2020	2019
Contract costs plus profit less losses to date	10,340	9,936
Less progress billings including advances	10,378	9,916
Work in progress, net	**-38**	**21**
Gross amounts due to customers for contract work (contract liabilities)	336	285
Gross amounts due from customers for contract work (contract assets)	299	306
Total contract value, ongoing contracts	16,296	16,522
Accumulated revenue recognised at year-end	10,340	9,936
Revenues not recognised	5,956	6,586
Expected to be recognised next 12 months	3,395	3,125
Expected to be recognised later	2,561	3,461
OTHER INFORMATION		
Billed amounts retained by customers	53	21
Provision for loss-making projects	17	22
Remaining revenue on loss making projects	266	247
Order backlog, ongoing projects	5,956	6,586
Order backlog, projects not started	519	565
Total order backlog	**6,475**	**7,151**

At year-end, about 95% of the total order backlog was related to public projects.

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

(Amounts in NOK million)

	2020	2019
Salaries	1,245	1,174
Social security taxes	176	169
Pension expenses	140	133
Other personnel costs	40	51
Total	**1,602**	**1,526**
Full time equivalent employees	2,369	2,346

Note 6

Executive personnel

COMPENSATION TO EXECUTIVE PERSONNEL
Salary and other remunerations to executive personnel in 2020:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Bonus paid	Other remuner-ation	Premium expence	Share opinion expence	Total	Notice period
Henning Olsen	CEO	4,000	-	14	176	-	4,190	18 months
Dag Fladby	CFO	2,160	212	194	177	119	2,862	12 months
Hans Olav Storkås	Managing Director NRC Norway (until 28.08.2020)	1,800	1,461	14	80	-	3,355	6 months
Arild Moe	EVP & MD NRC Group Norway (from 09.11.2020)	367	-	2	11	-	380	6 months
Harri Lukkarinen	EVP & MD NRC Group Finland	2,881	301	3	228	-	3,412	12 months
Robert Röder	EVP & MD NRC Group Sweden	3,099	-	3	843	-	3,944	6 months
Alfred Beck	Legal Counsel (until 01.04.20)	505	198	48	44	33	829	12 months
Minttu Vilander	EVP Communication & branding (until 05.02.20)	278	-	-	20	-	298	3 months
Lene Engebretsen	EVP & Head of communica-tions (from 01.05.2020)	933	-	262	177	-	1,372	3 months
Mirka Nevala	EVP Strategy and Business Developm. (until 31.12.20)	1,867	213	3	149	-	2,230	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. For Hans Olav Storkås, expenses accrued in relation to his notice period amount to NOK 750,000 as per 31.12.2020.

Based on the Group's achievement in 2019, 43,125 share options were granted in 2020. The share options were awarded to Alfred Beck, Dag Fladby, Henning Olsen, Hans Olav Storkås, Harri Lukkarinen and Robert Röder. The weighted average fair value of options granted was NOK 0.32 each.

Based on the Group's achievement in 2018, 37,500 share options were granted in 2019 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 program. For further information see note 7.

Note 6 (continued)

Salary and other remunerations to executive personnel in 2019:

(Amounts in NOK 1,000)

Name	Position	Basic salary	Bonus paid	Other remuner-ation	Premium expence	Share opinion expence	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	2,581	1,652	-	245	8	4,486	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)	511	105	-	70	-	687	3 months
Mirka Nevala	EVP Strategy and Business Developm. (from 01.10.19)	401	1,315	-	144	-	1,859	3 months

COMPENSATION TO BOARD OF DIRECTORS
Remunerations paid to the Board members are shown below and vary due to length of service and role.

(Amounts in NOK 1,000)

	2020	2019
Helge Midttun	715	740
Brita Eilertsen	375	388
Mats Williamson	350	363
Rolf Jansson, from January 2019	300	175
Eva Nygren, from January 2019	300	175
Harald Arnet, until May 2020	275	363
Kjersti Kanne, until May 2020	250	338
Tove Elisabeth Pettersen, from May 2020	75	0
David Montgomery, from May 2020	75	0
Total	**2,715**	**2,542**

The estimated remuneration for 2020 is based on the general assembly approved remuneration for 2019 which amounts 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. The estimated remuneration for 2020 is unchanged from the remuneration for 2019.

In addition, the Group has an agreement with 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 are shown in the following table:

(Amounts in NOK million)

	2020	2019
Senior Management Share Option Plan	0.1	1.2
Key Employee Share Option Program	1.0	0.5
General Employee Share Program	1.4	2.5
Total	**2.6**	**4.1**

General Employee Share Program
During 2020 and same as 2019, the Group gave employees the opportunity to purchase a certain number of shares at 20% discount to the trading price at exercise. The discount is recorded as salaries. On 2 June 2020, a total of 202,542 shares were sold under this offer with a total discount of approximately NOK 1.3 million before social security tax. All the shares sold were treasury shares.

Senior Management Share Option Plan
On 12 May 2016, the Company's Annual General Meeting approved implementation of a share option program for senior management. On the Annual General Meeting 8 May 2019, the option program for senior management was renewed for two more years, comprising in total 1,000,000 shares. The Board of Directors are authorised to increase the share capital and to determine the subscription price and other subscription terms.

Options are awarded based on the Group's achievements of certain quantitative and qualitative goals determined by the Board of Directors. The options can be vested over a period of three years, with 1/3 of the aggregate number each year. Options that are not exercised during, or on the date of final expiry of the vesting period, lapse without compensation to its holder.

At year-end, a total of 260,625 options were outstanding in connection with the Senior Management Option program. 33,125 from 2019 in addition to 10,000 new options were formally granted, no options were exercised, and 45,000 options were forfeited during 2020. The weighted average exercise price of the remaining 260,625 options is NOK 54.04. 225,000 of the options expire in May 2021 and can be vested. 35,625 of the options expire in May 2023. These options can be vested by 1/3 each year from May 2020 until expiry.

There were no settlement, cancellations, or modifications to the awards in 2020. Vesting condition is full time employment. The expense is accrued for over the service period for each group of options.

Share option program for key employees
On 19 April 2018, the Company's Annual General Meeting approved implementation of a share option program for key employees. The Annual General Meeting 6 May 2020 granted the authorisation to increase the share capital by up to NOK 800,000 in connection with this option program. The authorisation is valid for a period of two years until 6 May 2022. The Board of Directors is authorised to increase the share capital and to determine the subscription price and other subscription terms.

As per year-end, a total of 97,000 options are outstanding in connection with the option program from 2018. The options can be vested over a period of 12 months from the autumn of 2021 at a strike price of NOK 85.78. The strike price will be adjusted for any dividends paid from the time of the establishment of the program until the options are exercised. The employees paid NOK 1 or SEK 1 for each option. 26,000 options were forfeited during 2020 due to vesting conditions not being satisfied.

499,500 options were granted for the key employee program in 2020. 70,000 options were forfeited, leaving a balance of 429,500 outstanding options at year end. The options can be vested over a period of 12 months from 1 June 2023 at a strike price of NOK 26,54. The strike price will be adjusted for any dividends paid from the time of the establishment of the program until the options are exercised. The employees paid the equivalent of NOK 1 for each option.

There were no settlement, cancellations, or modifications to the awards in 2020. Vesting condition is full time employment. The expense is accrued for over the service period for each group of options.

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

Note 7 (continued)

	2020 number	2020 WAEP	2019 number	2019 WAEP
Outstanding at 1 January	463,625	65.0	632,157	67.5
Granted during the year	439,500	26.8	33,125	62.1
Exercised during the year	0	0.0	-131,407	53.1
Forfeited during the year	-116,000	62.5	-70,250	85.8
Outstanding at 31 December	787,125	42.9	463,625	65.0
Exercisable at 31 December	236,875		162,500	

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 2020, was 2.2 years (2019: 1.9 years).

The weighted average fair value of options granted during the year was NOK 6.42 per option. Total value of the options aggregated NOK 3.4 million to be allocated over the service period assumed in the option program.

The range of exercise prices for options outstanding at the end of the year was NOK 26.54 to NOK 85.78 (2019: 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:

	2020	2019
Weighted average fair values at the measurement date	6.75	7.51
Expected volatility (%)	34.0	23.5
Risk–free interest rate (%)	0.19	1.38
Expected life of share options, months	3-41	4-40
Weighted average share price	49.69	72.48
Model used	Binominal and Black Scholes	Binominal and Black Scholes
Weighted average fair values at the measurement date for options granted during the year	6.42	
Weighted average share price for options granted during the year	32.96	

Dividend is not considered as the strike price will be adjusted for any dividends paid from the time of the establishment of the program until options are exercised. Expected volatility is based on actual volatility 36 months back in time.

Note 8

Other operating and administrative expenses

(Amounts in NOK million)

	2020	2019
Travel expenses	77	108
Office expenses	80	72
External services	50	104
Expenses related to machinery, cars and equipment	270	226
Other operating and administrative expenses	160	123
Total	**638**	**633**
Other income and expences		
M&A expenses	1	91
Total other income and expenses	**1**	**91**

A major part of the M&A expenses in 2019 was related to the acquisition of VR Track and included payment of stamp duty amounting to NOK 34 million. In addition, a subsequent adjustment of the estimated contingent consideration in the business combination of NSS Holding AS was recognised in the profit and loss account. M&A expenses in 2020 include an income (reversal of cost from 2019) as the final earn-out settlement of NSS was lower than estimated and provided for, levelled out by other M&A expenses.

(Amounts in NOK million)

Compensation to auditors	2020	2019
Statutory audit fees	4.1	4.6
Other assurance engagements	0.1	0.1
Tax related services	0.3	0.2
Other services	0.0	0.0
Total	**4.5**	**4.9**

EY was the Group's auditor for 2020 and 2019. The amounts are reported exclusive of VAT.

Note 9

Financial income and expenses

(Amounts in NOK million)

	2020	2019
Interest income	4	2
Interest expenses	-79	-70
Net foreign currency gains/(losses)	-7	4
Other net financial expense	-2	-8
Net financial items	**-84**	**-73**

Note 10

Taxes

(Amounts in NOK million)

Deferred tax	2020	2019
Intangible assets	-11	-16
Property, plant and equipment	-18	-42
Right-of use assets	-126	-111
Net contract assets/receivables	-26	-63
Tax allocation reserve, Sweden	-11	-25
Tax losses carried forward	246	266
Lease liabilities	123	112
Pensions	3	2
Other temporary differences	19	23
Total deferred tax assets/ liabilities (-)	**199**	**146**
Deferred tax assets not recognised	-94	-100
Net deferred tax assets/ liabilities (-)	**105**	**46**
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	115	69
Deferred tax liabilities	-9	-23
Net deferred tax assets/ liabilities (-)	**105**	**46**
Reconciliation of net deferred tax assets/ liabilities (-)		
As of 1 January	46	24
Tax income/ expense (-) during the period	50	41
Tax income/ expense (-) during the period, recognised in OCI	5	3
Tax recognised in equity	6	0
Deferred taxes acquired in a business combination	0	-23
Effect of foreign currency translation	0	0
Other	-1	2
As of 31 December	**105**	**46**

Note 10 (continued)

Total net deferred tax assets of NOK 115 million are split between NOK 81 million in Norway (2019: NOK 57 million) and NOK 34 million in Sweden (2019: NOK 12 million), and have been recognised as it is assumed probable that they can be utilised against future taxable profit based on forecasts and projections, or if needed in combination with tax planning opportunities. Mainly Sweden, but also Norway have suffered pre-tax losses recently. This is considered temporary. Several measures have been implemented to restore profitability. Improvement programs initiated in the second half of 2019 have been implemented and yielded satisfactory results in 2020. Loss-making projects in Sweden and Rail Norway from 2018 and 2019 that in recent years had a significant negative effect on the results, are coming to their end and are replaced with projects with normal margins. Rail Norway has improved the tendering processes, strengthened the organisation and project execution, as well as reduced overhead costs. Sweden has improved the tendering processes, strengthened the organisation including the project management, and reduced costs in line with targeted level. A significant part of the tax losses carried forward derive from operations different to the current activities of the Group and not from the recent losses. Total deferred tax assets of NOK 94 million in Sweden have not been recognised. The net deferred tax liability of NOK 9 million relates to Finland.

The Group has total tax losses carried forward of NOK 463 million in Norway (2019: NOK 546 million) and NOK 701 million in Sweden (2019: NOK 651 million), that can be used to reduce future tax payments. There are no restrictions on the Group's ability to carry forward the tax losses.

(Amounts in NOK million)

Income tax expense	2020	2019
The major components of income tax expense are:		
Current income tax charge	16	15
Change in deferred tax	-50	-41
Tax expense/ income (-)	**-34**	**-26**
Tax related to other comprehensive income:		
Items that may be reclassified to profit and loss	-5	-4
Items that will not be reclassified to profit and loss	0	1
Tax expense/ income (-) included in OCI	**-5**	**-3**
Reconciliation of tax expense and accounting profit:		
Net income/ loss (-) before tax from continuing operations	-94	-178
Estimated tax on income before tax	-22	-37
Effect of permanent differences	-2	5
Effect of tax assets being (-)/ not being recognised	-8	7
Other	-2	0
Income tax expense/ income (-)	**-34**	**-26**

The tax rates for Norway, Sweden and Finland are 22%, 21.4% and 20%, unchanged from 2019.
The tax rate for Sweden will decrease to 20.6% in 2021.

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.

	2020	2019
Earnings per share (ordinary)		
From continuing operations, NOK	-0.82	-2.83
From discontinued operations, NOK	-0.03	1.48
Profit/loss from continuing operations, NOK million	-59	-152
Profit/loss from discontinued operations, NOK million	-2	80
Profit/loss for the year, NOK million	**-61**	**-72**
Weighted average externally owned shares	72,211,390	53,737,389
Effect of dilution from share options	655,252	553,019
Weighted average externally owned shares adjusted for dilution	**72,866,642**	**54,290,408**
Earnings per share (diluted)		
From continuing operations, NOK	-0.82	-2.83
From discontinued operations, NOK	-0.03	1.47

Note 12

Intangible assets

(Amounts in NOK million)

	Goodwill	Other intangible assets	Total
Carrying amount as at 31/12/2019	**2,611**	**119**	**2,730**
Reclassification from tangible assets*		31	31
Adjusted carrying amount as at 01/01/2020	**2,611**	**150**	**2,761**
Translation differences	137	10	147
Acquisitions	32		32
Additions and adjustments		13	13
Disposals			
Amortisation for the year		-59	-59
Impairment for the year			
Carrying amount as at 31/12/2020	**2,780**	**115**	**2,895**
Acquisition cost	2,780	330	3,110
Accumulated amortisation		-209	-209
Accumulated impairment		-6	-6
Carrying amount as at 31/12/2020	**2,780**	**115**	**2,895**

*Opening balance adjustment concerns a reclassification of IT software investments in progress that were classified as tangible assets as per 31.12.2019. No depreciation expenses were booked in 2019.

Other intangible assets consist of contracts, customer relationships, licenses and IT software capitalised as part of the purchase price allocation of acquisitions and capitalised software development expenses and capitalised pre-contract expenses, which are amortised over remaining useful life of each asset. Assets acquired in 2020 and prior years have an expected useful life of 1 and 4 years. Other intangible assets have expected useful life of 2 – 5 years.

(Amounts in NOK million)

	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	1,786
Additions and adjustments	60	13	74
Disposals	-248	-29	-277
Amortisation for the year		-70	-70
Impairment for the year			
Carrying amount as at 31/12/2019	**2,611**	**119**	**2,730**
Acquisition cost	2,611	269	2,880
Accumulated amortisation		-143	-143
Accumulated impairment		-6	-6
Carrying amount as at 31/12/2019	**2,611**	**119**	**2,730**

Note 12 (continued)

Acquisitions in 2019 were related to the acquisitions of VR Track in January 2019 (note 2), while disposals were related to the disposal of the Design business in 2019, with reference to note 25.

ALLOCATION OF GOODWILL TO CASH GENERATING UNITS
The Group has allocated goodwill to each cash generating unit which corresponds to the geographical areas of the business units acquired. The carrying amount of goodwill is as follows:

(Amounts in NOK million)

	2020	2019
Norway	787	787
Sweden	668	574
Finland	1,325	1,249
Total	**2,780**	**2,611**

The increase in the carrying amount of goodwill related to Sweden regards the acquisition of JVK and GSP, please refer to note 2 for further information, as well as currency effects as NOK has weakened compared to SEK during 2020. The increase in the carrying amount of goodwill related to Finland is entirely due to currency effects as NOK has weakened compared to EUR during 2020.

The cash generating units of the Group are 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 existing business segments and they strengthen the Group's overall capabilities to undertake additional, larger and more complex projects. 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 OF GOODWILL AND OTHER INTANGIBLE ASSETS
The Group considers the relationship between its market capitalisation, carrying amounts and other factors when identifying indicators of impairment. During 2020, NRC Group's share price development, Covid-19, operating losses the last two years and the update on estimated financial results, were impairment indicators being considered as part of the test. 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 been traded at levels significantly below. The annual impairment test is made towards the end of the year. Following the notice on estimated financial results in January 2021, the management made an updated assessment.

Estimated cash flows for the years 2021 – 2025 are based on projections approved by the Board. Revenue growth in average per year used in the impairment tests were 8.4% in Norway, 4.2% in Sweden and -0.8% in Finland. It is assumed that the current EBITA margins are gradually increasing in the period as a result of measures implemented to restore profitability. Improvement programs initiated in the second half of 2019 have been implemented and yielded satisfactory results in 2020. Loss-making projects in Sweden and Rail Norway from 2018 and 2019 that in recent years had a significant negative effect on the results, are coming to their end and are replaced with projects with normal margins. Rail Norway has improved the tendering processes, strengthened the organisation and project execution, as well as reduced overhead costs. Sweden has improved the tendering processes, strengthened the organisation including the project management, and reduced costs in line with targeted level. The EBITA margins are supported by historical margins from periods before the recent losses in Norway and Sweden.

The discount rate before tax is 8.7% for Norway, 7.6% for Sweden and 7.4% for Finland. For the years subsequent to 2025, a terminal growth of the net cash flow of 1.85% in Norway, 1.25% in Sweden and 1.00% in Finland have been applied, in addition to industry median EBITA margins.

SENSITIVITY
The calculation of value in use is most sensitive to the estimates of revenues, EBITA margin, discount rate and terminal growth. Most sensitive to impairment is our operations in Sweden with a book value of goodwill of SEK 640 million as of 31 December 2020. The current headroom of approximately SEK 170 million is most sensitive to the discount rate and the estimated future cash flows. Changes that may lead to an impairment is an increase in the discount rate with more than 1 percentage points or reduced average future cash flows with more than 9% in the following 5-years period. The assumption for terminal growth in Sweden is 1.25%. A terminal growth of zero will not lead to impairment. In the future cash flow estimates, annual revenue growth for the first five years of approximately 4.2% in average is assumed. Limiting the annual average revenue growth for the five years to 1.25% will not lead to impairment.

For Norway and Finland, an increase in the discount rate of 2 percentage points or a terminal growth of zero will not lead to impairment.

Note 13

Property, plant and equipment

(Amounts in NOK million)

	Buildings	Machinery, fixtures etc	Total
Carrying amount as of 31/12/2019	**16**	**260**	**276**
Reclassification of intangible assets*		-31	-31
Adjusted carrying amount of 1/1/2020	**16**	**229**	**245**
Translation differences	1	18	19
Acquisitions	1	1	2
Additions	2	17	19
Disposal	-2	-6	-8
Depreciation for the year	-1	-45	-46
Carrying amount as of 31/12/2020	**17**	**214**	**231**
Total cost	21	418	439
Accumulated depreciation	-4	-204	-208
Accumulated impairment			
Carrying amount as of 31/12/2020	**17**	**214**	**231**

* Opening balance adjustment concerns a reclassification of IT software investments in progress that were classified as tangible assets as per 31.12.2019. No depreciation expenses were booked in 2019. In 2020, the assets were reclassified to intangible assets.

(Amounts in NOK million)

	Buildings	Machinery, fixtures etc	Total
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**

* Opening balance adjustment concerns a reclassification of IT software investments in progress that were classified as tangible assets as per 31.12.2019. No depreciation expenses were booked in 2019. In 2020, the assets were reclassified to intangible assets.

Note 14

Right-of-use assets

(Amounts in NOK million)

Carrying amounts for groups of right-of-use (ROU) assets	2020	2019
Intangible assets	1	2
Land, offices and buildings	104	117
Machinery, cars and equipment	483	402
Total ROU assets	**588**	**522**

(Amounts in NOK million)

Depreciation charge during the year	2020	2019
Intangible assets	2	2
Land, offices and buildings	43	35
Machinery, cars and equipment	123	118
Total depreciation expense	**168**	**155**
Interest expense on lease liabilities	15	13
Lease expense – short-term and low-value leases	129	127
Total cash outflow for all leases	308	295
Addition of ROU assets during the financial year	254	119

The lease expense related to short-term and low-value leases mainly consist of project related short-term lease agreements. For information about the related leasing liabilities, please refer to note 19.

Note 15

Trade receivables and other receivables

(Amounts in NOK million)

	2020	2019
Trade receivables	931	1,069
Provisions for expected losses	-8	-19
Trade receivables – net	**923**	**1,051**
Contract assets	299	306
Other current receivables	150	154
Other current financial assets	0	1
Total current receivables	**1,371**	**1,511**

(Amounts in NOK million)

Age distribution of trade receivables	2020	2019
Trade receivables not due for payment	**732**	**858**
Up to 30 days	102	109
Between 30 and 90 days	58	33
Over 90 days	39	70
Total receivables due for payment	**200**	**211**
Total trade receivables	**931**	**1,069**

(Amounts in NOK million)

Trade and other current receivables by currency	2020	2019
NOK	499	582
SEK	304	351
EUR	569	578
Total current receivables	**1,371**	**1,511**

Note 16

Cash and cash equivalents

(Amounts in NOK million)

	2020	2019
Cash and bank deposits	610	153
Restricted cash	1	1
Total	**610**	**154**

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

(Amounts in NOK million)

Cash and cash equivalents per currency:	2020	2019
NOK	720	369
SEK	-57	-203
EUR	-53	-11
Total	**610**	**154**

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. The total number at year-end was 72,927,707 shares (2019: 54,023,133), excluding 26,842 own shares, with a nominal value of NOK 1.00 each. The share capital as of 31 December 2020 totalled NOK 72,954,549 (2019: 54,035,630).

On 12 May 2016, the Company's Annual General Meeting approved implementation of an option program for senior management. On the Annual General Meeting 8 May 2019, the option program for senior management was renewed for two more years, comprising in total 1,000,000 shares. The Board of Directors are authorised to increase the share capital and to determine the subscription price and other subscription terms. 100,000 shares have been issued and 260,625 options were granted and outstanding under this authorisation at 31 December 2020. The authorisation only applies to issuances of shares against payment in cash and is valid until 8 May 2021. This program is further described in note 7.

On 19 April 2018, the Company's Annual General Meeting approved implementation of an option program for key employees. The Annual General Meeting 6 May 2020 granted the authorisation to increase the share capital by up to NOK 800,000 in connection with the option program for key employees. The authorisation is valid for a period of two years until 6 May 2022. The Board of Directors are authorised to increase the share capital and to determine the subscription price and other subscription terms. No shares have been issued under this program and 526,500 options were granted and outstanding at 31 December 2020. The authorisation only applies to issuances of shares against payment in cash and is valid until 6 May 2022. This Program is further described in note 7.

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.

At the Annual General Meeting on 6 May 2020, 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 7,295,454.90. 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 until the Annual General Meeting in the spring of 2021, but not later than 30 June 2021. Acquisitions and disposals of treasury shares can take place in the manner found appropriate by the Board of Directors.

On the general meeting 6 May 2020, the Board of Directors were authorised to increase the share capital by up to NOK 7,295,455.00, through issuance of up to 7,295,455 new shares, each with a par value of NOK 1.00. 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 shareholders' pre-emptive rights pursuant to Section 10-4 of the Norwegian Public Limited Companies Act may be waived by the Board of Directors, cf. Section 10-5 of the Norwegian Public Limited Companies Act. The authorisation includes decisions on merger, cf. Section 13-5 of the Norwegian Public Limited Companies Act. The authorisation is valid from registration with the Register of Business Enterprises until the Annual General Meeting in the spring of 2021, but not later than 30 June 2021, and includes the right to change the company's Articles of Association in connection with the share capital increase.

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

Total number of shares on 1 January 2019	**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**
Issue of shares following private placement, 14 February 2020, see above	10,675,719
Issue of shares related to tranche 2 of the private placement, 16 March 2020, see above	8,243,200
Total number of shares on 31 December 2020	**72,954,549**

Note 17 (continued)

TREASURY SHARES
The Company owned 12,497 treasury shares at the beginning of 2020. During 2020, the Company acquired 216,887 treasury shares at a total proceed of NOK 6 million. 202,542 of the shares were transferred to the employees participating in the 2020 share program for employees. At the end of 2020, the Company owned 26,842 treasury shares corresponding to 0.04% of the total number of outstanding shares. The Board of Directors has a mandate until the Annual General Meeting in the spring of 2021, and no later than 30 June 2021, to acquire up to 7,078,567 of the Company's own shares.

Transaction costs related to the private placement amounted in total to NOK 28 million and NOK 22 million net of tax. Gross proceeds from the issue of shares following the private placement were NOK 700 million, hence net proceeds from issue of shares in 2020 were NOK 672 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 2020 was 4,019, compared with 2,618 as of 31 December 2019. The percentage of issued shares held by foreign shareholders was 67.2%, compared with 69.0% at year-end 2019.

Shareholder	No. of shares	% of total
VR-YHTYMÄ OY	13,336,415	18.28 %
J.P. MORGAN BANK LUXEMBOURG S.A.	7,496,763	10.28 %
CARNEGIE INVESTMENT BANK AB	5,219,040	7.15 %
THE BANK OF NEW YORK MELLON SA/NV	4,935,276	6.76 %
THE BANK OF NEW YORK MELLON SA/NV	4,750,911	6.51 %
J.P. MORGAN BANK LUXEMBOURG S.A.	1,970,373	2.70 %
J.P. MORGAN BANK LUXEMBOURG S.A.	1,804,937	2.47 %
VERDIPAPIRFONDET DELPHI NORDIC	1,345,531	1.84 %
GUNNAR KNUTSEN HOLDING AS	1,252,677	1.72 %
LGA HOLDING AS	1,200,102	1.64 %
VERDIPAPIRFONDET NORDEA KAPITAL	1,184,533	1.62 %
VJ INVEST AS	1,137,452	1.56 %
VERDIPAPIRFONDET NORDEA AVKASTNING	889,546	1.22 %
HAUGO RIVING AS	850,745	1.17 %
J.P. MORGAN BANK LUXEMBOURG S.A.	832,606	1.14 %
SKANDINAVISKA ENSKILDA BANKEN AB	812,091	1.11 %
DANSKE INVEST NORGE VEKST	812,000	1.11 %
DNB MARKETS AKSJEHANDEL/-ANALYSE	807,437	1.11 %
CLEARSTREAM BANKING S.A.	711,051	0.97 %
SKANDINAVISKA ENSKILDA BANKEN AB	700,000	0.96 %
TOTAL 20 LARGEST SHAREHOLDERS	**52,049,486**	**71.34 %**
OTHER SHAREHOLDERS	20,905,063	28.66 %
TOTAL NUMBER OF SHARES	**72,954,549**	**100 %**

Note 17 (continued)

Shares held by members of the Board of Directors and executive management on 31 December 2020 including shares controlled through holding companies and related parties:

		Ordinary shares	Share options
Helge Midttun [1]	Chairman of the Board of Directors	110,000	
Eva Nygren	Board member	1,000	
Henning Olsen	CEO NRC Group	62,773	10,000
Dag Fladby	CFO NRC Group	50,659	82,500
Arild Moe	EVP & MD NRC Group Norway	90,000	
Harri Lukkarinen	EVP & MD NRC Group Finland	5,429	7,500
Robert Röder	EVP & MD NRC Group Sweden	30,000	3,125
Lene Engebretsen	EVP & Head of communications	1,259	

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

84,375 of the share options to the executive management were exercisable at year-end. See note 7 for further information.

DIVIDEND
Based on the 2020 results, the Board of Directors will propose no dividends for 2020.

Note 18

Pensions

The Group has defined contribution plans covering all employees in Norway, Sweden and Finland. In Norway, 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 though 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 2020 are fixed at 2.5% of salary up to approximately NOK 0.7 million. In Finland, the Group has a defined benefit plan related to a supplementary old age pension scheme in an insurance company.

(Amounts in NOK million)

	2020	2019
Pension expenses		
Defined contribution plans	129	129
Defined benefit plans	6	2
Contractual pension, multi-employer plan, Norway	6	2
Total pension expenses	**140**	**133**
Number of employees covered		
Defined contribution plans	1,849	2,012
Defined benefit plans, active	64	117
Defined benefit plans, pensioners	430	455
Early retirement scheme, Norway (AFP)	193	191
Defined benefit expenses		
Defined benefit plan, net expense	1	2
Actuarial gain and losses recognised in OCI, net of tax	-1	-4
Recognised in total comprehensive income	**0**	**-2**
Defined benefit obligation		
Defined benefit obligation 1 January	115	0
Business acquired	-	132
Current service cost	1	2
Interest cost	0	2
Benefits paid	-14	-9
Actuarial gain (+)/ losses (-)	-9	-7
Disposal of Design	-	-5
Curtailment	-1	-
Currency differences	9	-1
Defined benefit obligation 31 December	**101**	**115**

Note 18 (continued)

(Amounts in NOK million)

	2020	2019
Plan assets		
Plan assets 1 January	104	0
Business acquired	-	117
Interest income	0	2
Contribution paid	1	-
Benefits paid	-14	-9
Actuarial gain (+)/ losses (-)	-8	-3
Disposal of Design	-	-4
Curtailment	-1	
Currency differences	7	1
Plan assets 31 December	**90**	**104**
Net defined benefit liability 31 December	**12**	**11**

Actuarial assumptions	**31.12.2020**	**31.12.2019**
Discount rate	0.10%	0.40%
Salary increase	2.30%	2.60%
Inflation	0.90%	1.10%
Mortality (TyEL)	K2016	K2016
Benefit increase	1.20%	1.90%
Insurance company bonus index	0.00%	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 and current interest-bearing liabilities is as follows:

(Amounts in NOK million)

	2020	2019
Interest-bearing non-current liabilities:		
Lease liabilities, financial agreements	290	214
Lease liabilities, operating agreements	106	125
Bond debt	600	600
Other loans and borrowings	442	561
Total interest-bearing non-current liabilities	**1,437**	**1,500**
Interest-bearing current liabilities:		
Lease liabilities, financial agreements	120	123
Lease liabilities, operating agreements	57	63
Loans and borrowings	153	101
Total interest-bearing current liabilities	**330**	**287**

The interest-bearing debt other than the operating lease agreements, 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
Lease liabilities	+ 0.75% - 4.00%	+ 0.70% - 2.40%	+ 0.90% - 3.70%
Bond debt	3-month NIBOR* + 4.00%		
Bank loan		3-month EURIBOR** + 2.50%	

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

The margin on the bank loan depends on the leverage ratio (net interest-bearing debt to adjusted EBITDA). During 2020, the margin has been 2.50%. The margin can be in a range of 1.7 to 2.50%.

Note 19 (continued)

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

(Amounts in NOK million)

	2020	2019
NOK	959	878
EUR	720	829
SEK	89	80
Total interest-bearing liabilities	**1,768**	**1,787**

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 2020	1H 2021	2H 2021	2022	2023	2024	2025	2026 ->
Leasing	92	93	152	109	59	34	63
Bond	18	18	36	36	627		-
Bank loans	84	83	162	158	144		-
Total	**193**	**194**	**350**	**303**	**829**	**34**	**63**
Hereof interest	31	29	53	46	30	2	3

The increased payments on bank loans compared to the 2019 disclosure are related to the weakening of NOK compared to EUR.

(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

Note 19 (continued)

The Company's term facilities with Danske Bank ASA contain standard market terms and covenants related to interest cover ratio, leverage ratio and equity ratio. Covenant restrictions on interest cover ratio is ≥ 3.0 (the ratio of adjusted EBITDA to net other interest payable of any relevant 12-month period) compared to actual 6.0 as per 31 December 2020. Leverage ratio is ≤ 5.25 compared to actual 4.2 per 31 December 2020. The leverage ratio will decrease to 5.00 in the third and to 4.00 in the fourth quarter of 2021. In 2022 the leverage ratio is 3.50 for the first to the third quarter, and thereafter 3.25 for the remaining life of the facility. The equity ratio is > 25% (the ratio of the book value of the equity of the Group to book value of total assets of the Group) compared to the actual equity ratio 31 December 2020 of 47%. 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 as agreed with Danske Bank. 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 3.3 and equity ratio > 25% compared to actual 47% as per December 2020. 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 compared to actual 4.2 at 31 December 2020. The leverage ratio reduces to 3 in 2021 and 2.5 in 2023. No dividend is proposed for 2020.

Changes in interest-bearing liabilities arising from financing activities:

(Amounts in NOK million)

Interest-bearing non-current liabilities	2020	2019
Interest-bearing liability at 1 January	1,787	691
Proceeds from borrowings	0	2,022
Repayment of borrowings	-119	-1,128
Payments of lease liabilities	-179	-165
Interest-bearing debt in acquired companies	5	243
Leasing liabilities, new contracts	250	124
Currency adjustment	24	-
Interest-bearing liability at 31 December	**1,768**	**1,787**

Note 20

Other current liabilities

(Amounts in NOK million)

	2020	2019
Accrued salaries etc	274	272
Accrued project expenses	99	168
Provisions	24	33
Contingent consideration	0	111
Other current liabilities	50	160
Total	**447**	**744**

The contingent consideration in 2019 was related to the estimated final net settlements of the share purchase agreements of NSS Holding AS and Gunnar Knutsen AS. Both settlements have been finalised in 2020, 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 2020	**10**	**22**	**33**
Translation differences	0	2	2
Arising during the year	3	5	8
Utilised	0	-8	-8
Unused amounts reversed	-8	-3	-11
Closing Balance 31 December 2020	**6**	**18**	**24**
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**

Note 22

Pledged assets, guarantees and security

Bank loans amounting to EUR 57.3 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries, other than Miljøvakta, GSP and JVK, 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 1,254 million. Leasing liabilities amounting to NOK 573 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 588 million.

The Group has framework agreements with Tryg Garanti/Tryg Forsikring A/S (utilised NOK 232 million out NOK 450 million), Nordic Guarantee (utilised NOK 86 million out of NOK 86 million), House of Guarantees AS (utilised NOK 140 million out of NOK 200 million), Euler Hermes Norge (utilised NOK 82 million of NOK 200 million) and Garantia Insurance Company Ltd (utilised EUR 17 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.

(Amounts in NOK million)

Financial instruments per category	Balance sheet on 31 December 2020	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			
Total inventories	33					33
Trade receivables	923		923			
Contract assets	299		299			
Other current receivables	150		49			101
Cash & cash equivalents	610		610			
Total	**2,039**	**3**	**1,902**			**134**
Pension obligations	12					12
Interest-bearing non-current liabilities	1,437				1,437	
Deferred tax	9					9
Other non-current liabilities	31			31		
Interest-bearing current liabilities	330				330	
Trade payables	382				382	
Contract liabilities	336					336
Public fees payable	131				100	31
Tax payable	21					21
Other current liabilities	447					447
Total	**3,136**	**0**	**0**	**31**	**2,249**	**856**

Note 23 (continued)

(Amounts in NOK million)

Financial instruments per category	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			
Total inventories	136					136
Trade receivables	1,051		1,051			
Contract assets	306		306			
Other current receivables	154		32			122
Other current financial assets	1	1				
Cash & cash equivalents	154		154			
Total	**1,826**	**4**	**1,564**			**258**
Pension obligations	11					11
Interest-bearing non-current liabilities	1,500				1,500	
Deferred tax	23					23
Interest-bearing current liabilities	287				287	
Trade payables	358				358	
Contract liabilities	285					285
Public fees payable	182				167	15
Tax payable	1					1
Other current liabilities	744			111		633
Total	**3,391**	**0**	**0**	**111**	**2,312**	**968**

Note 23 (continued)

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

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			3	3
Derivatives defined as hedging instruments		1		1
Total at 31 December 2019		**1**	**3**	**4**
Financial assets at fair value through profit or loss			3	3
Derivatives defined as hedging instruments				
Total at 31 December 2020		**0**	**3**	**3**

Financial liabilities at fair value	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss			111	111
Derivatives defined as hedging instruments				
Total at 31 December 2019			**111**	**111**
Financial liabilities at fair value through profit or loss			6	6
Derivatives defined as hedging instruments		25		25
Total at 31 December 2020		**25**	**6**	**31**

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 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 and liquidity risk. 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 most relevant to the Group comprises currency risk and interest rate.

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.

Net foreign exchange gains totalled NOK -7 million in 2020 (2019: NOK 4 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 57 million loan hedging the exposure of the net investment in Finland. The currency translation difference in equity as of 31 December 2020, totalled a net gain of NOK 109 million (2019: net gain of NOK 8 million).

The NOK/SEK rate of exchange as of 31 December 2020 was 1.0435 (2019: 0.9442), while the average of the monthly average rates used to translate the income statement was 1.0227 (2019: 0.9305). The NOK/EUR rate of exchange as of 31 December 2020 was 10.4703 (2019: 9.8638), while the average of the monthly average rates used to translate the income statement was 10.7258 (2019: 9.8502).

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)

Interest-bearing non-current liabilities	2020	2019
Change in SEK rate	**-5%**	**-5%**
Effect on net income	3	4
Effect on equity	-42	-29
Effect on net interest-bearing debt	7	14
Change in EUR rate	**-5%**	**-5%**
Effect in one net income	-5	0
Effect on equity	-14	-5
Effect on net interest-bearing debt	39	42

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%. 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 -25 million at year-end (2019: NOK 1 million).

Net interest expense for 2020 amounts to NOK 75 million (2019: NOK 68 million). An increase in interest of 1 percentage point would increase interest on debt by approximately NOK 11 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.

75% of the revenues for 2020 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.

Note 24 (continued)

As of 31 December 2020, the Group has provisions of NOK 8 million (2019: NOK 19 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 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 impacted 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. The Group normally tie up working capital when the activity is increasing.

The Group had NOK 810 million in liquid reserves at the end of the year, compared with NOK 353 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK 1 million (2019: NOK 1 million) and total cash were NOK 610 million (2019: NOK 154 million). Additionally, the Group had an unused credit facility of NOK 200 million at year-end, the same as at the end of the previous year. 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 including leasing liabilities at the year-end that are due to be paid during 2021 amounts to NOK 330 million (2019: NOK 287 million to be paid in 2020).

Moreover, the Group has total current liabilities excluding interest-bearing debt as of 31 December 2020, totalling NOK 1,316 million (2019: NOK 1,569 million). Total current assets amounted to NOK 2,014 million compared to NOK 1,802 last year.

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's capital structure was in the beginning of 2020 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 Group 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 have enhanced the financial strength and flexibility of the Group in line with the strategic plan. For further information about the share issue, please refer to note 17.

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 amortisation. 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.

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.

Discontinued operations in 2020 are related to net subsequent settlements and income and expenses related to the business disposed in 2019.

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:

(Amounts in NOK million)

Discontinued operations	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**

The net gain consists of:

(Amounts in NOK million)

Gain on sale	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)

	2020	2019
Raw materials and materials for resale	13	123
Finished goods	20	14
Total inventories	**33**	**136**

Inventory relates to the Finish operations. No write-downs have been made to inventory in 2020. 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 Holding AS, Norway
NRC Norge AS, Norway
NRC Gravco AS, Norway
Septik Tank Co AS, Norway
Fibertech AS, Norway
Norsk Saneringsservice AS, Norway
Miljøvakta AS, Norway [1]
Gunnar Knutsen AS, Norway
Asker Miljøpark AS, Norway [2]
Nordic Railway Construction AB, Sweden
Nordic Railway Construction Sweden AB, Sweden
Signal & Banbyggarna i Dalarna AB, Sweden
Järnvägskonsulterna Bollnäs AB, Sweden
Gästrike Signal & Projektering AB, Sweden [3]
Blom Sweden AB, Sweden
Nordic Railway Construction Underhåll AB, Sweden
NRC Holding Finland Oy, Finland
NRC Group Finland Oy, Finland

[1] Miljøvakta AS is 70% owned by Norsk Saneringsservice AS
[2] Asker Miljøpark AS is 75% owned by NRC Norge Holding AS
[3] Gästrike Signal & Projektering AB is 70% owned by NRC AB

The Group also has investments in a joint venture and in an associated company. The investments are accounted for according to the equity method.

Joint venture:
Sjursøya-Lemminkainen-Alti ANS (50%)

Net profit/loss and net assets of the joint venture are immaterial at 31 December 2020 and 2019, and separate disclosures are therefore not made. The company has been dissolved in 2021.

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 late 2026 (E04) and at late 2021 (E03) and have a percentage of completion of approximately 38% and 31% respectively as of year-end. The book value of AGN Haga AB in the Group accounts is unchanged at NOK 500,000. The projects are complex with substantial risk, hence net income from the associated company has been reported at zero.

Note 28 (continued)

A summary of the financial information of AGN Haga AB, based on 100% figures:

(Amounts in NOK million)

	2020	2019
Total revenue	1,004	530
Net profit for the year	49	-8
The Group's calculated share of the net profit (20%)	10	-2
Provisions made in the Group accounts	-10	2
The Group's reported share of the net profit	**0**	**0**

The associated company had no discontinued operations or other comprehensive income in 2019 or 2020.

(Amounts in NOK million)

	2020	2019
Current assets	235	165
Non-current assets	94	96
Current liabilities	260	239
Non-current liabilities	14	16
Equity	**54**	**6**
The Group's calculated share of equity (20%)	11	1
Accumulated provisions made in the Group accounts	-11	-1
Book value 31 December	**0**	**0**

Note 29

Related party disclosures

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 may have 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 and are carried out on arm's length terms. Total expense amounted to NOK 0,04 million for 2020. Currently, there exists one agreement with Mats Williamson. Except for this, no significant related party transactions exist. Any related party transactions are carried out on arm's length terms.

Note 29

Subsequent events

The coronavirus outbreak may significantly impact our markets and operations in 2021. To what extend will depend on how the virus will spread and the measures being implemented by the governmental authorities. Currently, the situation in 2021 has not changed significantly from 2020.

NRC Group ASA accounts

Income statement – NRC Group ASA 1 January – 31 December

(Amounts in NOK million)

	Note	2020	2019
Operating revenue	2	**16**	**17**
Salaries and personnel costs	3	30	34
Depreciation and amortisation		2	1
Other operating and administrative expenses		18	32
Operating expenses	4	**50**	**67**
Operating profit/loss (-)		**-34**	**-51**
Financial income/expenses (-)	5	-37	9
Net financial items		**-37**	**9**
Profit/loss before tax		**-70**	**-41**
Tax expense (-)/ income	6	15	8
Net profit/loss (-) for the year		**-56**	**-33**
Allocation of profit/loss:			
Dividend		0	0
Transfer from share premium		-56	-33
Total allocations		**-56**	**-33**

Statement of financial position – NRC Group ASA 31 December

(Amounts in NOK million)

Assets	Note	2020	2019
Intangible assets		1	3
Deferred tax asset	6	98	77
Total intangible assets		**98**	**80**
Shares in subsidiaries	7	1,746	1,746
Long-term intercompany receivables	8	710	938
Total financial assets		**2,456**	**2,684**
Total non-current assets		**2,554**	**2,764**
Other receivables	8/12	1,761	1,298
Cash and cash equivalents	9	592	143
Total current assets		**2,353**	**1,442**
TOTAL ASSETS		**4,907**	**4,206**

Statement of financial position – NRC Group ASA 31 December

(Amounts in NOK million)

Equity and liabilities	Note	2020	2019
Paid-in capital:			
Share capital		73	54
Treasury shares		0	0
Share premium		2,230	1,626
Total equity	10	**2,303**	**1,680**
Interest-bearing liabilities		1,041	1,161
Total non-current liabilities	11/13	**1,041**	**1,161**
Interest-bearing liabilities	12	152	101
Intercompany payables	12	1,401	1,249
Public fees payable		1	3
Other current liabilities		8	12
Total current liabilities		**1,563**	**1,365**
Total liabilities		**2,603**	**2,525**
TOTAL EQUITY AND LIABILITIES		**4,907**	**4,206**

Lysaker, 15 March 2021

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Mats Williamson
Board member

Eva Nygren
Board member

Rolf Jansson
Board member

Henning Olsen
CEO

Tove Elisabeth Pettersen
Board member

David Montgomery
Board member

Cash flow statement – NRC Group ASA
1 January – 31 December

(Amounts in NOK million)

	Note	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		-70	-41
Depreciation, amortisation and impairment		2	2
Net financial items		37	-9
Change in current receivables		5	-1
Change in trade payables		-1	-1
Change in other accruals		-67	34
Net cash flow from operating activities		**-94**	**-16**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment		0	-1
Payments for acquisition of subsidiaries	12	0	-1,329
Other investments in subsidiaries		0	-5
Repayment from subsidiaries		514	82
Net effect of cash-pool	12	-521	172
Net cash flow from investing activities		**-7**	**-1,081**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		672	4
Proceeds from sale of treasury shares		5	7
Proceeds from borrowings		0	2,006
Repayment of borrowings		-119	-1 077
Acuisition of treasury shares		-6	-12
Net interest paid		-2	-27
Net cash flow from financing activities		**550**	**901**
Net change in cash and cash equivalents		**449**	**-196**
Cash and cash equivalents as at 1 January		143	339
Cash and cash equivalents as at 31 December	9	**592**	**143**

Notes to the NRC Group 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% (2019: 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 utilised.

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

Note 2

Revenue

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

(Amounts in NOK million)

	2020	2019
Norway	6	6
Sweden	4	5
Finland	6	6
Total operating revenue	**16**	**17**

Note 3

Salaries and personnel costs

(Amounts in NOK million)

	2020	2019
Salaries	25	27
Social security tax	3	4
Pension costs	2	2
Other personnel costs	0	1
Total	**30**	**34**

The full-time equivalent employees' number for 2020 was 14 (2019: 13). 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

(Amounts in NOK million)

	2020	2019
Rent and other office expenses	4	3
External services	5	15
Merger and acquisition expenses	4	8
Other operating and administrative expenses	5	5
Total	**18**	**32**

(Amounts in NOK million)

Compensation to auditors	2020	2019
Statutory audit	0.7	0.7
Other assurance engagements	0.1	0.0
Tax related services	0.0	0.1
Other services	0.0	0.0
Total excluding VAT	**0.9**	**0.8**

Note 5

Financial income and expenses

(Amounts in NOK million)

	2020	2019
Interest income from subsidiaries	58	56
Other interest income	4	2
Currency gain	90	24
Total financial income	**151**	**82**
Interest cost to subsidiaries	5	5
Other interest and financial expenses	64	59
Currency loss	119	9
Total financial expenses	**188**	**73**

Note 6

Tax

(Amounts in NOK million)

	2020	2019
Tax expense:		
Tax payable	0	0
Tax expense / income recognised in equity	-6	0
Change in deferred tax	21	8
Total tax expense (-) / income	**15**	**8**
Result before tax	**-70**	**-41**
Change in temporary differences	0	1
Permanent differences	4	5
Basis for tax payable for the year	**-67**	**-35**
Tax payable	**0**	**0**
Temporary differences between tax and book values and tax losses carried forward		
Tax losses carried forward	-444	-348
Other differences	1	0
Net	**-443**	**-348**
Unrecognised tax benefit basis	0	0
Basis for deferred tax	**-443**	**-348**
Net deferred tax (-)/ tax asset	**98**	**77**
Tax rate	22%	22%

Total net deferred tax assets have been recognised as it is assumed probable that they can be utilised against future taxable profit from group contributions based on forecasts and projections for the subsidiaries, or if needed in combination with tax planning opportunities. Norway combined have suffered pre-tax losses recently. Due to changes and reorganisations being implemented, this is considered temporary. A significant part of the tax losses carried forward derive from operations different to the current activities of the Company.

Note 7

Subsidiaries

(Amounts in NOK million)

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

See also note 28 in the Group accounts.

Note 8

Non-current and current receivables

(Amounts in NOK million)

	2020	2019
Non-current receivables subsidiaries (note 12)	710	938
Total non-current receivables	**710**	**938**
Receivables subsidiaries (note 12)	1,760	1,297
Other current receivables	1	1
Total current receivables	**1,761**	**1,298**

Note 9

Cash and cash equivalents

(Amounts in NOK million)

	2020	2019
Cash and bank deposits	592	143
Restricted bank deposits	0	0
Total	**592**	**143**

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

Note 10

Equity

(Amounts in NOK million)

	Share capital	Treasury shares	Share premium	Total equity
Equity as at 31 December 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			11	11
Share-based payments			1	1
Treasury share transactions		0	-12	12
Equity as at 31 December 2019	**54**	**0**	**1,626**	**1,680**
Profit/loss for the year			-56	-56
Increase share capital	19		681	700
Costs related to capital increase			-22	-22
Employee share programme[1]			6	6
Share-based payments			1	1
Treasury share transactions[1]		0	-6	-6
Equity as at 31 December 2020	**73**	**0**	**2,230**	**2,303**

[1] The Company owned 12,497 treasury shares at the beginning of 2020. During 2020, the Company acquired 216,887 treasury shares at a total proceed of NOK 6 million. 202,542 of the shares were transferred to the employees participating in the 2020 share program for employees. At the end of 2020, the Company owned 26,842 treasury shares corresponding to 0.04% of the total number of outstanding shares. Reference is also made to *note 17: Share capital and shareholder information* in the consolidated accounts.

Note 11

Pledged assets and security

Bank loan amounting to EUR 57 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 cash-pool, 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 870 million). Reference is also made to *note 22: Pledged assets, guarantees and security* in the consolidated accounts.

Note 12
Transactions with related parties

The Company does not have any related parties other than subsidiaries, board members and executive management. Related party transactions include compensation to board members and executive personnel as disclosed in note 6 in the Group accounts. Group transactions include charging of management fees (see note 2), intercompany long-term loans amounting to in aggregate NOK 870 million at year-end consisting of a EUR 57 million loan with an interest at EURIBOR (minimum zero) + 3.1% and a EUR 25 million loan with an interest at EURIBOR (minimum zero) + 4.6%. 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 91 million, including a total receivable from Group companies of NOK 1,595 million and a liability to Group companies of NOK 1,401 million (see note 8 and 9).

NRC Group ASA may have 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 and are carried out on arm's length terms. Total expense amounted to NOK 0.04 million for 2020. Currently, there exists one agreement with Mats Williamson. Except for this, no significant related party transactions exist. Any related party transactions are carried out on arm's length terms.

Note 13
Interest-bearing liabilities

(Amounts in NOK million)

	2020	2019
Interest-bearing non-current liabilities:		
Bond debt	600	600
Other loans and borrowings	441	561
Total interest-bearing non-current liabilities	**1,041**	**1,161**
Current interest-bearing liabilities:		
Loans and borrowings	152	101
Total current interest-bearing liabilities	**152**	**101**

The loan and borrowings consist of a EUR 57.3 million loan. For more information regarding the bond debt and the loan, reference is made to note *19: Loans and other non-current liabilities* in the consolidated accounts.

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 2020 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, 15 March 2021

Helge Midttun
Chairman of the Board

Brita Eilertsen
Board member

Mats Williamson
Board member

Eva Nygren
Board member

Rolf Jansson
Board member

Henning Olsen
CEO

Tove Elisabeth Pettersen
Board member

David Montgomery
Board member

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6A, NO-0191 Oslo
Postboks 1156 Sentrum, NO-0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

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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 statement of financial position as at 31 December 2020, the income statement and statements 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 2020, statements of income, other comprehensive income, changes in equity and cash flows and 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 2020, 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 2020 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 2020. 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.

Impairment of goodwill

The carrying amount of goodwill as at 31 December 2020 was NOK 2 780 million, with no impairment reported in 2020. The goodwill is related to acquisitions primarily in 2019 and prior years and is allocated to three cash generating units. For the impairment assessments in 2020 the management identified several impairment indicators, including the low market capitalization compared to equity and operating losses the last two years.

Management assessed the recoverable amounts of each cash generating unit based on value-in-use calculations, which require significant judgement related to future cash flows and discount rates. Impairment assessment of goodwill was a key audit matter because of the significant carrying amount, the impairment indicators and the judgement involved in the value-in-use calculations.

We assessed the reasonableness of key assumptions applied in future cash flows such as revenue growth rates, EBITA margins and operating profits for the five-year projection period as well as the terminal growth rate for the period beyond five years. We evaluated the historical accuracy of management's estimates by comparing actual versus estimated cash flows and evaluated the specific reasons for the deviations in 2019 and 2020 to assess the reasonableness of management forecasts for future cash flows. We agreed the input data used by management to supporting evidence such as actual results, order backlogs and future cash flows approved by the board of directors, and we compared the level of EBITA margins and terminal growth rates to available information related to the performance of comparable companies. We involved our internal valuation experts to evaluate the valuation methodologies and assess the reasonableness of the discount rates applied by management and benchmarked the discount rates applied to other comparable companies in the same industry. In addition, we assessed potential Covid-19 effects on estimated future cash flows and performed sensitivity and benchmark analysis against research reports from market analysts.

We refer to the consolidated financial statements note 12 Intangible assets, note 1.2 Significant accounting principles and note 1.3 Material accounting judgements, estimates and assumptions.

Revenue recognition in the contractor business

The Group's project revenues and costs are derived from contracts with customers 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 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. 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 assessed the application of accounting principles and the input for measuring the projects' progress. We assessed the process 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 analysed the development in margins, assessed historical accuracy of management's estimates by comparing actual achieved margins to estimated margins, also taking into account the potential effects of Covid-19.

We refer to the consolidated financial statements note 4 Revenues and projects in progress, note 1.2 Significant accounting principles and note 1.3 Material accounting judgements, estimates and assumptions.

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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;

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- 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, 15 March 2021
ERNST & YOUNG AS

The auditor's report is signed electronically

Tommy Romskaug
State Authorised Public Accountant (Norway)

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 of 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.

ADDRESSABLE TENDER PIPELINE
The total of any tender processes above NOK 30 million expected to be made available during the next nine months and relevant for the Group, based on the current group operations, to consider participation.

BOOK-TO-BILL ratio
The nominal value of orders received divided by external revenue for the corresponding period.

BOOK-TO-BILL ratio LTM
The nominal value of orders received last twelve months divided by external revenue for last twelve months.

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 and IT software investments.

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.

EQUITY RATIO
Total equity in relation to total assets.

FINANCIAL LEASE AGREEMENTS
Lease agreement transferring the main risk and control of the assets to the lessee.

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

M&A EXPENSES
Expensed external costs related to merger and acquisitions, including any subsequent adjustments to the final settlement of contingent considerations that is not included in the final purchase price allocation.

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

OPERATING LEASE AGREEMENTS
Lease agreement that are not financial lease agreements, including real estate rent.

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 prior year including full year revenue effect (proforma) for any acquired business, calculated in local currency.

OTHER INCOME AND EXPENSES
Other income and expenses consist of M&A expenses and including subsequent adjustment of contingent considerations in business combinations recognised in profit or loss.

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

(Amounts in NOK million)

	FY 2020	FY 2019
Operating profit/loss (EBIT)	-10	-105
Other income and expenses	1	91
EBIT*	**-8**	**-15**
Amortisation	59	70
EBITA*	**50**	**55**
Depreciation	214	212
EBITDA*	**264**	**267**

Offices

HEAD OFFICE NORWAY:

NRC Group ASA / NRC Norway AS

Lysaker Torg 25
1366 Lysaker
Norway

Postal address:
PB 18
1324 Lysaker
Norway

contact@nrcgroup.no

HEAD OFFICE SWEDEN:

Nordic Railway Construction Sweden AB

Englundavägen 7D
171 41 Solna
Sweden

info@nrcgroup.se

HEAD OFFICE FINLAND:

NRC Group Finland Oy

Radiokatu 3
00240 Helsinki
Finland

Postal address:
PO. Box 488
FI-00101 Helsinki,
Finland

Tel. +358 307 43400

NRCGROUP.COM

nrcgroup.no

nrcgroup.se

nrcgroup.fi