Annual report 2021

NRC Group

Contents

Key figures

(Amounts in NOK million)

	2021	2020
Revenue	5,957	6,449
EBITDA*	336	264
EBITA*	139	50
EBIT*	75	-8
EBITA* (%)	2.3%	0.8%
Order intake	7,581	5,339
Order backlog	7,801	6,475
Cash flow from operating activities (continuing operations)	358	312
Cash and cash equivalents	626	610
Net interest-bearing debt	891	1,158
Equity ratio	47%	47%
Employees	1,893	1,914

All alternative performance measures (APM) and definitions are presented on page 146.

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

CEO's letter

In 2021, the impact of our strategic improvement programmes yielded results. We delivered improved profitability and cashflow, as well as strong order intake across all countries. On our way to restore profitability to our target level, we see the results of disciplined project tendering, planning and execution processes.

We won NOK 7.6 billion worth of new contracts, making it our second-best year since inception. We secured several important contracts, including the Crown Bridges light rail project in Finland valued at approximately NOK 1.1 billion and the contract for electrification of Trønder- and Meråkerbanen in Norway valued at NOK 760 million. The order book at the end of the year of NOK 7.8 billion is the highest since second quarter 2019, and mainly comprises projects won during our strengthened tendering framework.

Disciplined tendering, planning and execution processes are fundamental to our future success. NRC Group seeks to foster an environment where everyone can learn, develop and thrive at all levels in the organisation. We are seeing the initial results of our continuous efforts to build the team for the future and from internal programmes for employee development. In 2021, we strengthened the Group HR function to fully realise the potential within our Nordic organisation and help drive recruitment.

BUILDING FOR THE FUTURE

Let me also revert to the Trønder- and Meråkerbanen contract mentioned earlier. The project will be executed as a joint arrangement between our Norwegian and Swedish organisation and is an example of how we can utilise our competence and capabilities across markets to be competitive and drive profitable growth. Improving our cross-border collaboration and sharing best practice is a focus area for 2022. We see potential for efficiency improvements, including continued focus on optimisation and utilisation of the machine and equipment pools from a Nordic perspective.

The project is also a great example on how we support de-carbonising society. We take great pride in building sustainable solutions to connect people and cities, and we work on several projects that are transformational for the cities and areas where they are being built. In Oslo, we secured contracts for the Fornebubanen, the biggest metro line project since the 1970s, within construction, demolition and mass transport. In Finland, we continue to develop our leading position within light rail projects under the alliance model. Our projects show how NRC Group's services contribute to efficient transport, reduced emissions, urban development and a more sustainable society.

"Our people are the foundation for our success. In line with our values of caring, credible and entrepreneurial, we are building a strong safety culture and an attractive place to work. It is pleasing to see continuous improvement in our health and safety systems", says Henning Olsen, CEO of NRC Group.

HOW WE BUILD MATTERS

The way we execute these projects is very important. NRC Group recognises that minimising the impact on the external environment is a prerequisite to deliver sustainable solutions for tomorrow. We are therefore pursuing a strategy of sustainable growth, promoting climate-friendly solutions and proactively working to become a zero-emission industry by 2050 at the latest. By 2025, we target a reduction to our emissions by at least 30%. To make sure that we get all our employees onboard and raise the awareness internally, we launched a sustainability certification for all 2,000 employees to take. Over 60% of our workforce had completed the training after six months. This builds a common understanding of key sustainability principles across the entire business.

Our sustainability strategy sets out how we operate to achieve our sustainability goals. We are focused on identifying and managing climate change-related risks and opportunities. This is

well connected with our business strategy and our commitment to transparent handling of material environmental, social and governance related topics. For us to be successful in our industry, we are actively managing those areas where we have material social and environmental impacts. Our strategy also includes accounting for the impact of the EU taxonomy, where our estimates indicate that approximately 85% of our business activities may be considered eligible under the proposed legislation. Our knowledge and well-defined framework for how to operate and minimise our footprint when building low carbon infrastructure, strengthen our position as leading partner in our industry.

LOOKING UP AND AHEAD

Health, safety and environment is our number one priority. It is our collective effort which enables safe operations as the pandemic has impacted how we live and work. I want to thank our employees for their ability to maintain focus and continue operations in this challenging situation. As travel restrictions are eased, I am finally able to again visit projects. It is an inspiration to meet our employees across the Nordic region, and it gives me confidence that we have made the right choices. We are positioning the company to capture the long-term value opportunities created by the strong outlook for investments in sustainable infrastructure in the Nordic region. This is confirmed by the national budget proposals and National Transport Plans of Norway, Sweden and Finland.

As our improvement programmes continue to impact across the organisation with more robust processes and better financial performance at project level, we build a stronger platform from which to deliver profitable growth, supported by our clear operational priorities – winning the right projects at the right price, and excellence in project execution.

Stay healthy and safe.

Henning Olsen
CEO

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).

Company introduction

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

Caring
We care for the safety of our employees and suppliers. We make sure to plan and act for the safety of people and our society.

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

Entrepreneurial
We deliver infrastructure, not bureaucracy. We are driven by a strong commercial mindset.

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 with a complete value chain including in-house capabilities for the prioritised markets rail, light rail and civil engineering. The service offering includes groundwork, specialised track-work, electro, signalling systems, demolition, recycling, wastewater, sewage services and mass transport. A unique set of capabilities and services from planning and project management to construction and maintenance, is provided to build complex infrastructure.

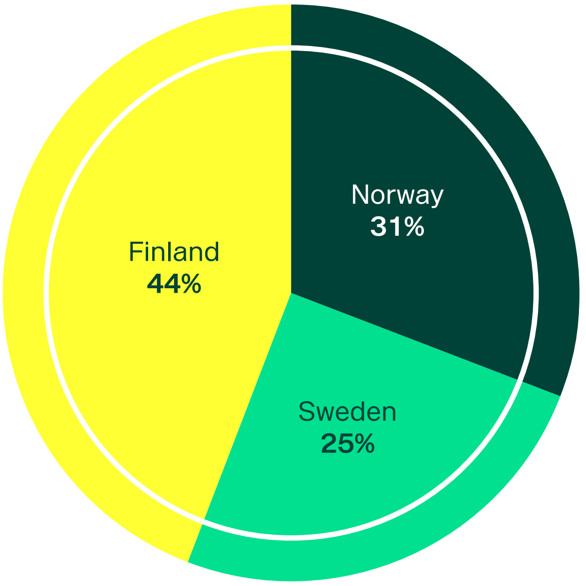
Access to high-quality sustainable infrastructure solutions with low carbon footprint, enabling safe and efficient transport solutions, is increasingly important. NRC Group is positioning itself to be the sustainable partner of choice and aims to be a Nordic leader with clear strategic priorities to improve profitability and drive growth. Through operational improvements, the company will capitalise on the leading Nordic position and a strong market outlook.

The company recognises that people are the key enablers 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 and experience which represent NRC Group's key competitive advantages.

NRC Group sees a long-term positive outlook for rail, light rail and civil engineering, including complementary services. Market fundamentals are supported by favourable population growth and urbanisation trends, and environmental challenges will add to already increasing maintenance backlogs within rail. This is confirmed by the national budgets and National Transport Plans of Norway, Sweden and Finland.

Group structure and presence

NRC Group's head office is located at Lysaker near Oslo, Norway. The Group has three operating segments, Norway, Sweden, and Finland. In 2021, the Norwegian operations generated 31% (2020: 29%) of Group revenue, the Swedish operations generated 25% (2020: 27%) and the Finnish operations generated the remaining 44% (2020: 44%).



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

NORWAY
NRC Group Norway is responsible for operations in Norway and has branch offices in the Eastern and Southern parts of Norway. In 2021, there were three operating divisions in Norway:

- Rail construction
- Civil construction
- Environment

FINLAND
NRC Group Finland is responsible for operations in Finland and has its head office in Helsinki and branch offices in several cities. In 2021, there were three operating divisions in Finland:

- Rail construction
- Rail maintenance
- Materials

SWEDEN
NRC Group Sweden is responsible for operations in Sweden and has its head office in Stockholm, with branch offices across the country. In 2021, there were three operating divisions in Sweden:

- Rail construction
- Rail maintenance
- Civil construction

Operations

NRC Group is a fully integrated infrastructure contractor with in-house capabilities to deliver complex projects. The Group offers a complete set of services for transport-related infrastructure in prioritised markets such as rail, light rail and civil engineering. The service offering includes groundwork, specialised trackwork, electro, signalling systems, demolition, recycling, wastewater, sewage services and mass transport.

Rail and light rail

Construction

NRC Group holds all necessary approvals to work within the rail, light rail and metro segments including electrical installations with specialist capabilities across the entire rail value chain. In addition to railroads, the offering includes terminals and stations, and related infrastructure such as bridges and crossings.

Construction work can be divided into these main categories:

SUBSTRUCTURE:
Substructure ensures stable tracks and railroads. The substructure is the foundation and consists of the mass that the track is placed upon, 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. Among other, the superstructure consists of ballasts, sleepers, rails, switches and cable channels.

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

POWER SUPPLY SYSTEM:
Secures continuous power transfer to the trains. Includes all electro and catenary work.

OTHER COMPLEMENTARY SERVICES:
Services such as concrete works, recycling, demolition and mass transport are delivered where a full-scale service range is required.

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, which serves as a competitive advantage for the company.

Rail

Maintenance

NRC Group is an established provider of railway maintenance services in Finland and Sweden and utilises the same competencies and equipment as for 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.

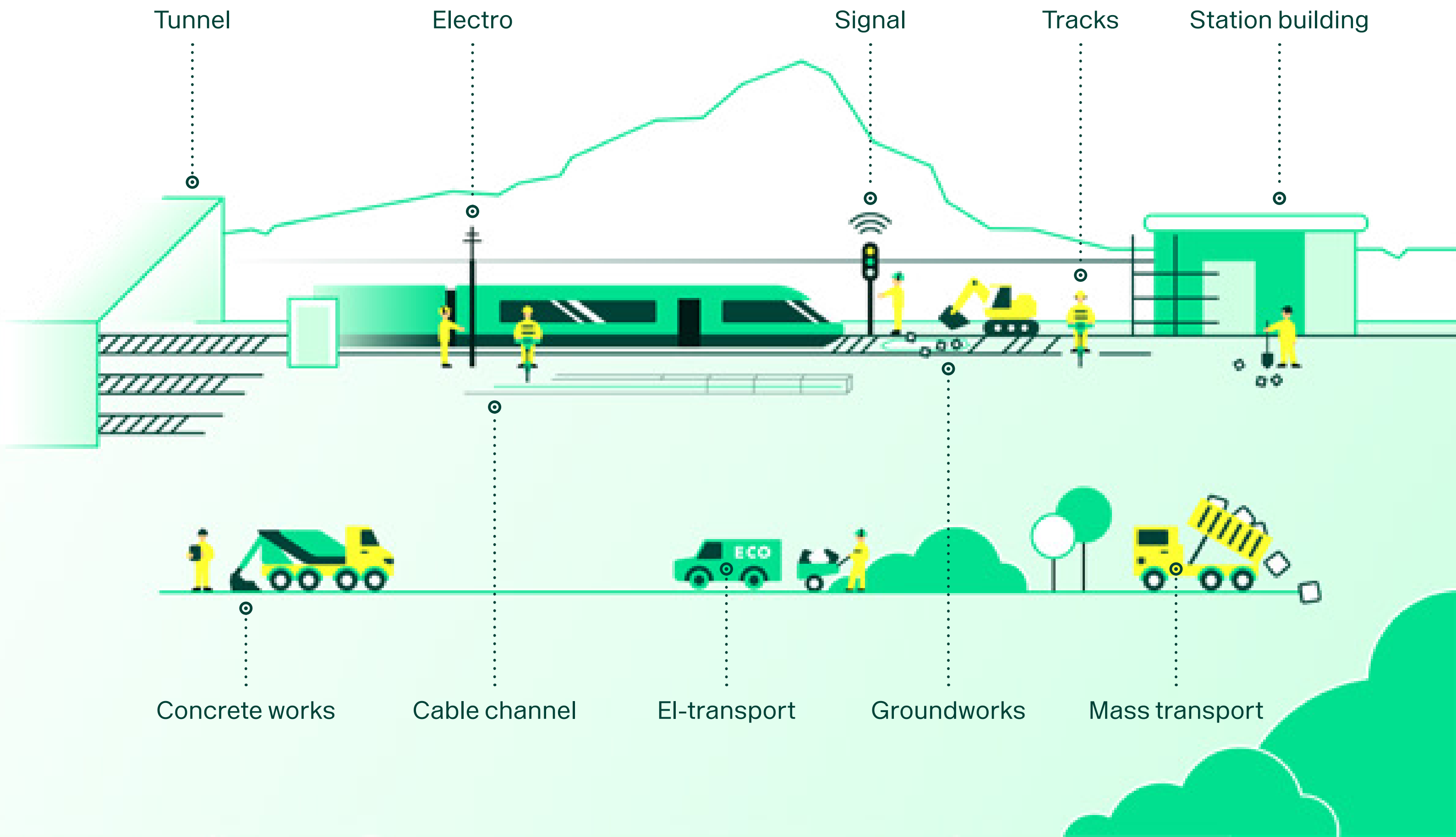
Civil construction

NRC Group in Norway and Sweden has established separate divisions specialising in civil construction. This includes groundwork, concrete work, installation and construction of steel structures and landscaping. The services support development of transport infrastructure.

Other complementary services

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, and an integrated part of the value chain.

In Norway, a separate division, Environment, provides services within transport and handling of masses, demolition, recycling, wastewater and sewage services. This division acts both as a service provider to projects for NRC Group and as a provider to external contractors. In Finland, a separate division, Materials, provides procurement, logistics and warehousing for the Finnish Transportation Infrastructure Agency (FTIA).



Sustainable infrastructure – because tomorrow matters

Fornebubanen – A green connection for Greater Oslo

In Norway, NRC Group is applying the full scope of rail construction, civil works and complementary services in supporting the development of a new metro line from Majorstuen in Oslo to Fornebu.

Today, Fornebu is a fast-growing business hub and home to some of Norway's largest corporations. It is also a major urban development project with new housing and shopping areas under construction.

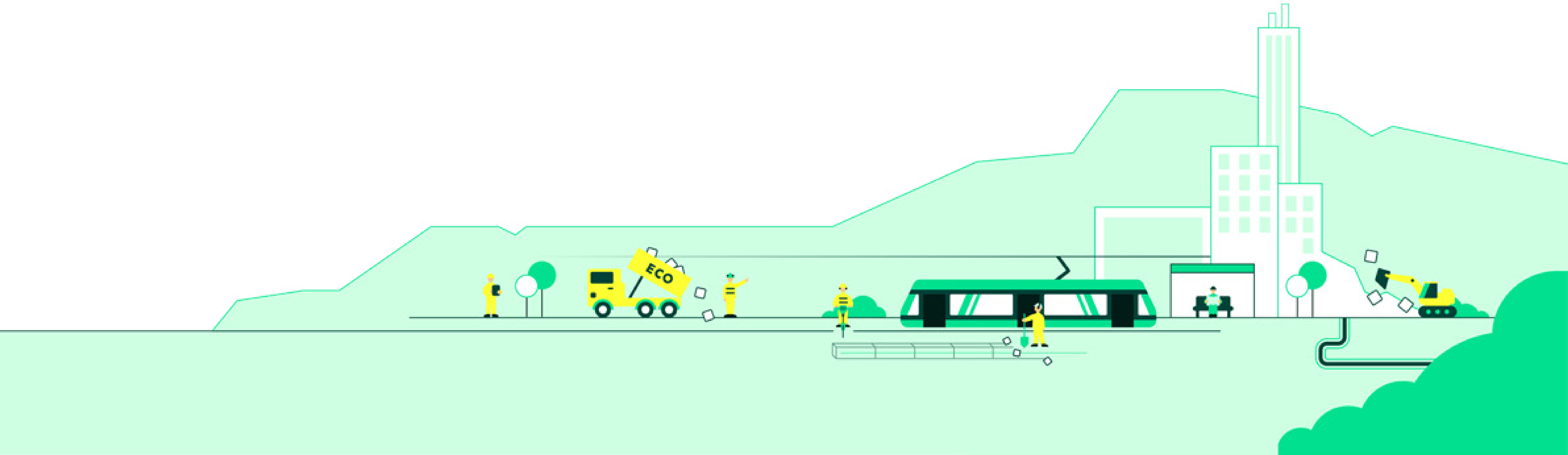
The Fornebu Metro Line is one of the largest ongoing national and regional investment projects in Norway, with an investment budget of approximately NOK 18 billion. It will facilitate sustainable urban development and ensure efficient and environmentally friendly transport of commuters and residents in the Oslo Metropolitan Area when completed in 2027. The new line will be approximately 8 km long and run through a tunnel system with six stations and have a capacity of up to 8,000 people per hour. The total end-to-end travel time is expected to be 12 minutes, which is significantly reduced compared to today's travel options.

In 2021, NRC Group was actively engaged in the project, which is the largest metro project in Norway since the 70s, through groundworks and rail construction as well as demolition, recycling and mass transport. NRC Group worked on three separate contracts, all subject to strict requirements for minimising emissions and environmental impact during execution.

Norsk Saneringsservice, a fully owned company by NRC Group Norway, completed demolition and remediation work at Fornebu, removing over 75,000 m^2 of buildings and in the process meeting a target 95% recycling rate of the associated building materials. The project was executed with extensive use of low and zero-emission equipment, including electric excavators and vehicles.

Gunnar Knudsen, a fully owned company by NRC Group Norway, delivered mass logistics services as part of its contract for transport and disposal of ground of approximately 650,000 m^3 of rocks and soil material from Fornebu. The logistics operation which is scheduled to last until 2023 was partly carried out by zero-emission trucks powered by biogas engines. Gunnar Knutsen acquired 10 new biogas trucks in 2021 and has ordered several more for the coming year.

NRC Group Norway started ground, foundation and construction work in connection with establishing a new access tunnel at Skøyen to the Fornebu Metro Line. The work is executed in a densely populated area and close to the main train line at Skøyen station with significant activity. The contract requires special attention to noise and traffic challenges and to health, safety and environmental factors.



Key projects – tomorrow in the making

Built on a deep understanding of life in the Nordics, NRC Group creates sustainable ways for people and cities to connect in the Nordics. Access to high-quality, low-carbon sustainable infrastructure solutions is becoming increasingly important as Nordic cities and populations grow. NRC Group creates and maintains the infrastructure, and helps to promote greener, safer and more efficient transportation of people and goods.

Some major projects awarded in 2021:

Norway
Electrification of Trønder- and Meråkerbanen

Major rail construction contract for electrification of the Trønder- and Meråkerbanen.

NRC Group Norway will be responsible for the electrification of 120 km of railway between Trondheim and Stjørdal, Stavne and Leangenbanen, Hell and Storlien.

The project is the first electrification of an extended stretch of railway in Norway since 1970. It will increase passenger and freight volumes, as well as improve railway freight between Norway and Sweden.

The contract is valued at approximately NOK 760 million.

START October 2021
COMPLETION November 2024
CLIENT Bane NOR

Finland
Tramway construction Crown Bridges

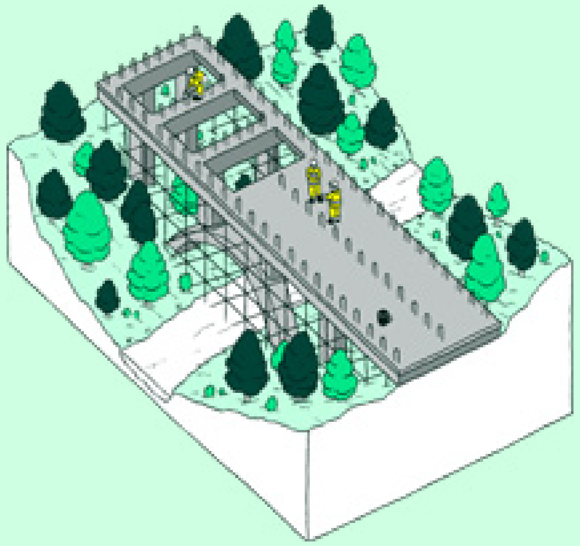
Alliance project for tramway construction and other city development projects, including the building of a new bridge and new streets in Hakaniemi.

The Crown Bridges project will provide an effective, safe and sustainable transport connection between the Laajasalo, Korkeasaari and Kalasatama areas and the centre of Helsinki.

Under the alliance project model, the client, contractors and consulting companies form a joint project organisation. NRC Group Finland will construct the infrastructure together with alliance partners, sharing both the risks and rewards related to the project execution.

The contract for NRC Group is valued at approximately EUR 100-110 million.

START November 2021
COMPLETION 2026
CLIENT The City of Helsinki and Helsinki City Transport HKL



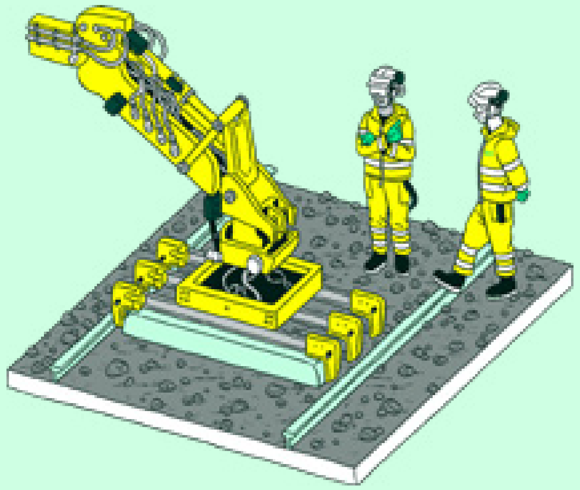
Sweden
Track renewal in the North

Track renewal contract for the railway connections between Älvsbyn-Piteå, Bastuträsk-Skellefteå and Västeraspby-Långsele in Sweden.

The work includes a wide range of rail services including track, signal/telecom, electro and groundwork.

The contract for NRC Group Sweden is valued at approximately SEK 199 million.

START November 2021
COMPLETION November 2022
CLIENT The Swedish Transport Administration

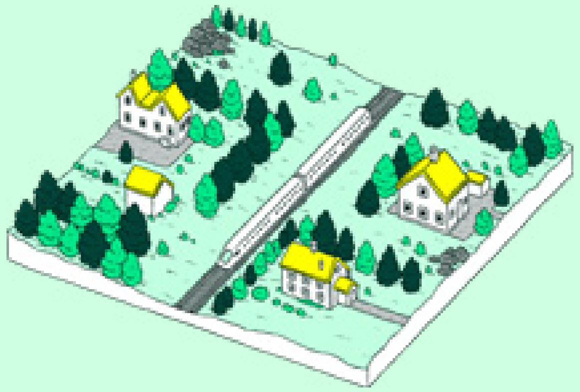


Finland
Materials frame agreement

Frame agreement for procurement, logistics and warehousing of railway specific materials.

The contract is a continuation of the previous agreement concerning procurement, logistics and warehousing operated by NRC Group Finland, providing long-term predictability for the Finnish operations and continued development of the material operation.

The contract has an estimated revenue of approximately EUR 200 million over the firm five-year period with additional 2+2-year option periods.



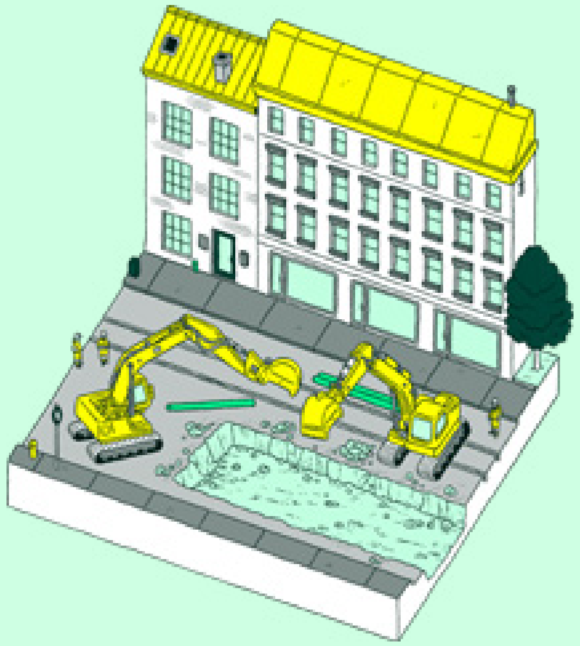
START	January 2022
COMPLETION	December 2026
CLIENT	The Finnish Transportation Infrastructure Agency (FTIA)

Norway
Civil construction in Drammen

Appointed to a contract for ground, foundation and construction work in connection with the development of a new 200-meter quay extension in Drammen.

With a dept of 140 meters, the foundation will be one of the deepest quay constructions in Norway. The entire construction will increase capacity for an effective and sustainable transport.

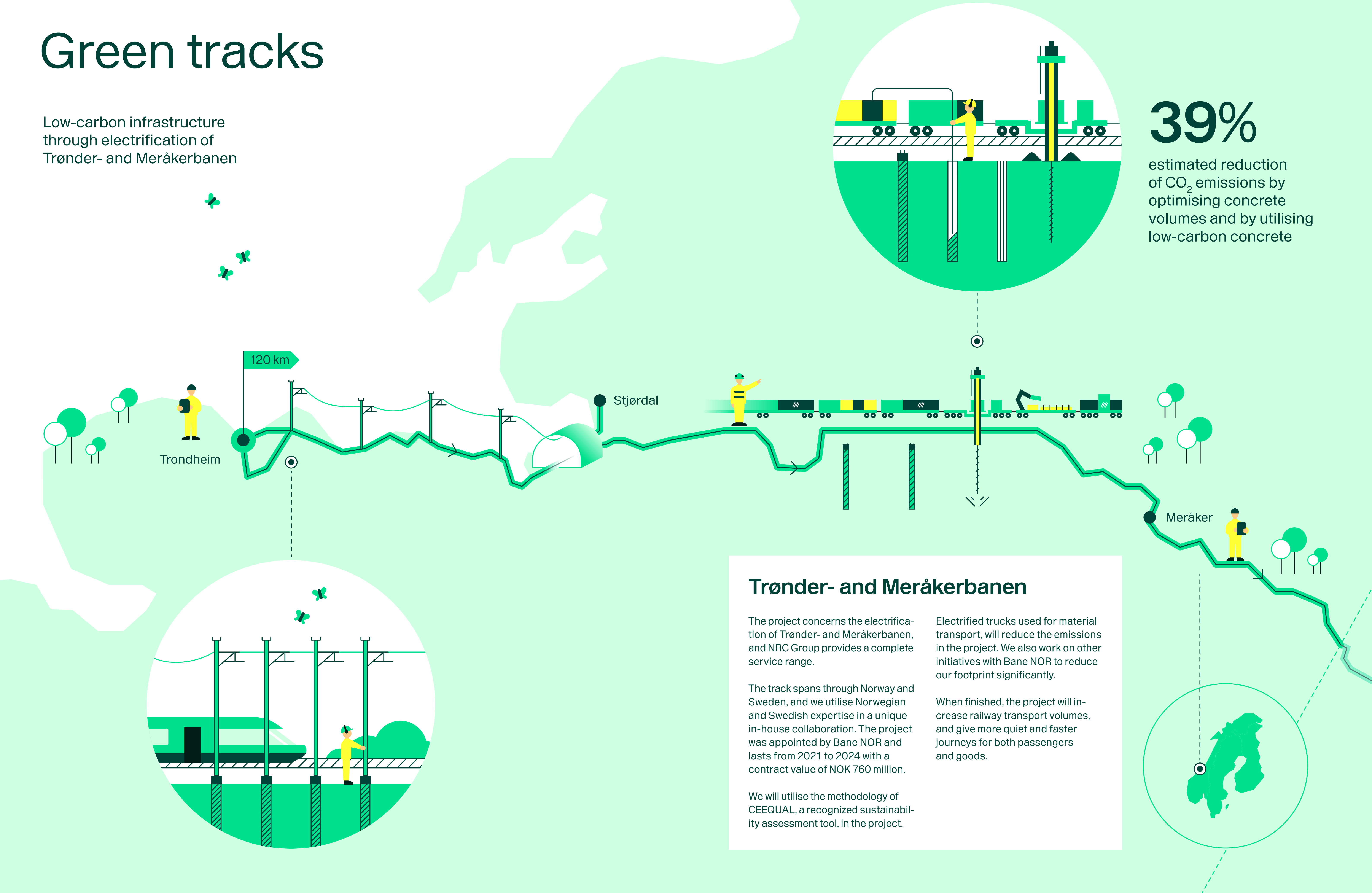
The contract for NRC Group Norway is valued at approximately NOK 213 million.



START	August 2021
COMPLETION	Second quarter 2023
CLIENT	Drammen Havn

Green tracks

Low-carbon infrastructure through electrification of Trønder- and Meråkerbanen



39%

estimated reduction of CO_2 emissions by optimising concrete volumes and by utilising low-carbon concrete

Trønder- and Meråkerbanen

The project concerns the electrification of Trønder- and Meråkerbanen, and NRC Group provides a complete service range.

The track spans through Norway and Sweden, and we utilise Norwegian and Swedish expertise in a unique in-house collaboration. The project was appointed by Bane NOR and lasts from 2021 to 2024 with a contract value of NOK 760 million.

We will utilise the methodology of CEEQUAL, a recognized sustainability assessment tool, in the project.

Electrified trucks used for material transport, will reduce the emissions in the project. We also work on other initiatives with Bane NOR to reduce our footprint significantly.

When finished, the project will increase railway transport volumes, and give more quiet and faster journeys for both passengers and goods.

Market

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

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.

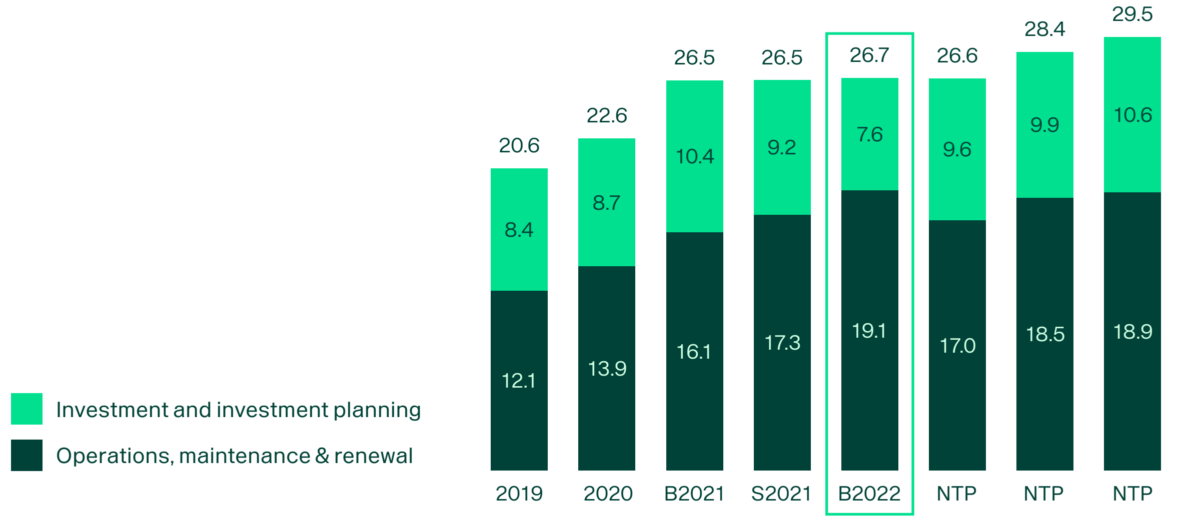
The market development is largely a function of annual budget allowances to rail-based and other transport infrastructure in the national budgets and at a municipal level in the larger cities such as Stockholm and Gothenburg in Sweden, Oslo and Bergen in Norway, and Tampere and Helsinki in Finland.

The Governments of Norway, Sweden and Finland develop their transportation systems according to 12-year National Transport Plans (NTP), which are updated and approved by Parliament every fourth year.

NRC Group's main customers are national transport authorities on a state, regional and municipal level.

Norway

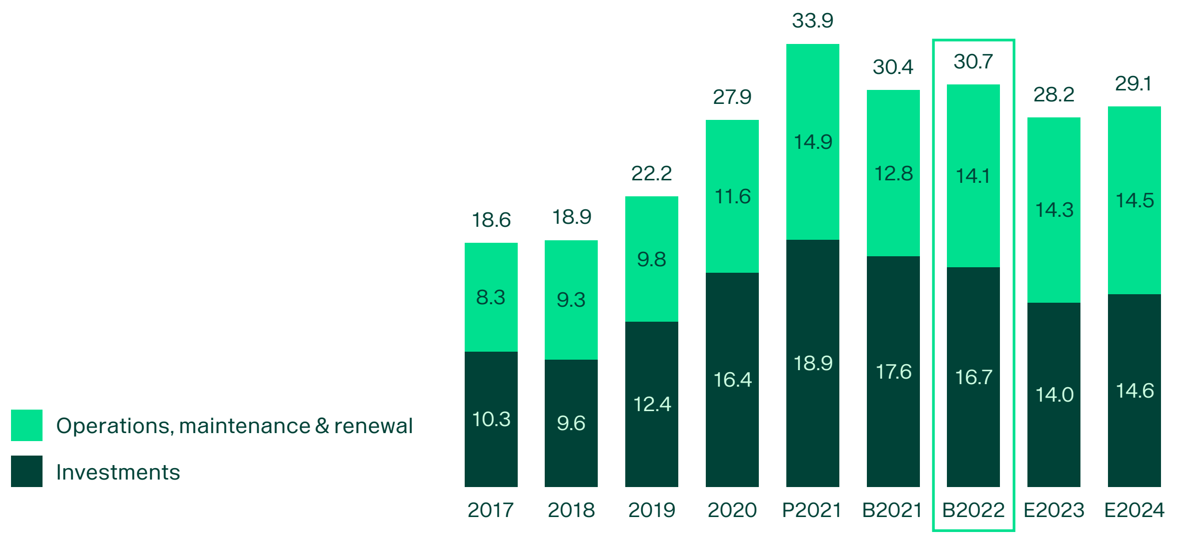
The Norwegian market is expected to grow the coming years. The 2022 national budget confirmed broad political support to improve the national railway system with NOK 26.7 billion allocated to the railway sector, a stable level from the revised 2021 budget and in line with current levels for National Transportation Plan. The maintenance backlog is expected to increase further to NOK 24.4 billion during 2022, as renewal and maintenance spending continues to lag the levels required to offset actual wear on existing infrastructure.



Norway: National budget 2022, National Railway Directorate NTP filings. Maintenance figures include Bane NOR operations and renewal, partly addressable. Excluding tram and Metro. S2021: Revised budget 2021. NTP: National Transportation Plan 2022-2033

Sweden

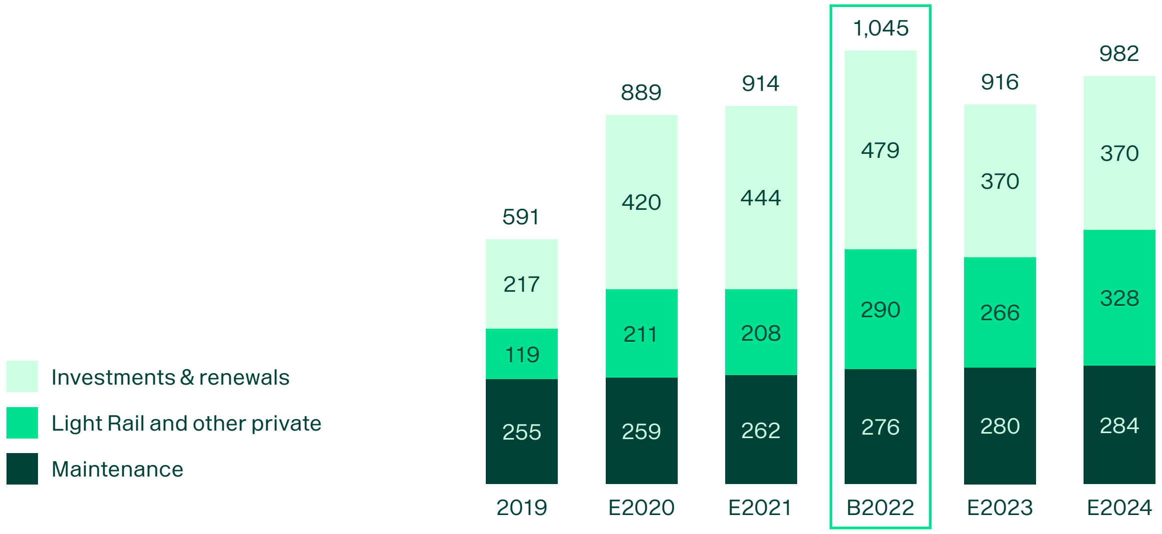
The Swedish market is expected to decline in planned investments for 2023, before increasing again in 2024. The Swedish national budget for rail investments and maintenance spending in 2022 is SEK 30.7 billion, which is at the same level as for 2021. It includes SEK 16.7 billion in rail investments for mainly larger ongoing projects. Maintenance spending is seen stable while renewal investments are expected to increase by SEK 0.4 billion to SEK 4.7 billion. The maintenance backlog is forecasted to remain stable at approximately SEK 18 billion.



Sweden: National budget 2022 with estimated for 2022-24, Swedish Transport Administration estimates for 2024 estimated railroad tax. Maintenance is including renewal/reinvestments, excluding tram and Metro.

Finland

In Finland, the investment level is still expected to be high in the coming years. The addressable market is estimated at EUR 1.05 billion in 2022, up 14% from the 2021 estimated level. Light rail projects, where NRC Group Finland is a market leader, remain as one of the key drivers for market growth together with high rail renewal and investment activity. The Maintenance segment is also expected to increase slightly in 2022.



FInland: Finnish Transportation Agency, National Budget 2022, NRC Group estimates

There is broad political commitment in Norway, Sweden and Finland to increase spending on developing, maintaining and modernising railroad, light rail and metro lines in major cities, as well as improving roads and other key components of the national transport infrastructure. Finland presented its first 12-year National Transport Plan in 2021, thereby expanding its planning cycles to address the same underlying factors as in Norway and Sweden, supporting long-term growth in infrastructure investments and maintenance.

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 operates short-term.

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 are planned for major upgrades and maintenance projects on light rails and metro systems in Oslo and Akershus. Similarly, in Sweden, the metro line development is progressing in Stockholm.

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 Finland already holds lead roles in the alliance projects, such as light rail system in Tampere and the Jokeri Light Rail between Helsinki and Espoo. In November 2021, NRC Group started to work on the Crown Bridges tramway in Helsinki as an alliance partner in the project.

The National Transport Plans 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

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 95,025 shares and 30,000 share options in NRC Group.

Ole Anton Gulsvik

Chief Financial Officer (CFO) NRC Group ASA as of 1 March 2022

Ole Anton Gulsvik most recently served as CEO, and before that CFO, of Seven Seas Group (former EMS Seven Seas ASA), an international maritime services and logistics group, previously listed on the Oslo Stock Exchange. He has extensive capital markets experience from equity and credit research, and corporate finance at amongst others Carnegie and Handelsbanken.

Robert Röder

Executive Vice President (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 18,125 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 12,681 shares and 49,500 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 Vice President 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 202,252 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 Internal Communications Europe. At year-end, Engebretsen held 9,259 shares and 6,000 share options in NRC Group.

Jussi Mattsson

EVP and Head of Strategy and Business Development

Jussi Mattsson joined NRC Group in February 2021. Before joining NRC Group, he worked for Rettig Group, a family-owned investment company, where he focused on value creation for the company's core investments. Prior to that he worked for Boston Consulting Group. He has a Master of Science degree from the Aalto University School of Economics. At year-end, Mattsson held 5,252 shares in NRC Group.

Ina Pettersen

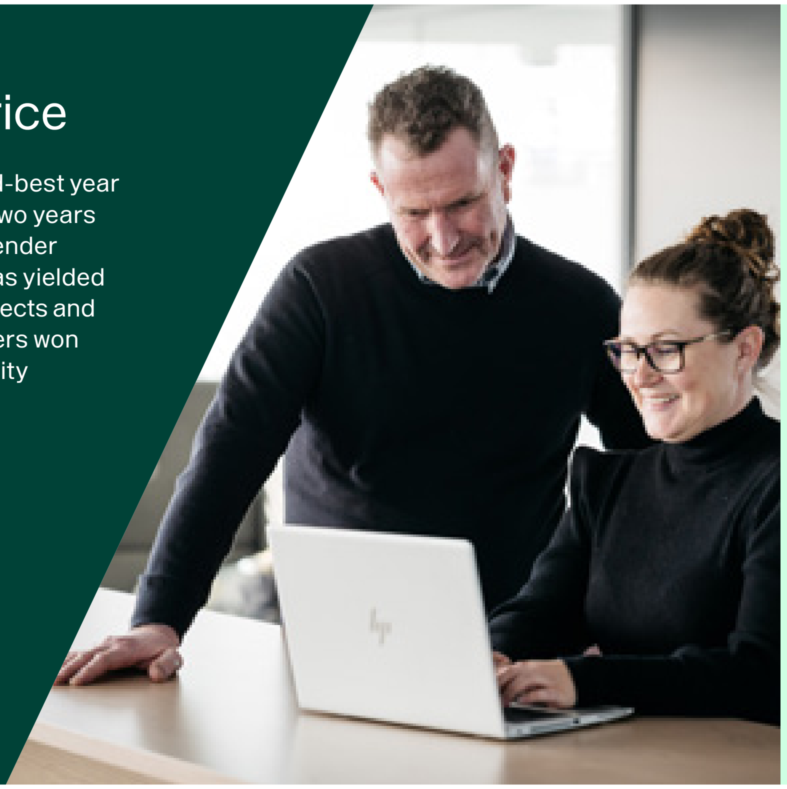
EVP and Head of HR

Ina Pettersen joined NRC Group in April 2021, coming from the position as Senior Director HR Nordics & Baltics in Cognizant where she was overall accountable for executing the HR strategy and people processes across the regions. Before joining Cognizant in 2016, she held various HR leadership roles at Frontica and Aker Solutions. At year-end, Pettersen held 2,252 shares in NRC Group.

2021 in brief

Winning right projects at right price

NRC Group closed the year with a solid order intake, the second-best year since inception. The improvement measures initiated the past two years progressed well during 2021. The continuous development of tender processes, project execution and organisational capabilities has yielded results. This is reflected in improved profitability for ongoing projects and an 20% year-over-year increase in the order book. The new orders won in 2021 reflect targeted measures aimed at improving profitability and building the Group's execution platform for the future.

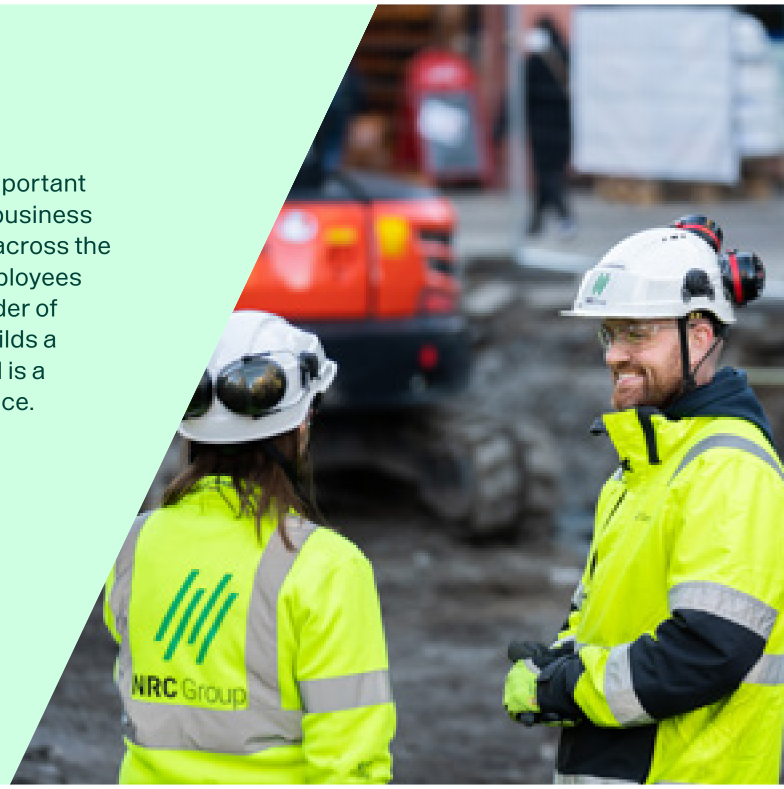


Nordic collaboration

NRC Group works continuously to increase efficiency in project execution. This includes leveraging the Group's competencies and utilising capabilities across the Nordic region. In the contract for electrification of Trønder- and Meråkerbanen in Norway, NRC Group provides a complete service range. The contract is executed with in-house capabilities from the Swedish and the Norwegian organisation, utilising the unique experience and knowledge within the group. Improving the cross-border collaboration and sharing best practice is a one of the focus areas for 2022 to drive profitable growth.

Investing in people

NRC Group considers competence and knowledge as highly important to attract and retain employees and to being able to reach the business goals. The company continuously offers training programmes across the countries from the NRC Academy. Last year, over 60% of all employees conducted the certified sustainability training, with the remainder of employees to complete in the first half of 2022. This training builds a shared understanding of sustainability within the business and is a powerful driver of positive environmental and social performance.

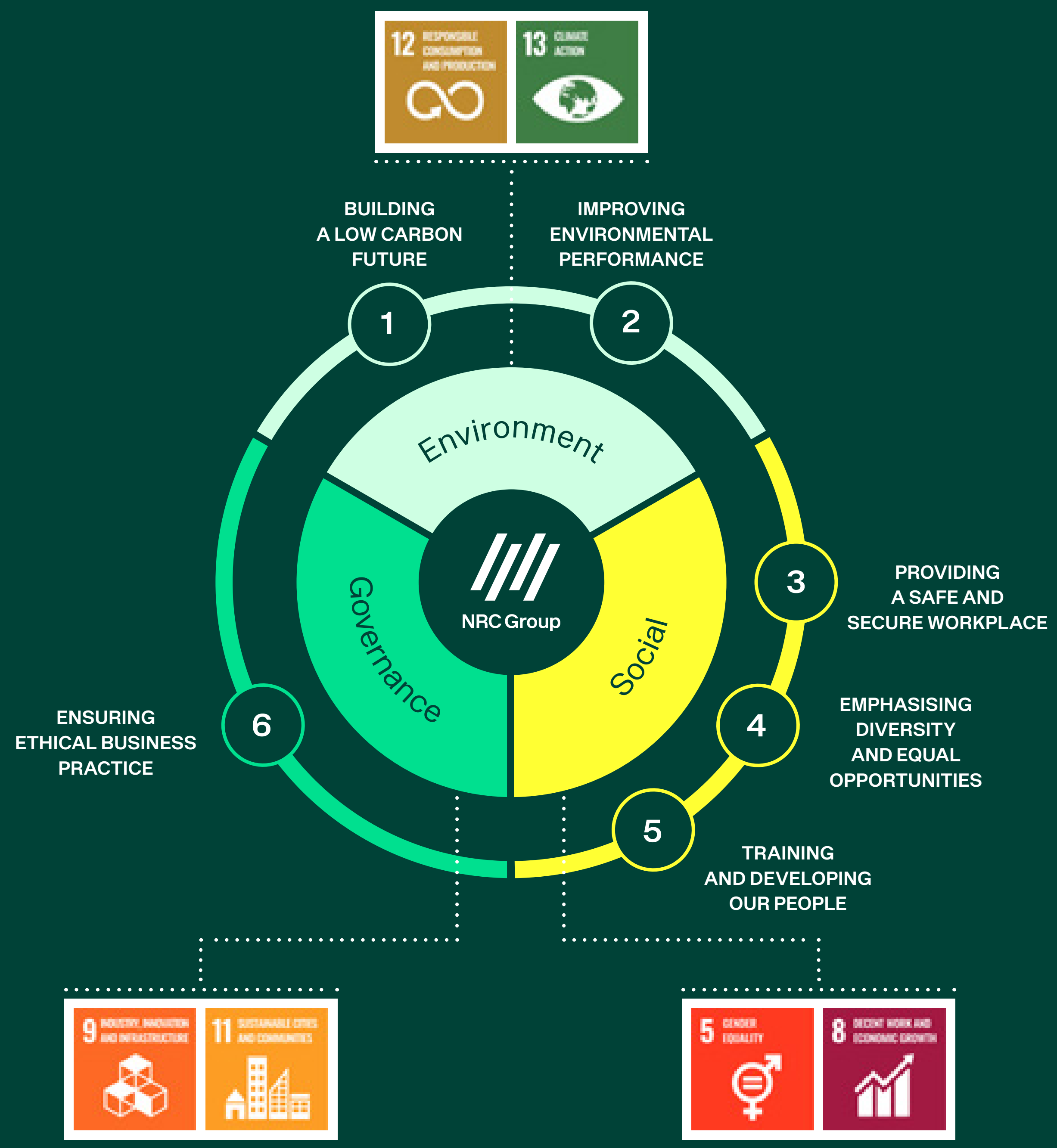


Because tomorrow matters

NRC Group recognises that minimising the impact on the external environment is a prerequisite to deliver sustainable solutions for tomorrow. The company is therefore pursuing a strategy of sustainable growth, promoting climate-friendly solutions and proactively working to become a zero-emission industry by 2050 at the latest. By 2025, NRC Group targets a reduction to its emissions by at least 30%. The sustainability strategy sets out how the company operates to achieve the goals, well connected with the business strategy. This strategy also includes accounting for the impact of the EU taxonomy, where approximately 85% of our business activities in 2021 are defined as eligible under the proposed legislation.

Sustainability reporting

Sustainability is embedded in our company's values and the way we work. We build sustainable infrastructure that creates economic, social and environmental value now and for the future. We are committed to operate to the highest sustainability standards and transparently report our performance.



We have developed a sustainability framework based on our core competencies and most material impacts. The six key pillars of our framework are:

1. Building a low-carbon future
2. Improving environmental performance
3. Providing a safe and secure workplace
4. Emphasizing diversity and equal opportunities
5. Training and developing our people
6. Ensuring ethical business practice

① Building a low-carbon future

We are working on projects across the Nordics that have a real and positive impact on decarbonising society. The electrification of Trønder-Meråkerbanen in Norway, a contract valued at NOK 760 million, exemplifies our positive impact. By optimising concrete volumes and utilising low-carbon concrete, we will reduce emissions by 39%. Other initiatives to reduce GHG emission are also considered in the project.

SETTING UNAMBIGUOUS GHG TARGETS
As a business, we have set a net zero climate impact ambition by 2050 with unambiguous near-term targets. We aim to reduce our greenhouse gas emissions by 10% annually, over the next three years and have made a positive start, with our scope 1 & 2 emissions reducing by 13.5% in 2021.

TCFD REPORTING AND EU TAXONOMY
In 2021, we continued our monitoring of climate-related risks and opportunities. We have disclosed these in our Sustainability Report following the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Additionally, we have started to categorise our activities according to the EU Taxonomy. The EU Taxonomy is first and foremost a list of criteria that must be met for an activity to be considered sustainable. The Taxonomy framework is proposed to be incorporated into Norwegian law via the European Economic Area (EEA) Agreement through a new sustainable finance law. The legislation is not yet enforced, but NRC Group will regardless disclose the Key Performance Indicators (KPIs) as defined in the Taxonomy based on capturing, analysing, and consolidating information founded on the proposed framework.

Based on the Group's review of economic activities for 2021, the following KPIs have been consolidated:

	Eligible	Aligned
KPIs		
Turnover (Revenue)	87%	62%
Operational expenses (OpEx)	87%	63%
Investments (CapEx)	77%	64%

A large part of the Group's activities is defined as eligible under the Taxonomy. Most of the activities also meet the technical screening criteria, the do no significant harm criteria and the other requirements to be classified as sustainability aligned. Activities have been analysed on a project-by-project or an item-by-item basis, and measures are planned whenever possible to increase the share of aligned activities going forward. Planned measures to be implemented in 2022 would, if implemented in 2021, increased the aligned turnover to approximately 72%.

The methodology to capture, analyse and consolidate information for the EU Taxonomy reporting is described in our Sustainability Report for 2021. The disclosed figures have not been audited.

② Improving environmental performance

Our approach to environmental management is guided by our environmental policies and management systems. Environmental regulations, contract conditions for environmental management and stakeholder expectations regarding environmental performance are steadily increasing. In reviewing our environmental impacts in 2021, we have decided to elevate biodiversity to a standalone material topic. This means that we will begin establishing monitoring and management approaches for biodiversity, as we do already for waste and recycling, environmental impacts at our project sites and within our supply chain.

TOWARDS A CIRCULAR ECONOMY
All of our work sites operate waste minimisation plans and have a goal of eliminating the creation of waste in the first instance. In 2021, we increased our group-wide recycling rate to 96% (2020: 91%). Where unavoidable waste materials are generated, we investigated reuse and recycling options. A good example was the Raide-Jokeri light rail project which is being built between Itäkeskus in Helsinki and Keilaniemi in Espoo, in southern Finland. Nearly 10,000 tonnes of concrete structures required to be demolished along the 25km light rail line were re-used in multiple nearby projects to replace the consumption of virgin aggregates. We have defined a recycling target of a minimum of 70% and continue to pursue our zero waste ambitions. Ultimately, we aspire to operate our business in a circular economic model, where waste is designed out of the system.

Nearly 10,000 tonnes of concrete structures required to be demolished along the 25km light rail line were re-used in multiple nearby projects to replace the consumption of virgin aggregates.

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. A key premise of our approach to responsible site management is maintaining positive dialogue with the local community about our projects and responding to their information needs. There were zero reported environmental compliance breaches or formal community complaints in 2021 and zero incidents involving hazardous substances or harmful spills.

CREATING A SUSTAINALBE SUPPLY CHAIN
We see our suppliers as key partners in our business. Their success enables our success. The Covid-19 pandemic has demonstrated over the past two years 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.

3 Providing a safe and secure workplace

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
NRC Group Finland and NRC Group Norway are certified to the ISO 45001 standard and are 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.

ADDRESSING OUR HEALTH AND SAFETY PERFORMANCE
Our LTI frequency (injuries resulting in absence at least one full day per million man-hours) increased to 6.4 in 2021 (2020: 5.6). Sub-contractors are included in the figures. Zero serious injuries were reported for the year and there were no fatal incidents. Sickness absence rate was reduced to 3.9% in 2021 (2020: 4.8%).

Health and safety is a priority for NRC Group. We are therefore disappointed with our 2021 results, as they do not reflect the standards, we have set for ourselves. In response to our 2021 result we are implementing the following immediate measures:

Female representation in senior management team 2021
28%
14% in 2020

Sickness absence rate 2021
3.9%
4.8% in 2020

Nearly two-thirds of all employees have now undertaken the company's certified sustainability training course, with the remainder of employees to complete in the first half of 2022.

- Strengthening and formalizing management's responsibilities for acting as health and safety role models and demonstrating a critical focus on health and safety performance
- Increasing management's and the HSEQ team's presence and interaction on project sites now that Covid-19 restrictions are being eased
- Raising health and safety as a critical focus area in 2022, including among other existing initiatives such as Health and Safety Awareness Week, Sustainability Week and in all of our leadership programmes.

We believe health and safety is a core function of responsible leadership. We have now elevated this principle so that it is reflected in all aspects of our leadership development.

4 Emphasizing diversity and equal opportunities

We believe that diversity creates value. Being able to listen to and acknowledge different opinions, different backgrounds, experiences and perspectives, enables more effective corporate decision-making. A diverse workforce leads to diversity in thinking – a key driver for innovation and growth.

POSITIVE PROGRESS ON DIVERSITY
Positive progress has been made in addressing gender diversity within the company. The proportion of females in our workforce of 1,893 employees has grown from 10.3% to 10.7% in the past year. The share of females hired in 2021 was 12.5%, the female representation in senior management team is 28% (2020: 14%) and 50% (2020: 43%) on NRC Group's Board of Directors. In our efforts to build a diverse workforce we are focusing on our recruitment and internship programmes. We are proactively promoting roles with diversity as a key selection criterion.

5 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.

CERTIFIED SUSTAINABILITY TRAINING
To achieve our sustainability goals and develop our people, NRC Group has developed specific training programmes in sustainability and leadership. Nearly two-thirds of all employees have now undertaken the company's certified sustainability training course, with the remainder of employees to complete in the first half of 2022. The training programme builds a shared understanding of sustainability within the business and is a powerful driver of positive environmental and social performance.

6 Ensuring ethical business practice

NRC Group's business success is built on a foundation of trust. We believe that our business behavior 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.

BUSINESS ETHICS 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 Group 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.

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. Ten whistleblowing reports were received in 2021 (2020: 3). The reports were followed up in accordance with NRC Group's formal whistleblowing process and the Business Ethics and Code of Conduct Policy.

Corporate governance report

1. Corporate Governance in NRC Group ASA

NRC Group ASA (the "Company") has made a strong commitment to ensure trust in the company and to enhance shareholder value through effective decision-making and improved communication between management, the Board of Directors (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 14 October 2021, 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 2021.

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 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 in a sustainable manner, taking into account economic, social and environmental considerations. The company's objectives, strategies and risk profile are subject to annual review by the Board. The company's objectives, principal strategies and corporate responsibility framework are further described in the annual report and sustainability report available at www.nrcgroup.com.

3. Equity and dividends

EQUITY AND CAPITAL STRUCTURE

On 31 December 2021, the company's consolidated equity was NOK 2,622 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 2021 based on the financial results for the year. NRC Group did not pay any dividend for 2020.

BOARD AUTHORISATIONS
At the AGM in 2021, the following authorisations were granted to the Board of Directors:

- The AGM approved an authorisation to expand the option programme for senior executives with additional 200,000 shares.
- The Board of Directors was granted an authorisation to issue shares and to increase the share capital up to NOK 1,200,000 related to the option programme for senior executives. The authorisation replaced the previous authorisation and is valid until 6 May 2023. On 31 December 2021, a total of 121,125 share options were granted and outstanding.
- The AGM 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 2022, but no later than 30 June 2022. During the year, NRC Group acquired 255,500 treasury shares under the authorisation to be used in connection with the company's employee share programme. On 31 December 2021, the Company held 583 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 2022, but no later than 30 June 2022. On 31 December 2021, the authorisation had 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

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. There were no such resolutions in 2021.

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 2021 were acquired through the trading system at Oslo Børs.

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 meeting, 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 2021, NRC Group held its AGM digitally, with 34.9% of the share capital represented.

7. Nomination committee

The nomination committee is governed by the articles of association section 10. The AGM on 6 May 2021 elected the following three members for the nomination committee: Kjell Forsén (committee leader), Lasse Olsen (re-elected) and Ole-Wilhelm Meyer (new). The members are elected with a term 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 2021, the Board of Directors consisted of six members (see table below). The chairperson of the Board was 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 2021, Helge Midttun, Brita Eilertsen and David Montgomery resigned from the Board, and Heikki Allonen and Outi Henriksson were elected as new members. The remaining four members 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 provide 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.

Name	Role	Considered independent of main shareholders	Served since	Term expires	Participation Board meetings 2021	Shares in NRC (direct/ indirect) at 31.12.2021
Rolf Jansson	Chair	Yes	January 2019	AGM 2023	100%	50,000
Mats Williamson	Member	Yes	July 2018	AGM 2023	100%	0
Eva Nygren	Member	Yes	January 2019	AGM 2023	94%	1,000
Tove Elisabeth Pettersen	Member	Yes	May 2020	AGM 2023	100%	0
Heikki Allonen1	Member	No	May 2021	AGM 2023	90%	28,000
Outi Henriksson	Member	Yes	May 2021	AGM 2023	100%	0

Heikki Allonen is the vice-chairman of the Board of Directors of VR Group Oy.

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 provide 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.

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 2021. For information regarding related party transactions, see Note 29 in the annual report.

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 2021, the Board held 11 ordinary meetings and 7 additional meetings.

GUIDELINES FOR DIRECTORS AND EXECUTIVE MANAGEMENT

The Board of Directors has adopted rules of procedures for the Board of Directors which inter alia include 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 2021.

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 2021, the audit committee consisted of Board members Tove Elisabeth Pettersen (chair) and Outi Henriksson, both considered independent of the company.

The main tasks of the audit committee are to:

- Ensure on behalf or the Board of Directors' the supervision of the company's financial reporting process
- Monitor the processes for internal control and risk management
- Have contact with the company's auditor regarding the audit of the annual accounts and inform the Board of Directors of the result of the audit
- 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 COMPENSATION COMMITTEE

The company's compensation committee is governed by a separate instruction adopted by the Board of Directors. The committee members 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 2021, the compensation committee consisted of board members Rolf Jansson (Chair) and Eva Nygren.

The primary purpose of the compensation 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 2021, the project committee consisted of Mats Williamson (Chair) and Heikki Allonen.

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 assesses 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 incorporate considerations related to integrating stakeholders in relation to the company's value creation. The construction industry in general involves an inherent risk of bribery, competition law violations and misconduct in the supply chain of subcontractors (Norwegian: Arbeidskriminalitet). The policies and procedures are based on a thorough risk analysis of NRC Group's subsidiaries in Norway, Sweden and Finland which lead to a tailor-made compliance programme targeting specific risks pertaining to each subsidiary. The relevant policies and procedures have been prepared in Norwegian, Swedish and Finnish language.

THE BOARD OF DIRECTORS' REPORTING ROUTINES
The Board of Directors seeks 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 the company's remuneration report available at www.nrcgroup.com.

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 shall be approved by the Board of Directors. See note 29 on transactions with related parties for more information.

12. Salary and other remuneration for senior executives

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

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

The Board of Directors' statement on determination of salaries and other benefits payable to senior executives was presented to and adopted by the AGM in 2021. 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 programmes for senior executives and key employees can be found in the AGM notice documents for 2021 and previous years', as well as in the annual report. Further details relating to pay and benefits payable to the CEO and other senior executives can be found in the company's remuneration report available at www.nrcgroup.com.

13. Information and communication

NRC Group seeks to comply with Oslo Børs' IR recommendation, last revised 1 March 2021. 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 takeover 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 the audit plan of the Group, a review of the internal control procedures, including identified weaknesses and proposals for improvement, and a summary of the year end audit. 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. The level of non-audit services is limited and do not impact on the auditor's independence.

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 2021 group annual accounts.

Board of Directors' report

Introduction

NRC Group is the leading Nordic entrepreneur within railway infrastructure, holding top-three positions in the 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. A full-scale value chain strengthens the competitiveness and provides opportunities to continue growth.

During 2021, NRC Group executed its strategy of positioning the Group as a Nordic leader in sustainable infrastructure, with a clear priority to restore profitability.

All alternative performance measures (APM) and definitions are presented on page 146.

The improvement measures initiated the past two years progressed well during the year. The continuous development of tender processes, project execution and organisational capabilities has yielded results. The EBITA* margin increased to 2.3% from 0.8% in 2020. Revenues were down 8% compared to 2020, due to a low order book entering the year. During 2021, the order intake has been strong, and the order book has increased by 20% to NOK 7,801 million.

NRC Group Finland had good progress with high activity and strong profitability. All divisions contribute to the improved results. The measures taken in 2020 to reduce costs and establish a more flexible cost base have been implemented successfully. In Sweden, results have been weak due to the low activity level and additional provisions on the old project portfolio. With an increased order intake in 2021, the outlook for 2022 has improved. NRC Group Norway improved results in 2021. The Rail division continued the positive development, although with lower revenue. Profitability in the Environmental operation improved through the year. The Civil construction division has delivered solid project execution, but low volumes impact the results. In line with the strategy, NRC Group also strengthened Group management in 2021. Jussi Mattson joined the Group in January as EVP and Head of Strategy and Business Development and Ina Pettersen joined as EVP and Head of HR in April.

The Covid-19 pandemic continued to impact people and societies in the Group's core markets. The pandemic had limited financial impact on operations. Focus has been to provide a safe environment for project execution, as well as structuring remote work from home. NRC Group expects the sickness absence rate to increase in the first half of 2022, due to still high infection rates.

NRC Group continuously seeks to minimise the impact on the external environment and ensure safe operations. The Group is committed to high transparency related to the handling of the material environmental, social and governance (ESG) risks and opportunities. The material topics include ensuring ethical practices, improving environmental performance and increasing knowledge and awareness among employees. Low-carbon operations are a key priority, and one of the material topics. Through complete disclosure of GHG emissions, the Group established a baseline for 2021 and defined a reduction of 30% by 2024 as a target. NRC Group aims to reach net-zero emission by the latest in 2050. The systematic and transparent approach to ESG factors is important to the strategic positioning of NRC Group. It is expected to drive commercial opportunities and contribute to attracting new employees going forward.

EXECUTING STRATEGIC PRIORITIES

NRC Group is positioned to benefit from large and growing infrastructure markets supported by strong macro trends such as population growth and urbanisation, increased sustainability focus, and political consensus for increased investments in Norway, Sweden and Finland. The Group's strategic target is to become a Nordic leader in sustainable infrastructure, and has defined long-term financial and operational ambitions.

The near-term priority is to continue to improve profitability through operational efficiency including measures to further professionalise the organisation and strengthen management

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

capabilities. In 2021, the Group maintained its focus on enhancing tendering, risk assessment and project execution frameworks with a special emphasis on developing the internal processes for continuous development of employees. The measures strengthened the Group platform for efficient project execution and long-term profitable growth.

Longer-term, NRC Group seeks to capitalise on a leading Nordic position and strong markets to drive growth and improve margins. The Group has an ambition to return to the 2016-2017 average EBITA margins of approximately 7%, with the main uplift to come from operational improvements and scale effects from revenue growth. Revenue ambitions of NOK 10 billion reflect the organic growth potential in the Nordic rail services market and bolt on M&As. The Group considers access to competent management capacity as one of the most important factors to reach the ambitions, and NRC Group aspires to be the most attractive employer for tomorrow's infrastructure.

COVID-19

The Covid -19 pandemic continued to impact people, businesses and societies in the Group's main markets during 2021. 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 health and safety of employees remain the main priority across all Group operations, together with delivering quality services to all clients. The Group monitors the development of the pandemic and its potential impact on the industry and on business continuity.

The pandemic has had limited financial and operational impact for NRC Group to date. Still the long-term impact for societies and people remains uncertain. 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 2022 and onwards. Further outbreaks, new variants of the virus and related public restrictions continue to represent the main risk to people's health and Group operations. A new variant of the virus emerged in late 2021, and the infection rate is expected to remain high for a period.

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 Group will prioritise these activities in case of resources scarcity.

CORPORATE EVENTS

There were no business combinations in 2021.

During the year, the Company acquired 255,500 treasury shares. A total of 281,759 shares were transferred to employees participating in the 2021 share programme for employees. At the end of the year, the Company held 583 treasury shares.

ORGANISATION

At the end of 2021, 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, Jussi Mattson as EVP and Head of Business Development and Strategy, and Ina Pettersen as EVP and Head of HR.

Jussi Mattson and Ina Pettersen joined the Group in 2021 to strengthen Group business development and strategy and HR leadership, respectively. Additionally, in December, NRC Group appointed Ole Anton Gulsvik as new Chief Financial Officer from 1 March 2022 to replace Dag Fladby who in August resigned to accept a position outside NRC Group.

At the annual general meeting (AGM) on 6 May 2021, Heikki Allonen and Outi Henriksson were elected to the Board of Directors, replacing Helge Midttun, Brita Eilertsen and David Montgomery who stepped down from the Board. The remaining four members were re-elected, and Rolf Jansson was appointed Chairman of the Board. The AGM also re-elected Kjell Forsén (committee leader) and Lasse Olsen to the Nomination Committee and elected Ole-Wilhelm Meyer as a new committee member.

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 strategy and improvement programmes with special emphasis on the core processes in tendering and project execution and sustainability were focus areas for 2021. Main priorities for 2022 are to continue to strengthen core processes, further develop the Group-wide framework for human capital development and better utilise competence and capacity across countries to achieve profitable growth.

OPERATIONS
The Group had an order intake of NOK 7,581 million in 2021, compared to NOK 5,339 million in 2020. The 2021 order intake corresponds to a book-to-bill ratio of 1.3. Order book at the end of the year amounted to NOK 7,801 million compared to NOK 6,475 million at the end of 2020. The Group also won a five-year frame contract with the Finnish Transport Infrastructure Agency (FTIA) for procurement, logistics and warehousing of railway specific materials in Finland. The contract has an estimated revenue of approximately EUR 200 million but is not included in the reported order book nor in the order intake.

NRC Group had 1,893 employees as of 31 December 2021, a slight decrease from 1,914 employees at the end of 2020.

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 3.9% in 2021 compared to 4.8% in 2020. No serious injuries were reported for the year, nor in 2020. 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 6.4 (5.6 in 2020). The Group systematically works to reduce the rate and investigates each incident to identify why and how to avoid similar incidents.

PROFIT AND LOSS
Group revenue was NOK 5,957 million in 2021, compared to NOK 6,449 million in 2020. The decrease is mainly explained by lower revenue in Sweden due to a low order book in the beginning of the year and lower revenue in Finland mainly due to currency effects.

EBITA* was NOK 139 million for 2021, corresponding to an EBITA* margin of 2.3%, compared to NOK 50 million and a margin of 0.8% in 2020. Underlying profitability improved in all markets, reflecting the ongoing improvement programmes. The improvement in Sweden was however neutralised by further write-downs on old projects and the effect of lower revenues.

The Group operating profit (EBIT) for 2021 amounted to NOK 42 million compared to an operating loss of NOK 10 million in the previous year. 2021 was positively impacted by the developments described above levelling out increase in other expenses. Other income and expenses (M&A expenses) increased to NOK -34 million in 2021 from NOK -1 million in 2020. The M&A expenses are connected to pre-acquisition agreements, claims and legal fees and related to the acquisition of Norsk Saneringsservice in 2018 and NRC Group Finland in 2019. It also includes legal fees related to a lost court case against the previous owners of Signal och Banbyggarna i Dalarna AB that was acquired in 2017. Cost according to the verdict is provided for, but the case is appealed.

Net financial items amounted to NOK -66 million for 2021, compared to NOK -84 million last year. The reduction is mainly related to reduced net interest-bearing debt.

The improved result led to a tax expense of NOK 3 million, compared to a tax income of NOK 34 million in 2020. Net income amounted to NOK -27 million, compared to NOK -61 million in 2020.

The Board of Directors is satisfied with the financial development during 2021.

CASH FLOW
Net cash flow from continuing operating activities was NOK 358 million, compared to NOK 312 million in 2020. EBITDA increased by NOK 39 million year-over-year. Net working capital and other accruals were reduced by NOK 86 million supporting the growth in operating cash flow, partly offset by a NOK 20 million increase in taxes paid.

Net cash flow from investing activities was NOK 34 million for the year (2020: NOK -133 million), supported by proceeds from sale of fixed assets. Capital expenditures amounted to NOK 25 million (2020: NOK 34 million). Cash inflow from sale of fixed assets, mainly machinery, amounted to NOK 90 million (2020: NOK 23 million). Net cash flow related to acquisition of companies was NOK -35 million, reflecting net cash settlements for prior transactions (2020: NOK -123 million).

Net cash flow from financing activities was NOK -377 million (2020: NOK 304 million). There were no net proceeds from issuing new shares in 2021, compared to net proceeds of NOK 672 million in 2020 following the completion of the NOK 700 million private placement of new shares. Repayment of borrowings amounted to NOK 147 million (2020: NOK 119 million). Payment of lease liabilities totalled NOK 168 million (2020: NOK 179 million). Interest paid amounted to NOK 62 million (2020: NOK 70 million).

Total net cash flow was NOK 14 million (2020: NOK 470 million including the net proceeds from the NOK 700 million capital increase). Including effects of currency exchange rate changes, the total cash position increased from NOK 610 million at the end of 2020 to NOK 626 million at the end of 2021.

FINANCING AND BALANCE SHEET

In 2021, the strengthening of the NOK exchange rate against EUR (+4.6%) and SEK (+6.6%) impacted all balance sheet items in foreign currency, leaving a translation difference charge to other comprehensive income and equity of NOK 97 million.

Deferred tax assets increased with NOK 22 million, reflecting capitalised tax benefit related to timing differences and tax losses expected to be utilised in the following years. Goodwill decreased by NOK 114 million to NOK 2,666 million mainly because of currency effect. Other intangible assets decreased by NOK 52 million in 2021, mainly due to amortisations and impairments. Most sensitive to impairment are our operations in Sweden with a book value of goodwill of SEK 640 million as of 31 December 2021. The current headroom of approximately SEK 130 million is most sensitive to the discount rate and the estimated revenue and project margin. For further information see note 12 to the group accounts.

The combined amount of tangible and right-of-use assets decreased by NOK 121 million as the total net investments and new leases were less than the total depreciation and sale of fixed assets.

Total receivables including contract assets amounted to NOK 1,359 million, about the same level as last year.

Total equity decreased by NOK 109 million to NOK 2,622 million, mainly reflecting the currency adjustment effect. The equity ratio at the end of the year was 47%, same as 2020.

Interest-bearing debt consists of bank loans, bond and discounted cash flow related to lease agreements, including operating lease agreements under IFRS 16. Short- and long-term lease liabilities have in total decreased by NOK 81 million to NOK 492 million. The decrease relates to currency effects and total lease payments of NOK 168 million exceeding capitalised new leases. Other interest-bearing liability decreased by NOK 169 million due to repayment of borrowing of NOK 147 million and currency effects. On 31 December 2021, the remaining liability consisted of the NOK 600 million bond and a EUR 42.8 million bank loan. At year- end, the Group had NOK 200 million in unused credit facilities.

Net interest-bearing debt decreased by NOK 266 million during the year to NOK 891 million. The decrease was due to positive net operating cash flow net of instalments of interest-bearing debt, positive net cashflow from investments and currency effects.

SEGMENTS

Total revenue in Norway amounted to NOK 1,859 million (2020: NOK 1,866 million). Organic growth was 0%. EBITA* increased from NOK -14 million in 2020 to NOK 27 million in 2021, while the EBITA* margin increased from -0.7% to 1.4%. The profitability improved in all divisions, with the largest improvement in Environment. The improved result in Environment is mainly explained by successful implementation of improvement measures in the recycling and demolition business during the year, which had large write-downs at the end of 2020.

Total revenue in Sweden amounted to NOK 1,468 million (2020: NOK 1,777 million). The organic growth was -15% due to fierce price competition and low order book going into the year. EBITA* amounted to NOK -67 million (2020: NOK -69 million). The low revenue and additional cost in the old projects have affected the profitability negatively, however this has partly been mitigated by improved margin in projects won from 2020 and onwards. In the third and fourth quarter of 2021, several important projects were won which significantly improved the order book going into 2022.

Finland had a revenue of NOK 2,640 million (2020: NOK 2,811 million). The organic growth for the year was -1% in local currency mainly due to reduced revenue from the material business. The revenue for the material business in 2020 was positively affected by one-off sales to the FTIA. EBITA* amounted to NOK 213 million (2020: NOK 161 million). The EBITA* margin increased from 5.7% to 8.1%. The improvement is mainly explained by solid performance in Rail construction and positive results from sale of machinery.

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 2021 and the financial position at year-end.

CORPORATE SOCIAL RESPONSIBILITY

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

NRC Group has identified material topics and completed a climate risk analysis, to enable the Group to build greener solutions that connect people and cities. For the Group to deliver sustainable solutions for tomorrow, NRC Group recognises its responsibility to minimise the impact on the external environment. To ensure transparency related to the Group's material environmental, social and governance (ESG) risks and opportunities and handling thereof, a separate Sustainability Report is published 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 14 October 2021.

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 3-3a of the Accounting Act, the Board confirms that the prerequisites for continued operations as a going concern have been met. This assumption is based on the financial position of the Group, forecasted results and cash flows for 2022 and the Group's long-term strategic forecast for the coming years.

DIVIDEND
NRC Group ASA 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 2021 result, the Board of Directors will not propose a dividend for 2021.

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 -17 million.

INSURANCE FOR BOARD MEMBERS AND GENERAL MANAGER
NRC Group has insurance for members of the Board of Directors and the CEO for liability incurred from the Group or any third party related to responsible actions or neglect in their role as board members or executive management of the Group. The coverage is limited to NOK 50 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 most recent 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, significant market adjustments in cost of goods, materials or services, claims and legal proceedings. In addition, it includes resource optimisation following fluctuations in seasonal demand in the business and ability to implement strategies, as well as macroeconomic conditions such as political changes including change in government spending, demand or priorities. 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 its 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 has an EUR currency loan to hedge the net investment in Finland. 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 bond issued in September 2019 carries an interest of three months NIBOR + 4% until maturity on 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 -4 million, impacting other comprehensive income.

To ensure transparency related to the Group's material environmental, social and governance (ESG) risks and opportunities and handling thereof, a separate Sustainability Report is published.

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 2,013 million at the end of the year, NOK 272 million more than short-term liabilities. Total unrestricted cash amounted to NOK 626 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 forecast 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.

To date, the overall impact of the Covid-19 outbreak has been limited for the Group. Any negative future development to how the virus spreads and to measures implemented by the authorities in the core markets of Norway, Sweden and Finland, may however have a material impact on operations. Any financial impact will depend on the contract terms on a project by-project basis. Long-term, NRC Group sees limited impact on infrastructure investments.

EVENTS AFTER THE BALANCE SHEET DATE

On 1 March, Ole Anton Gulsvik assumed the position as Chief Financial Officer of NRC Group.

The political conflict and war between Russia and Ukraine have global impact. The Group does not have any operations or investments directly impacted by the conflict. Possible indirect consequences such as increased costs related to raw materials, fuel, electricity, and sub-suppliers, as well as limited availability of raw materials, can have impact on our future operations. Any financial impact will depend on the contract terms on a project-by-project basis. Any impact on infrastructure investments in our markets assumes to be limited.

OUTLOOK

The overall demand for rail-based transport is expected to grow in the coming years, supported by strong population growth, urbanisation, increasing need for sustainable transport solutions and maintenance backlog in all the Nordic countries. This growth projection is confirmed by national transport plans in Norway, Sweden and Finland, as well as already sanctioned upgrade and expansion projects. Railways, light rail and metro lines are highly efficient 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 2022, NRC Group will continue to prioritise improvement measures to strengthen the Group platform for project execution to improve profitability. With a positive market outlook, strengthened organisation and a strong tender pipeline, NRC Group is well positioned for further profitable growth from 2022 and onwards.

Lysaker, 16 March 2022

Rolf Jansson
Chairman of the Board

Mats Williamson
Board member

Outi Henriksson
Board member

Eva Nygren
Board member

Tove Elisabeth Pettersen
Board member

Heikki Allonen
Board member

Henning Olsen
CEO

Board of Directors

Chairman of the Board

Rolf Jansson

Rolf Jansson is currently CEO of Aspo Group. Prior to that, he held the position as President and CEO at VR Group, Finnish Railways. Before joining VR Group Jansson worked in investment banking at Nordea Corporate Finance and holds extensive experience from management consulting primarily at Booz Allen Hamilton. Jansson is currently a Board member at Sarlin Group, Varma Mutual Pension Insurance Company and East Office of Finnish Industries. At year-end, Jansson held 50,000 shares in the company. Member of the Board of NRC Group since January 2019.

Board member

Mats Williamson

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

Board member

Eva Nygren

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

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 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

Heikki Allonen

Heikki Allonen is a board professional with extensive experience from senior management and Board positions. He has in his career worked as CEO in public and listed companies like SRV Oyj, Fiskars Corporation and Patria Group for some 20 years. Allonen is currently the vice-chairman of the Board of Directors of VR Group Oy and Savox Oy and a board member of Nokian Tyres Plc and Port of Helsinki Oy. He has previously served as Chairman of the board for the Norwegian defence company Nammo AS. Allonen has held the position as board member in NRC Group since May 2021 and at year-end Allonen held 28,000 shares in company.

Board member

Outi Henriksson

Outi Henriksson has an extensive senior management background from banking, transportation and telecom and has 20 years of experience as CFO, since 2017 at Aktia Bank Plc and formerly in VR Group. Henriksson serves as a Board member of Aktia Livsförsäkring AB and has held several Board positions in listed companies prior to NRC Group. Member of the Board of NRC Group since May 2021. At year-end, Henriksson held no shares in NRC Group.

Shareholder information

SHARE PRICE DEVELOPMENT
NRC Group ASA has one class of shares. There were 72,954,549 shares issued at the end of 2021, each with a nominal value of NOK 1.00. The number of shares issued was unchanged during the year.

In 2021, the Group's shares traded between NOK 32.60 and NOK 14.64 per share. During the year, 79 million shares were traded in total.

MAJOR SHAREHOLDERS AND VOTING RIGHTS
NRC Group had 4,576 registered shareholders in the Norwegian Central Securities Depository (VPS) on 31 December 2021 (4,019 at end-2020), whereof the 20 largest shareholders owned 66.1% (71.3%). The percentage of issued shares held by foreign shareholders was 55.6%, compared with 67.2% at year-end 2020. All the shares registered by name carry equal voting rights. The shares are freely negotiable.

NRC GROUP'S 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2021:

Name	Country	Holding	Stake
VR-Yhtymä Oy	FIN	13,336,415	18.28%
J.P. Morgan Bank Luxembourg S.a.	LUX	7,402,764	10.15%
The Bank of New York Mellon SA/NV	BEL	6,646,217	9.11%
J.P. Morgan Bank Luxembourg S.A.	LUX	2,132,579	2.92%
Verdipapirfondet Nordea Norge	NOR	1,955,078	2.68%
Skandinaviska Enskilda Banken AB	LUX	1,811,929	2.48%
Protector Forsikring ASA	NOR	1,785,634	2.45%
Verdipapirfondet Nordea Kapital	NOR	1,534,245	2.10%
Verdipapirfondet Nordea Avkastning	NOR	1,300,924	1.78%
Avanza Bank AB	SWE	1,261,884	1.73%
Gunnar Knutsen Holding AS	NOR	1,252,677	1.72%
LGA Holding AS	NOR	1,150,102	1.58%
DNB Nor Bank ASA	NOR	1,119,258	1.53%
VJ Invest AS	NOR	916,229	1.26%
Heim Haugo AS	NOR	850,745	1.17%
J.P. Morgan Bank Luxembourg S.A.	LUX	842,606	1.15%
Danske Invest Norge Vekst	NOR	812,000	1.11%
Skandinaviska Enskilda Banken AB	SWE	750,000	1.03%
Clearstream Banking S.A.	LUX	714,288	0.98%
Verdipapirfondet Nordea Norge Plus	NOR	669,115	0.92%
Total number owned by top 20		**48,244,689**	**66.13%**
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

Corporate action	Date
Initiation of share buyback programme for up to NOK 12 million, related to the 2021 employee share programme	19.05.21
Completion of share buy-back programme	03.06.21

DIVIDENDS AND DIVIDEND POLICY

NRC Group shall, over time, give its shareholders a competitive return on their investment in the shares of the company. The company expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy comparable with peer groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks. The Board of Directors at NRC Group has introduced a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. Based on the 2021 results, the Board of Directors will not propose any dividend for 2021.

ANALYST COVERAGE

Five Norwegian and Nordic investment banks had active coverage of NRC Group ASA in 2021, unchanged from 2020. For contact details, please see the company website www.nrcgroup.com.

GENERAL MEETINGS AND BOARD AUTHORISATIONS

The 2021 AGM granted the Board of Directors the following authorisations:

1. Authorisation to increase the share capital by up to NOK 1,200,000 in connection with option programme for senior executives.
2. Authorisation to acquire treasury shares in NRC Group ASA for up to a maximum nominal value of NOK 7,295,455.
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.

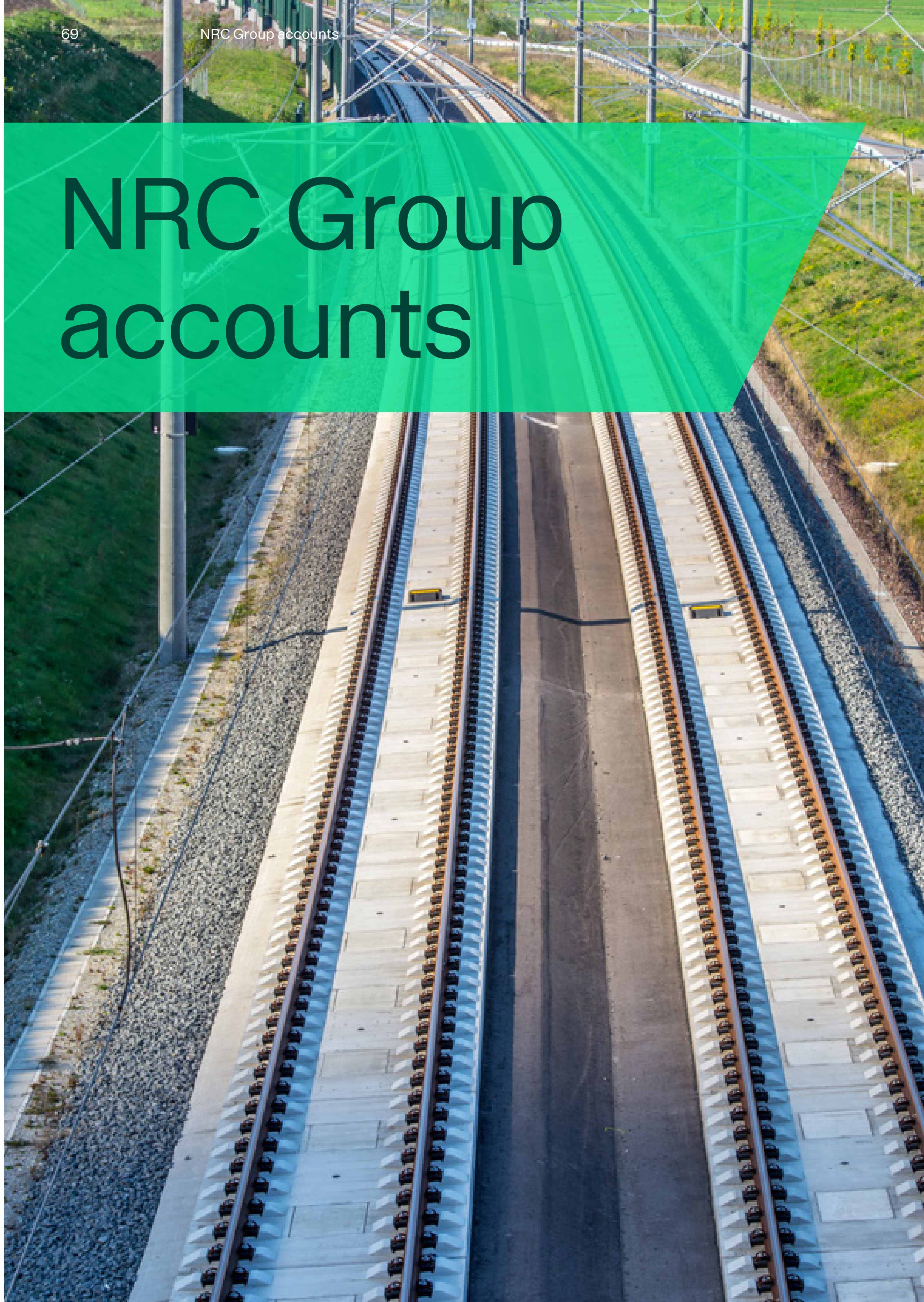
FINANCIAL CALENDAR 2022

Event	Date
Annual General Meeting	05.05.2022
Interim report – Q1 2022	11.05.2022
Half-yearly interim report – Q2 2022	18.08.2022
Interim report – Q3 2022	08.11.2022

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	2021	2020
Operating revenue	4	**5,957**	**6,449**
Cost of materials and subcontractors		3,256	3,945
Salaries and personnel costs	5/6/7	1,649	1,602
Depreciation, amortisation and impairment	12/13/14	260	273
Other operating and administrative expenses	8	717	638
Operating profit before other income and expenses		**75**	**-8**
Other income and expenses	8	-34	-1
Operating profit		**42**	**-10**
Finance income		3	4
Finance expense		-69	-88
Net financial items	9	**-66**	**-84**
Profit before tax		**-24**	**-94**
Tax expense / income (-)	10	3	-34
Profit from continuing operations		**-27**	**-59**
Net profit from discontinued operations	25	**0**	**-2**
Net profit for the year		**-27**	**-61**
Profit/loss attributable to:			
Shareholders of the parent		-26	-63
Non-controlling interests		-1	1
Net profit / loss		**-27**	**-61**
EARNINGS PER SHARE			
Earnings per share in NOK (ordinary):			
From continuing operations	11	-0.38	-0.82
From discontinued operations	11	0.00	-0.03
Earnings per share in NOK (diluted):			
From continuing operations	11	-0.38	-0.82
From discontinued operations	11	0.00	-0.03

Consolidated statement of comprehensive income – NRC Group

1 January – 31 December

(Amounts in NOK million)

	Note	2021	2020
Net profit/loss for the year		**-27**	**-61**
Items that may be reclassified to profit or loss (net of tax):			
Translation differences		-97	101
Net gain on hedging instruments	24	17	-20
Items that will not be reclassified to profit or loss (net of tax):			
Net actuarial gain/loss on pension expense	18	-4	0
Other comprehensive income		**-84**	**81**
Total comprehensive income for the year		**-112**	**20**
Total comprehensive income attributable to:			
Shareholders of the parent		-111	18
Non-controlling interests		-1	1
		-112	**20**

Consolidated statement of financial position – NRC Group

31 December

(Amounts in NOK million)

Assets	Note	2021	2020
Deferred tax asset	10	137	115
Goodwill	2/12	2,666	2,780
Customer contracts and other intangible assets	2/12	63	115
Total intangible assets		**2,867**	**3,010**
Tangible assets	13	184	231
Right-of-use assets	14	514	588
Other non-current assets	23	9	24
Total non-current assets		**3,574**	**3,852**
Total inventories	26	28	33
Trade receivables	15	929	923
Contract assets	4/15	315	299
Other current receivables	15	115	150
Total receivables		**1,359**	**1,371**
Cash and cash equivalents	16	**626**	**610**
Total current assets		**2,013**	**2,014**
Total assets		**5,587**	**5,867**

Consolidated statement of financial position – NRC Group

31 December

(Amounts in NOK million)

Equity and liabilities	Note	2021	2020
Paid-in capital:			
Share capital	17	73	73
Treasury shares		-0	-0
Other paid-in capital		2,325	2,322
Other equity:			
Translation reserves		12	109
Hedge reserve	24	-3	-20
Retained earnings		213	244
Total equity attributable to owners of the parent		**2,619**	**2,729**
Non-controlling interests		**2**	**3**
Total equity		**2,622**	**2,731**
Pension obligations	18	16	12
Interest-bearing non-current liabilities	19	1,199	1,437
Deferred tax	10	2	9
Other non-current liabilities	23/24	8	31
Total non-current liabilities		**1,225**	**1,489**
Interest-bearing current liabilities	19	319	330
Total interest-bearing current liabilities		**319**	**330**
Trade payables		359	382
Contract liabilities	4	424	336
Public fees payable		154	131
Tax payable	10	25	21
Other current liabilities	20/21	460	447
Total other current liabilities		**1,422**	**1,316**
Total current liabilities		**1,741**	**1,647**
Total liabilities		**2,965**	**3,136**
Total equity and liabilities		**5,587**	**5,867**

Oslo, 16 March 2022

Rolf Jansson
Chairman of the Board

Mats Williamson
Board member

Outi Henriksson
Board member

Eva Nygren
Board member

Tove Elisabeth Pettersen
Board member

Heikki Allonen
Board member

Henning Olsen
CEO

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 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
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**	**243**	**2,727**	**4**	**2,731**
Equity at 1 January 2021	**73**	**0**	**2,322**	**-20**	**109**	**243**	**2,727**	**4**	**2,731**
Profit/loss for the period						-26	-26	-1	-27
Other comprehensive income				17	-97	-4	-84		-84
Employee share program			5				5		5
Share-based payments			2				2		2
Acquisition of treasury shares		0	-4				-4		-4
Total changes in equity	**0**	**0**	**3**	**17**	**-97**	**-30**	**-108**	**-1**	**-109**
Equity at 31 December 2021	**73**	**0**	**2,325**	**-3**	**12**	**213**	**2,619**	**2**	**2,622**

Consolidated statement of cash flows – NRC Group

(Amounts in NOK million)

	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Net profit for the year		-27	-61
Net profit from discontinued operations	25	0	2
Tax expense	10	3	-34
Income taxes paid	10	-30	-10
Net financial items	9	67	77
Depreciation, amortisation and impairment	12/13/14	260	273
Gain from sale of property, plant and equipment	13	-75	-15
Change in trade receivables		-6	178
Change in inventories and work in progress		67	238
Change in trade payables		-23	9
Change in other accruals and unrealised foreign exchange		122	-344
Net cash flow from operating activities – continuing operations		**358**	**312**
Net cash flow from operating activities – discontinued operations	25	**0**	**4**
Net cash flow from operating activities		**358**	**316**
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for property, plant and equipment	13	-25	-34
Payments for acquisition of subsidiaries, net of cash acquired	2	-47	-123
Proceeds from sale of property, plant and equipment	13	90	23
Proceeds from sale of shares and other investments		16	0
Net cash flow from investing activities – continuing operations		**34**	**-133**
Net cash flow from investing activities – discontinued operations	25	**0**	**-17**
Net cash flow from investing activities		**34**	**-150**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	17	0	672
Repayment of borrowings	19	-147	-119
Payments of lease liabilities	19	-168	-179
Interest paid	9	-62	-70
Net proceeds from acquisition/sale of treasury shares		0	1
Net cash flow from financing activities – continuing operations		**-377**	**304**
Net cash flow from financing activities – discontinued operations	25	**0**	**0**
Net cash flow from financing activities		**-377**	**304**
Net change in cash and cash equivalents		**14**	**470**
Cash and cash equivalents as at 1 January		610	154
Effects of exchange rate changes on cash and cash equivalents		2	-14
Cash and cash equivalents as at 31 December	16	**626**	**610**
Hereof presented as:			
Free cash		626	610
Restricted cash		0	1
Cash and cash equivalents – continuing operations	16	**626**	**610**

Notes to the NRC Group accounts

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 a 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 liability 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 16 March 2022.

1.2 SIGNIFICANT ACCOUNTING PRINCIPLES

Accounting policies applied by the Group in the preparation of the consolidated financial statements are largely incorporated into the individual notes. General accounting principles are described below. The 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.

The Group uses various alternative performance measures (APM) throughout the consolidated financial statements. The APMs are defined on page 146.

1.2.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. 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

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.

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.

Note 1 – continued

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 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.

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.

1.2.4 Changes in accounting policies

AMENDMENTS TO IFRS 7, IFRS 9 AND IAS 39 INTEREST RATE BENCHMARK REFORM – PHASE 2
The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments have not impacted on the consolidated financial statements. The Group's interest rate hedge relationship as described in note 23 concerning the NOK 600 million bond maturing in 2024 is not yet affected as the Norwegian interbank offered rate (NIBOR) has not been replaced with an alternatively rate.

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.

The most important areas where estimates and judgements are having an impact are listed below. Detailed information of these estimates and judgements are disclosed in the relevant notes.

Significant estimates and judgements:

- Revenue from contracts with customers (Note 4)
- Impairment test of goodwill (Note 2 and 12)
- Purchase price allocation and accounting for contingent consideration in business combinations (Note 2)
- Recognition of deferred tax assets (Note 10)

COVID-19
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 new mutations and frequent changes in measures by governmental bodies. This may also impact on our material accounting judgement, estimates and assumptions, and in particular with regard to assumptions related to revenue from contracts with customers and the impairment test of goodwill. The coronavirus outbreak has increased the uncertainty connected to total project expenses, including any projects being delayed due to resources not being available, increased cost for sub-contractors or challenges with delivery of materials.

CLIMATE RISK
NRC Group's activities mainly consist of projects that run over a limited period. The organisation is flexible to adapt to changes and each new project represents a new start. A large part of the Group's activities is to build environmentally friendly infrastructure

Note 1 – continued

that is aligned within the EU Taxonomy, as described in a separate section in the Group's Sustainability Report for 2021. This reduces the risk of significant negative changes in activities and markets due to climate change. There are no legal changes or expected changes in our markets that will have a significant impact on the Group's activities.

NRC Group has limited operating assets and long-term leases that can be affected by environmental changes. The Group has a large car and machine park – owned and leased – that is gradually meeting new environmental requirements. Expected useful life and planned replacement rate for these assets are considered adaptable to the expected changes. The Group is already in the process of increasing the proportion of electrified machines and has also invested significantly in heavier vehicles that can run on biogas. Our largest tamping machines are rail-based and associated with environmentally friendly projects and are not expected to be adversely affected by climate change other than normal maintenance and adaptations. The Group has no significant immobile machines or facilities (stranded assets) that could be affected by climate change.

There are no specific climate risks beyond normal project risks associated with the business that significantly can affect the impairment calculations. Significant changes because of climate risk have consequently not been necessary to include in the calculations.

Note 2

Business combinations

ACCOUNTING POLICY
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.

SIGNIFICANT JUDGEMENT AND ESTIMATION UNCERTAINTY
Estimating the fair value of acquired assets, liabilities and contingent liabilities in a business combination requires significant management judgement. These calculations require the use of all facts and information available and how this will impact on the computations and will be sensitive to such as estimates related to future cash flows and discount rate.

Estimating contingent consideration in a business combination including subsequent changes in the fair value require significant management judgement and need 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.

Note 2 – continued

Business combinations in 2021

The Group had no business combinations in 2021. A net cash outflow of NOK 47 million in 2021 is related to prior year acquisitions.

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 acquisition resulted in a 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 in 2020 from the date of acquisition was SEK 4.4 million, of which all was group internal. The corresponding profit before tax was NOK 0.4 million. Transaction costs expensed as Other income and expenses were NOK 0.4 million in 2020.

Gästrike Signal & Projektering AB (GSP)
On 2 July, NRC Group completed the transaction to acquire 70% of GSP. In the third quarter of 2021, NRC Group acquired additional 10% of the company. The acquisitions were made at an estimated net settlement of SEK 20 million including a contingent consideration of SEK 2 million. The non-controlling interests in GSP are 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 acquisitions resulted in a goodwill of SEK 19.5 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within signalling projects. Total revenue in 2020 from the date of acquisition was NOK 17 million of which group internal was NOK 13 million. The corresponding profit before tax was NOK 5.0 million. Transaction costs expensed as Other income and expenses were NOK 0.8 million in 2020.

Note 3

Segment reporting

ACCOUNTING POLICY
Segments are reported in the same manner as the internal financial reporting to the Group's chief operating decision-maker, defined as the executive management and the Board of Directors. The internal financial operating result 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 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 is on an arm's length basis in a manner similar to transactions with third parties.

The Group is a contractor connected to public transportation, including rail, harbour and road related infrastructure. For management purposes, the Group is organised in divisions and operating segments based on geographical areas that include Norway, Finland and Sweden. 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.

Customers aggregate 9% or more of the Group's total revenues are disclosed in the table below:

Note 3 – continued

Customer	Segment	Share of segment revenue 2021	2020
Trafikverket	Sweden	72%	77%
Finnish Transport and Infrastructure Agency	Finland	54%	31%
HKL (Helsinki City Transport)	Finland	26%	23%
Bane Nor	Norway	30%	29%

(Amounts in NOK million)

	Norway operations		Sweden operations		Finland operations		Others and eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External	1,864	1,863	1,453	1,775	2,640	2,811	0	0	5,957	6,449
Inter-segment	-5	3	15	2	0	0	-10	-5	0	0
Total revenue	**1,859**	**1,866**	**1,468**	**1,777**	**2,640**	**2,811**	**-10**	**-5**	**5,957**	**6,449**
EBITDA*	**120**	**82**	**-17**	**-21**	**265**	**231**	**-32**	**-27**	**336**	**264**
Depreciation	93	95	50	48	52	70	1	1	196	214
EBITA*	**27**	**-14**	**-67**	**-69**	**213**	**161**	**-32**	**-28**	**139**	**50**
Amortisation and impairment	11	9	3	2	49	45	1	2	64	59
EBIT*	**16**	**-23**	**-71**	**-71**	**164**	**116**	**-33**	**-30**	**75**	**-8**
Other income and expenses	10	-4	18	1	5	0	1	4	34	1
Operating profit	**6**	**-19**	**-89**	**-73**	**159**	**116**	**-35**	**-34**	**42**	**-10**
Current assets	423	272	272	334	1,127	1,011	190	397	2,013	2,014
Non-current assets	1,143	1,196	866	949	1,472	1,613	93	94	3,574	3,852
Total assets	**1,566**	**1,467**	**1,139**	**1,283**	**2,599**	**2,624**	**283**	**492**	**5,587**	**5,867**
Current liabilities	635	634	549	699	1,199	1,195	-643	-881	1,741	1,647
Non-current liabilities	253	300	41	57	363	813	567	319	1,225	1,489
Total liabilities	**888**	**934**	**590**	**756**	**1,563**	**2,008**	**-75**	**-563**	**2,965**	**3,136**
Order backlog	2,214	1,796	2,008	2,112	3,579	2,568	-	-	7,801	6,475

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	
	2021	2020	2021	2020	2021	2020
Current assets	2,118	2,361	-1,927	-1,963	190	397
Non-current assets	375	804	-282	-710	93	94
Total assets	**2,493**	**3,165**	**-2,209**	**-2,673**	**283**	**492**
Current liabilities	1,285	1,082	-1,927	-1,963	-643	-881
Non-current liabilities	846	1,003	-278	-684	567	319
Total liabilities	**2,130**	**2,085**	**-2,206**	**-2,648**	**-75**	**-563**

Note 4

Revenues and projects in progress

ACCOUNTING POLICY

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.

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 does not have an alternative use and the Group has an enforceable right to payment for performance completed to date.

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

For a 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 expended) 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 approved 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.

Note 4 – continued

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 connected to the contract include direct materials, direct labour, subcontractors, allocated indirect costs and costs explicitly chargeable. Incremental cost 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. Cost of wasted materials, labour or other resources to fulfil the contract that is not reflected in the price of the contract, is expensed as it occurs.

When it is probable that the total contract costs of meeting the obligations will exceed total contract revenue, the expected loss is recognised as an expense immediately according to IAS 37, considering both the incremental costs and allocation of other costs directly related to fulfilling the contract. 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 normally follows the progress of the projects either by a fixed estimated progress or based on actual progress as defined in the contract. For certain contracts a portion of up to 10% is withheld until final approval of the delivery. Upon invoicing, the payment terms would normally be within 15-45 days.

Other revenues
The Group has a limited number of other sales transactions such as sale of materials, sale of equipment and machines closely related to the main operations of the group or sale of services. Revenues from these transactions are recognised at the point of time when control of any asset is transferred to the customer, or the service is provided. Delivery of assets can be 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 are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

SIGNIFICANT JUDGEMENT AND ESTIMATION UNCERTAINTY
The Group's business mainly consists of execution of projects. The complexity and scope of the project portfolio come with an inherent risk that the actual results may differ from expected results. The Group recognises revenue over time using 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 subcontractors or delivery of materials. As of 31 December 2021, the Group has recognised a total of NOK 12,809 million (2020: NOK 10,340 million) in accumulated revenue to date on projects in progress at year-end.

(Amounts in NOK million)

Revenue	2021	2020
Contract revenue recognised over time	5,351	5,791
Other revenue	606	659
Total revenue	**5,957**	**6,449**
Revenue from public customers	4,205	4,856
Revenue from private customers	1,752	1,593
Total revenue	**5,957**	**6,449**

Note 4 – continued

External revenue by nature of business by segment

(Amounts in NOK million)

	Norway operations		Sweden operations		Finland operations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
Rail construction	604	612	613	894	1,515	1,578	2,731	3,084
Rail maintenance	0	0	560	605	609	611	1,168	1,216
Civil construction	441	492	279	274	0	0	720	766
Environment	819	759	0	0	0	0	819	759
Materials	0	0	0	0	456	617	456	617
Other and eliminations	0	0	2	1	61	6	62	7
External revenue	**1,864**	**1,863**	**1,453**	**1,775**	**2,640**	**2,811**	**5,957**	**6,449**

Projects in progress at year-end

(Amounts in NOK million)

	2021	2020
Contract costs plus profit less losses to date	12,809	10,340
Less progress billings including advances	12,917	10,378
Work in progress, net	**-109**	**-38**
Gross amounts due to customers for contract work (contract liabilities)	424	336
Gross amounts due from customers for contract work (contract assets)	315	299
Total contract value, ongoing contracts	19,911	16,296
Accumulated revenue recognised at year-end	12,809	10,340
Revenues not recognised	7,102	5,956
Expected to be recognised next 12 months	4,101	3,395
Expected to be recognised later	3,001	2,561
OTHER INFORMATION		
Billed amounts retained by customers	13	53
Provision for loss-making projects	17	17
Remaining revenue on loss-making projects	68	266
Order backlog, ongoing projects	7,102	5,956
Order backlog, projects not started	699	519
Total order backlog	**7,801**	**6,475**

At year-end, 94% 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 connected 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)

	2021	2020
Salaries	1,268	1,245
Social security taxes	187	176
Pension expenses	145	140
Other personnel costs	48	40
Total	**1,649**	**1,602**
Full time equivalent employees	1,924	1,982

Note 6

Executive personnel

Compensation to executive personnel and Board of Directors

(Amounts in NOK million)

	2021	2020
Short-term employee benefits	21	21
Post-employment benefits	2	2
Share-based compensation	1	0
Remuneration Board of Directors	3	3
Total compensation to executive personnel	**27**	**26**

More detailed information on the compensation to the Group's directors including executive personnel as well as members of the Board of Directors is provided in a separate remuneration report prepared in accordance with the Norwegian Public Limited Liability Companies Act § 6-16b. The report for the financial year 2021 will be published on the Group's website subsequent to the general assembly.

Note 7

Share-based payments

ACCOUNTING POLICY
Employees (including senior executives) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The sale of shares to employees at less than market price is accounted for by recognising the difference between the market value of the shares and the purchase price as a payroll expense.

The cost of equity-settled transactions is determined by the fair value of the option at the date when the grant is made. A Binominal model and the Black-Scholes model are used for the valuation. The cost related to the option is reported over the period in which the employees earn the right to receive the options. Option costs are reported as payroll expenses and offset as an increase in equity. A provision based on the accrued amount is made for employer's social security contribution to share option programmes linked to the difference between the issue price and the market price of the share at year end.

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)

	2021	2020
Senior Management Share Option Plan	0.8	0.1
Key Employee Share Option Programme	1.0	1.0
General Employee Share Programme	1.1	1.4
Total	**3.0**	**2.6**

Note 7 – continued

GENERAL EMPLOYEE SHARE PROGRAMME
During 2021 and same as 2020, 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 1 June 2021, a total of 281,759 shares were sold under this offer with a total discount of approximately NOK 1.0 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 programme for senior management. On the Annual General Meeting 6 May 2021, the option programme for senior management was renewed for two more years, comprising in total 1,200,000 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 121,125 options were outstanding in connection with the Senior Management Option programme. 108,000 new options were formally granted, no options were exercised, and 247,500 options were forfeited during 2021. The weighted average exercise price of the remaining 111,125 options is NOK 30.18. 28,125 of the options expire in March 2023 and can be vested by 1/3 each year from March 2020 until expiry. 93,000 of the options expire in March 2024. These options can be vested by 1/3 each year from March 2021 until expiry.

There were no settlement, cancellations, or modifications to the awards in 2021. Vesting condition is full time employment. The expense is accrued for over the service period for each group of options.

SHARE OPTION PROGRAMME FOR KEY EMPLOYEES
On 19 April 2018, the Company's Annual General Meeting approved implementation of a share option programme 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 programme. 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 80,000 options are outstanding in connection with the option programme 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 programme until the options are exercised. The employees paid NOK 1 or SEK 1 for each option. 17,000 options were forfeited during 2021 due to vesting conditions not being satisfied.

As per year-end, a total of 351,500 options are outstanding in connection with the option programme from 2020. 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 programme until the options are exercised. The employees paid the equivalent of NOK 1 for each option. 148,000 options were forfeited during 2021 due to vesting conditions not being satisfied.

5,000 options were granted for the key employee programme in 2021. The options can be vested over a period of 12 months from 1 April 2024 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 programme until the options are exercised. The employee paid NOK 1 for each option. No options were forfeited during 2021.

There were no settlement, cancellations, or modifications to the awards in 2021. 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:

(Amounts in NOK million)

	2021 number	2021 WAEP	2020 number	2020 WAEP
Outstanding at 1 January	787,125	42.9	463,625	65.0
Granted during the year	113,000	27.8	439,500	26.8
Exercised during the year	0	0	0	0.0
Forfeited during the year	-342,500	49.5	-116,000	62.5
Outstanding at 31 December	557,625	35.9	787,125	42.9
Exercisable at 31 December	129,750	65.9	236,875	58.8

Note 7 – continued

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 2021 was 2.3 years (2020: 2.2 years).

The weighted average fair value of options granted during the year was NOK 1.32 per option. Total value of these options aggregated NOK 0.1 million to be allocated over the service period assumed in the option programme.

The range of exercise prices for options outstanding at the end of the year was NOK 26.54 to NOK 85.78 (2020: NOK 26.54 to NOK 85.78), before any adjustment for future dividends.

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

	2021	2020
Weighted average fair values at the measurement date	8.38	6.75
Expected volatility (%)	50.0	34.0
Risk–free interest rate (%)	0.77	0.19
Expected life of share options, months	9-51	3-41
Weighted average share price	44.32	49.69
Model used	Binominal and Black Scholes	Binominal and Black Scholes
Weighted average fair values at the measurement date for options granted during the year	1.32	6.42

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

Note 8

Other operating and administrative expenses

(Amounts in NOK million)

	2021	2020
Travel expenses	69	77
Office expenses	80	80
External services	44	50
Expenses related to machinery, cars and equipment	280	270
Other operating and administrative expenses	185	160
Total	**658**	**638**

ACCOUNTING POLICY
Income and expenses of a special nature are presented on a separate line within operating profit (loss). Such items are characterised by being transactions and events not being reliable indicators of underlying operations. Other income and expenses consist of M&A expenses, including subsequent adjustment of contingent considerations or other subsequent adjustments of final purchase price allocation in business combinations that are recognised in profit or loss.

(Amounts in NOK million)

Other income and expenses	2021	2020
M&A expenses	34	1
Total other income and expenses	**34**	**1**

The M&A expenses in 2021 relate to additional expenses for previous years' acquisitions. Approximately NOK 10 million are final bonus payments related to the acquisition of Norsk Saneringsservice AS in 2018. The majority of the remaining expenses relates to legal costs and other provisions regarding a lost lawsuit against the previous owners of Signal och Banbyggarna i Dalarna AB, a company acquired in 2017. Stockholm's District Court judged NRC Group to pay the defendants litigation costs. The case has been appealed, but all cost is provided for.

M&A expenses in 2020 included 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 for the year.

Note 8 – continued

(Amounts in NOK million)

Compensation to auditors	2021	2020
Statutory audit fees	3.7	4.1
Other assurance engagements	0.0	0.1
Tax related services	0.1	0.3
Other services	0.0	0.0
Total	**3.8**	**4.5**

EY was the Group's auditor for 2021 and 2020. The amounts are reported exclusive of VAT.

Note 9

Financial income and expenses

(Amounts in NOK million)

	2021	2020
Interest income	2	4
Interest expenses	-65	-79
Net foreign currency gains/(losses)	-2	-7
Other net financial expense	-1	-2
Net financial items	**-66**	**-84**

Note 10

Taxes

ACCOUNTING POLICY
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 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 not calculated for temporary differences from investments, except when the Group cannot control the timing of the reversal of the temporary differences, and it is probable that these will 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.

In the balance sheet, deferred taxes are reported net if the Group has a legal right to offset deferred tax assets against deferred taxes and if the deferred taxes are owed to the same tax authority.

SIGNIFICANT JUDGEMENT AND ESTIMATION UNCERTAINTY
Deferred tax assets of NOK 90 million in Norway and NOK 47 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. Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

(Amounts in NOK million)

Deferred tax relates to the following:	2021	2020
Intangible assets	-5	-11
Property, plant and equipment	-14	-18
Right-of use assets	-111	-126
Net contract assets/receivables	-16	-26
Tax allocation reserve, Sweden	-5	-11
Tax losses carried forward	251	246
Lease liabilities	105	123
Pensions	4	3
Other temporary differences	15	19
Total deferred tax assets/ liabilities (-)	**224**	**199**
Deferred tax assets not recognised	-88	-94
Net deferred tax assets/ liabilities (-)	**135**	**105**
Reflected in the consolidated balance sheet as follows:		
Deferred tax assets	137	115
Deferred tax liabilities	-2	-9
Net deferred tax assets/ liabilities (-)	**135**	**105**

Note 10 – continued

(Amounts in NOK million)

Reconciliation of net deferred tax assets/ liabilities (-)	2021	2020
As of 1 January	105	46
Tax income/ expense (-) during the period	33	50
Tax income/ expense (-) during the period, recognised in OCI	-4	5
Tax recognised in equity	0	6
Effect of foreign currency translation	-2	0
Other	2	-1
As of 31 December	**135**	**105**

Total net deferred tax assets of NOK 137 million are split between NOK 90 million in Norway (2020: NOK 81 million) and NOK 47 million in Sweden (2020: NOK 34 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 programmes initiated in the second half of 2019 have been implemented and yielded satisfactory results in 2020 and 2021. 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. The operating segment in Norway improved the operating income in 2021 before M&A with NOK 39 million and the order backlog increased with 23%. 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 segment or from losses incurred under old tendering processes up until 2019. The project portfolio won in 2020 and 2021 has significantly increased project margins compared to the portfolio of projects won in 2018 and 2019. Total deferred tax assets of NOK 88 million in Sweden have not been recognised.

The net deferred tax liability of NOK 2 million relates to Finland.

The Group has total tax losses carried forward of NOK 471 million in Norway (2020: NOK 463 million) and NOK 715 million in Sweden (2020: NOK 701 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)

The major components of income tax expense are:	2021	2020
Current income tax charge	36	16
Change in deferred tax	-33	-50
Tax expense/ income (-)	**3**	**-34**

(Amounts in NOK million)

Tax related to other comprehensive income:	2021	2020
Items that may be reclassified to profit and loss	5	-5
Items that will not be reclassified to profit and loss	-1	0
Tax expense/ income (-) included in OCI	**4**	**-5**

Note 10 – continued

(Amounts in NOK million)

Reconciliation of tax expense and accounting profit:	2021	2020
Net income/ loss (-) before tax from continuing operations	-24	-94
Estimated tax on income before tax	-4	-22
Effect of permanent differences	9	-2
Effect of tax assets being (-)/ not being recognised	-1	-8
Other	-1	-2
Income tax expense/ income (-)	**3**	**-34**

The tax rates for Norway, Sweden and Finland are 22%, 20.6% and 20%, unchanged from 2020. No changes in tax rates are expected for 2022.

Note 11

Earnings and diluted earnings per share

The earnings per share are calculated by dividing the disposable profit/loss for the year with the weighted average of ordinary shares issued throughout the year, less the Company's own shares. For the movement in the share capital of the Company see note 17.

Earnings per share (ordinary)	2021	2020
From continuing operations, NOK	-0,38	-0,82
From discontinued operations, NOK	0,00	-0,03
Profit/loss from continuing operations, NOK million	-27	-59
Profit/loss from discontinued operations, NOK million	-0	-2
Profit/loss for the year, NOK million	**-27**	**-61**
Weighted average externally owned shares	72,915,922	72,211,390
Effect of dilution from share options	742,906	655,252
Weighted average externally owned shares adjusted for dilution	**73,658,828**	**72,866,642**

Earnings per share (diluted)	2021	2020
From continuing operations, NOK	-0,38	-0,82
From discontinued operations, NOK	0,00	-0,03

Note 12

Intangible assets

ACCOUNTING POLICY

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.

Impairment considerations

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.

Intangible 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.

SIGNIFICANT JUDGEMENT AND ESTIMATION UNCERTAINTY

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 and operating losses in Sweden are impairment indicators being considered as part of the test. Goodwill had a carrying amount at 2021 year-end of NOK 2,666 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. No impairment loss has been identified as of 31 December 2021 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 2021. The current headroom of approximately SEK 130 million is most sensitive to the discount rate and the estimated future cash flows.

Climate risk

The Group has considered climate risk in relation to impairment testing of goodwill. Climate-related matters can affect future cash flows, the value of the assets being tested and the expected useful life of these. Any consequences of this are considered in the impairment test of goodwill.

Note 12 – continued

(Amounts in NOK million)

	Goodwill	Other intangible assets	Total
Carrying amount as at 01/01/2021	**2,780**	**115**	**2,895**
Translation differences	-104	-3	-108
Additions and adjustments	-	6	6
Amortisation for the year	-	-55	-55
Impairment for the year	-9	-	-9
Carrying amount as at 31/12/2021	**2,666**	**63**	**2,729**
Acquisition cost	2,675	317	2,992
Accumulated amortisation	-	-248	-248
Accumulated impairment	-9	-6	-15
Carrying amount as at 31/12/2021	**2,666**	**63**	**2,729**

Other intangible assets partly consist of customer contracts, customer relationships, IT licenses and IT software capitalised as part of the purchase price allocation of acquisitions. Further, it consists of capitalised software development expenses and capitalised pre-contract expenses. Other intangible assets are amortised over the expected useful life of 1-5 years.

(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.

Note 12 – continued

ALLOCATION OF GOODWILL TO CASH GENERATING UNITS

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

	2021	2020
Norway	778	787
Sweden	623	668
Finland	1,265	1,325
Total	**2,666**	**2,780**

The decrease in the carrying amount of goodwill in Norway is due to impairment linked to Miljøvakta AS that subsequently has been sold. The decrease in the carrying amounts of goodwill related to Sweden and Finland is entirely due to currency effects as NOK has strengthened compared to SEK and EUR during 2021.

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 2021, NRC Group's share price development, Covid-19 and operating losses in Sweden, 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).

Estimated cash flows for the years 2022-2026 are based on projections approved by the Board. Revenue growth in average per year used in the impairment tests were 7.7% in Norway, 8.5% in Sweden and 1,1% in Finland. The revenue growth assumptions are supported by the current order backlog and external information such as the tender pipeline and the transport plan in each country. Mainly Sweden, but also Norway have suffered losses recently. This is considered temporary, and several measures have been implemented to restore profitability. Improvement programmes initiated in the second half of 2019 have been implemented and yielded satisfactory results in 2020 and 2021. 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 better margins. Rail Norway has improved the tendering processes, strengthened the organisation and project execution, as well as reduced overhead costs. The operating segment in Norway improved the operating income and order backlog in 2021 significantly. Sweden has improved the tendering processes, strengthened the organisation including the project management, and reduced costs in line with targeted level. The project portfolio won in 2020 and 2021 have significantly increased their project margins compared to the portfolio of projects won in 2018 and 2019. The project margins assumed in the impairment test are supported by project margins in current wins.

The discount rate before tax is 8.5% for Norway, 7.3% for Sweden and 7.0% for Finland. For the years subsequent to 2026, a terminal growth of the net cash flow of 1.75% in Norway, 0.84% in Sweden and 0.75% in Finland have been applied,

SENSITIVITY

The calculation of value in use is sensitive to the estimates of revenues, project 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 2021. The current headroom of approximately SEK 130 million is most sensitive to the discount rate and the estimated future cash flows. The assumption for terminal growth in Sweden is 0.84%. A terminal growth of zero will not lead to impairment. The current headroom of approximately SEK 130 million is sensitive to the key assumptions as described above. Changes in the following 5-years period from 2021 that may lead to an impairment – all other factors kept unchanged – is decreased revenues of 5%, a negative change in project margin of 0.5 percentage points or an increase in the discount rate with more than 0.9 percentage points.

For Norway and Finland, no reasonably likely change in the key assumptions listed above would cause the carrying value to materially exceed the recoverable amount for any of the CGUs.

Note 13

Property, plant and equipment

ACCOUNTING POLICY
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 a straight-line basis over the expected useful life of the asset, as follows:

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

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.

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 2021, no such expenses were capitalised.

Impairment consideration
Property, plant and equipment 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.

(Amounts in NOK million)

	Buildings	Machinery, fixtures, etc.	Total
Carrying amount as of 1/1/2021	**17**	**214**	**231**
Translation differences	-1	-14	-15
Additions	-	22	22
Disposals	-	-17	-17
Depreciation for the year	-1	-37	-38
Carrying amount as of 31/12/2021	**15**	**169**	**184**
Total cost	20	365	385
Accumulated depreciation	-5	-196	-201
Accumulated impairment	-	-	-
Carrying amount as of 31/12/2021	**15**	**169**	**184**

Note 13 – continued

(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
Disposals	-2	-6	-8
Depreciation for the year	-1	-45	-46
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.

Note 14

Right-of-use assets

ACCOUNTING POLICY

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 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:

- Intangible assets 1-3 years
- Land, offices and buildings 1-12 years
- Machinery, cars and equipment 1-25 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.

Lease liabilities

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

- 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 are 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 2.25%.

Lease liabilities are in note 19 divided in financial agreements and operating agreements. Financial agreements are agreements transferring the main risk and control of the assets to the lessee, while operating lease agreements are agreements that are not financial lease agreements, including real estate rent.

Impairment consideration

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.

Note 14 – continued

(Amounts in NOK million)

Carrying amounts for groups of right-of-use (ROU) assets:	2021	2020
Intangible assets	0	1
Land, offices and buildings	73	104
Machinery, cars and equipment	441	483
Total ROU assets	**514**	**588**

(Amounts in NOK million)

Depreciation charge during the year:	2021	2020
Intangible assets	1	2
Land, offices and buildings	33	43
Machinery, cars and equipment	124	123
Total depreciation expense	**158**	**168**
Interest expense on lease liabilities	12	15
Lease expense – short-term and low-value leases	119	129
Total cash outflow for all leases	287	308
Addition of ROU assets during the financial year	134	254

The lease expense for 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)

	2021	2020
Trade receivables	939	931
Provisions for expected losses	-10	-8
Trade receivables – net	**929**	**923**
Contract assets	315	299
Other current receivables	115	150
Total current receivables	**1,359**	**1,371**
Age distribution of trade receivables:		
Trade receivables not due for payment	755	732
Up to 30 days	114	102
Between 30 and 90 days	51	58
Over 90 days	19	39
Total receivables due for payment	184	200
Total trade receivables	**939**	**931**
Trade and other current receivables by currency:		
NOK	473	499
SEK	335	304
EUR	552	569
Total current receivables	**1,359**	**1,371**

Note 16

Cash and cash equivalents

ACCOUNTING POLICY
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.

(Amounts in NOK million)

	2021	2020
Cash and bank deposits	626	610
Restricted cash	-	1
Total	**626**	**610**

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

(Amounts in NOK million)

Cash and cash equivalents per currency:	2021	2020
NOK	493	720
SEK	-18	-57
EUR	152	-53
Total	**626**	**610**

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

ACCOUNTING POLICY
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.

NRC Group ASA has one class of shares. The total number of external shares at year-end was 72,953,966) excluding 583 own shares (2020: 72,927,707 excluding 26,842 own shares), with a nominal value of NOK 1.00 each. The share capital as of 31 December 2021 totalled NOK 72,954,549 (2020: 72,954,549).

On 12 May 2016, the Company's Annual General Meeting approved implementation of an option programme for senior management. On the Annual General Meeting 6 May 2021, the option programme for senior management was renewed for two more years, comprising in total 1,200,000 shares. The Board of Directors are authorised to increase the share capital and to determine the subscription price and other subscription terms. The authorisation only applies to issuances of shares against payment in cash and is valid until 6 May 2023. 131,407 shares have been issued and 121,125 options were granted and outstanding under this programme 31 December 2021.This programme is further described in note 7.

On 19 April 2018, the Company's Annual General Meeting approved implementation of an option programme 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 programme for key employees. 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 programme and 436,500 options were granted and outstanding at 31 December 2021. The authorisation only applies to issuances of shares against payment in cash and is valid until 6 May 2022. This Programme is further described in note 7.

At the Annual General Meeting on 6 May 2021, 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 2022, but not later than 30 June 2022. 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 2021, 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 2022, but not later than 30 June 2022, 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 2020	**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**
Total number of shares on 31 December 2021	**72,954,549**

Note 17 – continued

TREASURY SHARES
The Company owned 26,842 treasury shares at the beginning of 2021. During 2021, the Company acquired 255,500 treasury shares at a total proceed of NOK 4 million. 281,759 of the shares were transferred to the employees participating in the 2021 share programme for employees. At the end of 2021, the Company owned 583 treasury shares corresponding to 0.001 % of the total number of outstanding shares. The Board of Directors has a mandate until the Annual General Meeting in the spring of 2022 and no later than 30 June 2021, to acquire up to 7,039,954 of the Company's own shares.

OWNERSHIP STRUCTURE
The number of shareholders as of 31 December 2021 was 4,576, compared with 4,019 as of 31 December 2020. The percentage of issued shares held by foreign shareholders was 55.6%, compared with 67.2% at year-end 2020.

NRC GROUP'S 20 LARGEST SHAREHOLDERS AS OF 31 DECEMBER 2021:

Name	Country	Holding	Stake
VR-Yhtymä Oy	FIN	13,336,415	18.28%
J.P. Morgan Bank Luxembourg S.a.	LUX	7,402,764	10.15%
The Bank of New York Mellon SA/NV	BEL	6,646,217	9.11%
J.P. Morgan Bank Luxembourg S.A.	LUX	2,132,579	2.92%
Verdipapirfondet Nordea Norge	NOR	1,955,078	2.68%
Skandinaviska Enskilda Banken AB	LUX	1,811,929	2.48%
Protector Forsikring ASA	NOR	1,785,634	2.45%
Verdipapirfondet Nordea Kapital	NOR	1,534,245	2.10%
Verdipapirfondet Nordea Avkastning	NOR	1,300,924	1.78%
Avanza Bank AB	SWE	1,261,884	1.73%
Gunnar Knutsen Holding AS	NOR	1,252,677	1.72%
LGA Holding AS	NOR	1,150,102	1.58%
DNB Nor Bank ASA	NOR	1,119,258	1.53%
VJ Invest AS	NOR	916,229	1.26%
Heim Haugo AS	NOR	850,745	1.17%
J.P. Morgan Bank Luxembourg S.A.	LUX	842,606	1.15%
Danske Invest Norge Vekst	NOR	812,000	1.11%
Skandinaviska Enskilda Banken AB	SWE	750,000	1.03%
Clearstream Banking S.A.	LUX	714,288	0.98%
Verdipapirfondet Nordea Norge Plus	NOR	669,115	0.92%
Total number owned by top 20		**48,244,689**	**66.13%**
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 2021 including shares controlled through holding companies and related parties:

Name	Title	Ordinary shares	Share options
Rolf Jansson	Chairman of the Board of Directors	50,000	-
Eva Nygren	Board member	1,000	-
Heikki Allonen	Board member	28,000	-
Henning Olsen	CEO NRC Group	95,025	30,000
Dag Fladby	CFO NRC Group	70,659	-
Arild Moe	EVP NRC Norway	202,252	-
Harri Lukkarinen	EVP NRC Finland	12,681	49,500
Robert Röder	EVP NRC Sweden	30,000	18,125
Lene Engebretsen	EVP, Head of communications	9,259	6,000
Jussi Mattsson	EVP & Head of Strategy and Business Dev.	5,252	-
Ina Pettersen	EVP & Head of HR	2,252	-

46,417 of the share options to the executive management were exercisable at year-end. See note 7 for further information.

DIVIDEND
Based on the 2021 results, the Board of Directors will propose no dividends for 2021.

Note 18

Pensions

ACCOUNTING POLICY
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.

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 accounted for as a defined contribution scheme. AFP premiums for 2021 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.

Note 18 – continued

(Amounts in NOK million)

Pension expenses	2021	2020
Defined contribution plans	140	134
Defined benefit plans	1	1
Contractual pension, multi-employer plan, Norway	4	6
Total pension expenses	**145**	**140**
Number of employees covered	**1,840**	**1,849**
Defined contribution plans	70	64
Defined benefit plans, active	398	430
Defined benefit plans, pensioners	339	316
Early retirement scheme, Norway (AFP)	-	-
Defined benefit expenses		
Defined benefit plan, net expense	1	1
Actuarial gain and losses recognised in OCI, net of tax	4	0
Recognised in total comprehensive income	5	1
Defined benefit obligation		
Defined benefit obligation 1 January	101	115
Current service cost	1	1
Interest cost	0	0
Benefits paid	-9	-14
Actuarial gain (+)/ losses (-)	3	-9
Curtailment	-	-1
Currency differences	-5	9
Defined benefit obligation 31 December	91	101
Plan assets		
Plan assets 1 January	90	104
Interest income	0	0
Contribution paid	1	1
Benefits paid	-9	-14
Actuarial gain (+)/ losses (-)	-3	-8
Curtailment	-	-1
Currency differences	-4	7
Plan assets 31 December	75	90
Net defined benefit liability 31 December	**16**	**12**
Actuarial assumptions	**31.12.2021**	**31.12.2020**
Discount rate	0.40%	0.10%
Salary increase	3.20%	2.30%
Inflation	1.90%	0.90%
Mortality (TyEL)	K2016	K2016
Benefit increase	2.00%	1.20%
Insurance company bonus index	0.00%	0.00%
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 4 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)

Interest-bearing non-current liabilities	2021	2020
Lease liabilities, financial agreements	224	290
Lease liabilities, operating agreements	95	106
Bond debt	600	600
Other loans and borrowings	280	442
Total interest-bearing non-current liabilities	**1,199**	**1,437**

(Amounts in NOK million)

Interest-bearing current liabilities	2021	2020
Lease liabilities, financial agreements	118	120
Lease liabilities, operating agreements	55	57
Loans and borrowings	146	153
Total interest-bearing current liabilities	**319**	**330**

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% - 2.40%
Bond debt	3-month NIBOR* + 4.00%	-	-
Bank loan	-	3-month EURIBOR** + 2.05%	-

The margin on the bank loan depends on the leverage ratio (net interest-bearing debt to adjusted EBITDA). During 2021, the margin was 2.50% but decreased to 2.05 at year end. The margin can be in a range of 1.7 to 2.50%.

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

Note 19 – continued

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

(Amounts in NOK million)

	2021	2020
NOK	909	959
EUR	540	720
SEK	69	89
Total interest-bearing liabilities	**1,518**	**1,768**

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 2021	1H 2022	2H 2022	2023	2024	2025	2026	2027→
Leasing	97	85	125	82	53	27	46
Bond	18	18	36	627	-	-	-
Bank loans	78	76	150	137	-	-	-
Total	**193**	**179**	**311**	**846**	**53**	**27**	**46**
Hereof interest	27	25	46	31	2	1	2

The bank loan refers to a EUR facility with Danske Bank with quarterly instalments of EUR 3.6 million and final settlement 7 January 2024. The bond matures at 13 September 2024.

(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 Company's term facilities with Danske Bank ASA and the NOK 600 million senior unsecured bond contain certain financial conditions based on the facility agreements that may not be directly related to reported IFRS numbers:

- Interest cover ratio: 12 months rolling EBITDA adjusted for acquisition costs and certain non-recurring items in relation to relevant financial net payments.
- Leverage ratio: Net interest-bearing debt in relation to adjusted 12 months rolling EBITDA
- Equity ratio: Equity in relation to total assets

The facility agreements include for certain transactions such as paying dividend and taking on new loan agreements, requirements of an incurrence test with leverage ratio < 3.0 compared to actual 2.7 on 31 December 2021. The leverage ratio reduces to 2.5 from 1 January 2023. Paying dividend is restricted to 50% of any net income for the year. No dividend is proposed for 2021.

Note 19 – continued

(Amounts in NOK million)

Year-end 2021	Condition	Actual
Interest cover ratio, Danske Bank	≥ 3.00	11.71
Leverage ratio, Danske Bank	≤ 4.00	2.66
Equity ratio, Danske Bank	> 25%	47%
Interest cover ratio, bond	> 2.50	5.10
Equity ratio, bond	> 25%	47%

There have been no breaches of the financial covenants of any interest-bearing loans and borrowing in the current period. The leverage ratio for the Danske Bank facility will reduce to 3.50 at the end of 2022 and 3.25 at the end of 2023.

(Amounts in NOK million)

Year-end 2020	Condition	Actual
Interest cover ratio, Danske Bank	≥ 3.00	6.00
Leverage ratio, Danske Bank	≤ 5.25	4.20
Equity ratio, Danske Bank	> 25%	47%
Interest cover ratio, bond	> 2.50	3.30
Equity ratio, bond	> 25%	47%

There were no breaches of the financial covenants of any interest-bearing liability during 2020.

Changes in interest-bearing liabilities arising from financing activities:

(Amounts in NOK million)

	2021	2020
Interest-bearing liability at 1 January	1,768	1,787
Repayment of borrowings	-147	-119
Payments of lease liabilities	-168	-179
Interest-bearing debt in acquired companies	0	5
Leasing liabilities, net of additions, terminations and adjustments	102	250
Currency adjustment	-37	24
Interest-bearing liability at 31 December	**1,518**	**1,768**

Note 20

Other current liabilities

(Amounts in NOK million)

	2021	2020
Accrued salaries etc	272	274
Accrued project expenses	113	99
Provisions	24	24
Other current liabilities	51	50
Total	**460**	**447**

Note 21

Provisions

ACCOUNTING POLICY
Claims and disputes
The Group recognises provisions when there is a present legal or constructive obligation as a result of past events, it is probable that the obligation will be settled by a transfer of economic resources, and a reliable estimate can be made of the amount of the obligation.

Contingent liabilities are not recognised unless assumed in a business combination. Contingent liabilities assumed in a business combination are initially measured at fair value. Subsequently, it is measured at the higher of the best estimate of the expenditure required to settle the obligation and the amount initially recognised less (when appropriate) cumulative amortisation recognised in accordance with the requirements for revenue recognition.

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

Note 21 – continued

(Amounts in NOK million)

	Warranty provisions	Provisions for loss-making projects	Total provisions
Opening Balance 1 January 2021	**6**	**18**	**24**
Translation differences	0	-1	-1
Arising during the year	4	13	17
Utilised	-1	-8	-9
Unused amounts reversed	-2	-4	-6
Closing Balance 31 December 2021	**7**	**17**	**24**

(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**

Note 22

Pledged assets, guarantees and security

Bank loans amounting to EUR 42,8 million and an unused credit facility of NOK 200 million are secured by pledge over shares in subsidiaries, other than 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 1,271 million. Leasing liabilities amounting to NOK 492 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 514 million.

The Group has framework agreements with Tryg Garanti/ Tryg Forsikring A/S (utilised NOK 382 million out of NOK 450 million), Nordic Guarantee (utilised NOK 75 million out of NOK 75 million), House of Guarantees AS (utilised NOK 148 million out of NOK 200 million), Euler Hermes Norge (utilised NOK 96 million out of NOK 200 million), Garantia Insurance Company Ltd (utilised EUR 17 million of EUR 30 million) and Standard Garanti Forsikring AS (utilised 0 out of NOK 150 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

ACCOUNTING POLICY
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.

All material financial assets are measured at amortised cost. 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 assets are derecognised when the rights to receive cash flows from the asset have expired.

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. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Loans are classified as current liabilities unless there is an unconditional right to defer payment of the debt by more than 12 months from the date of the balance sheet. Trade and other payables are classified as current if payment is due within one year or less. Otherwise, they are classified as non-current.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING
The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest risk. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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

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

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

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

Note 23 – continued

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 2021	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	9	1	9	-	-	-
Total inventories	28	-	-	-	-	28
Trade receivables	929	-	929	-	-	-
Contract assets	315	-	315	-	-	-
Other current receivables	115	-	53	-	-	62
Cash & cash equivalents	626	-	626	-	-	-
Total	**2,022**	**1**	**1,932**	**0**	**0**	**90**
Pension obligations	16	-	-	-	-	16
Interest-bearing non-current liabilities	1,199	-	-	-	1,199	-
Deferred tax	2	-	-	-	-	2
Other non-current liabilities	8	-	-	8	-	-
Interest-bearing current liabilities	319	-	-	-	319	-
Trade payables	359	-	-	-	359	-
Contract liabilities	424	-	-	-	-	424
Public fees payable	154	-	-	-	124	30
Tax payable	25	-	-	-	-	25
Other current liabilities	460	-	-	-	-	460
Total	**2,966**	**0**	**0**	**8**	**2,001**	**957**

Note 23 – continued

(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**

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.

Note 23 – continued

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	-	-	-	0
Total at 31 December 2020	**0**	**0**	**3**	**3**
Financial assets at fair value through profit or loss	-	-	1	1
Derivatives defined as hedging instruments	-	-	-	0
Total at 31 December 2021	**0**	**0**	**1**	**1**

Financial liabilities at fair value:	Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss	-	-	6	6
Derivatives defined as hedging instruments	-	25	-	25
Total at 31 December 2020	**0**	**25**	**6**	**31**
Financial liabilities at fair value through profit or loss	-	-	4	4
Derivatives defined as hedging instruments	-	4	-	4
Total at 31 December 2021	**0**	**4**	**4**	**8**

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 has 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. A Group risk management policy for hedging is implemented to manage this risk, and the Group has a central finance department to carry out the 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.

The EUR 42,8 million loan in Danske Bank hedges the net investment in Finland. Intercompany loans considered as part of the net investment in foreign operations include a EUR 25 million loan to Finland that was repaid in September 2021 and a SEK 300 million loan to Sweden.

Net foreign exchange gains totalled NOK -2 million in 2021 (2020: NOK -7 million).

The NOK/SEK rate of exchange as of 31 December 2021 was 0.9745 (2020: 1.0435), while the average of the monthly average rates used to translate the income statement was 1.002 (2020: 1.0227). The NOK/EUR rate of exchange as of 31 December 2021 was 9.9888 (2020: 10.4703), while the average of the monthly average rates used to translate the income statement was 10.1633 (2020: 10.7258).

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)

	2021	2020
Change in SEK rate	-5%	-5%
Effect on net income	4	3
Effect on equity	-39	-42
Effect on net interest-bearing debt	4	7
Change in EUR rate	-5%	-5%
Effect in one net income	-7	-5
Effect on equity	-35	-14
Effect on net interest-bearing debt	19	39

Note 24 – continued

b. Interest rate risk
The Group has interest-bearing debt as described in note 19. The Group has a loan agreement with Danske Bank, a 5-year bond, and operational and financial leases being interest-bearing. The total cash position nets 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 -4 million at year-end (2020: NOK -25 million), impacting OCI positively with NOK 17 million in 2021.

Net interest expense for 2021 amounts to NOK 63 million (2020 NOK 75 million). An increase in interest rate of 1 percentage point would increase interest on debt by approximately NOK 8 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.

71% of the revenues for 2021 were to customers that are municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. The Group considers the risk of potential future losses from this type of customer to be low. The Group has not entered any transactions that involve financial derivatives or other financial instruments to mitigate credit risks.

As of 31 December 2021, the Group has provisions of NOK 10 million (2020: NOK 8 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 ties up working capital when the activity is increasing.

The Group had NOK 826 million in liquid reserves at the end of the year, compared with NOK 810 million in liquid reserves at the end of the previous year. Restricted bank deposits totalled NOK 0 million (2020: NOK 1 million) and total cash were NOK 626 million (2020: NOK 610 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 multi-currency 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 2022 amounts to NOK 319 million (2020: NOK 330 million to be paid in 2020).

Moreover, the Group has total current liabilities excluding interest-bearing debt as of 31 December 2021, totalling NOK 1,422 million (2020: NOK 1,316 million). Total current assets amounted to NOK 2,013 million compared to NOK 2,014 million 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 according to our dividend policy.

The Group's capital structure considers the required financial flexibility to execute strategic plans, to handle existing debt financing arrangements as well as working capital needs and to provide necessary funds for dividend payment. The long-term ambition is to have a leverage ratio below 2.5. The ratio at year end was 2.7.

The Group manages its capital structure and makes changes based on an ongoing assessment of the current economic condition and the outlook for both the short and medium term. Capital management is amongst other monitored based on available cash and net interest bearing debt, as well as the Group's leverage ratio, interest cover ratio and equity ratio. For more information about capital management considerations, see separate section under liquidity risk above and note 19.

Note 25

Discontinued operations

ACCOUNTING POLICY
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.

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.

All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

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. Discontinued operations in 2020 were connected to net subsequent settlements and income and expenses related to the business disposed in 2019. There have been no transactions linked to discontinued operations in 2021.

Note 26

Inventories

ACCOUNTING POLICY
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.

(Amounts in NOK million)

	2021	2020
Raw materials and materials for resale	15	13
Finished goods	13	20
Total inventories	**28**	**33**

Inventory relates to the Finish operations. No write-downs have been made to inventory in 2021. 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. In 2021, the Group lost a lawsuit against the prior owners of Signal och Banbyggarna i Dalarna AB, a company acquired in 2017. The case has been appealed by the Group. 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
Norsk Saneringsservice AS, Norway
Gunnar Knutsen AS, Norway
Asker Miljøpark AS, Norway[1]
NRC Vedlikehold AS, Norway
Nordic Railway Construction AB, Sweden
Nordic Railway Construction Sweden AB, Sweden
Signal & Banbyggarna i Dalarna AB, Sweden
Järnvägskonsulterna Bollnäs AB (JVK), Sweden
Gästrike Signal & Projektering AB (GSP), Sweden[2]
Blom Sweden AB, Sweden
Nordic Railway Construction Underhåll AB, Sweden
NRC Holding Finland Oy, Finland
NRC Group Finland Oy, Finland

The Group also has an investment in an associated company. The joint venture Sjursøya-Lemminkainen-Alti ANS was dissolved during 2021. The investments are accounted for according to the equity method.

1. Asker Miljøpark AS is 76% owned by NRC Norge Holding AS
2. Gästrike Signal & Projektering AB is 80% owned by NRC AB

Note 28 – continued

ACCOUNTING POLICY
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 have 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.

ASSOCIATED COMPANY:
AGN Haga AB, Sweden (20%).

The Group has a 20% interest sharing risks and rewards of two larger projects with Webuild (50%) and Gülermak (30%) in connection with Station Haga in Gothenburg. The projects commenced during 2018/2019 and are scheduled to be completed by 2026. The projects are complex with substantial risk, hence net income from the associated company has been provided for in full.

The Group is represented in the board of the company, but is not operationally involved in any of the projects. The book value of AGN Haga AB in the Group accounts is unchanged at NOK 500,000.

A SUMMARY OF THE FINANCIAL INFORMATION OF AGN HAGA AB, BASED ON 100% FIGURES:
(Amounts in NOK million)

	2021	2020
Total revenue	1,201	1,004
Net profit for the year	9	49
The Group's calculated share of the net profit (20%)	2	10
Provisions made in the Group accounts	-2	-10
The Group's reported share of the net profit	**0**	**0**

Note 28 – continued

The associated company had no discontinued operations or other comprehensive income in 2021 or 2020.

(Amounts in NOK million)

	2021	2020
Current assets	341	235
Non-current assets	92	94
Current liabilities	354	260
Non-current liabilities	16	14
Equity	**63**	**54**
The Group's calculated share of equity (20%)	13	11
Accumulated provisions made in the Group accounts	-13	-11
Book value 31.12	**0**	**0**

Note 29

Related party disclosures

Note 28 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. Currently, there exists one agreement with Mats Williamson. Total expense amounted to NOK 0,5 million for 2021 based on hourly rates of SEK 1,500. Except for this, no significant related party transactions exist. Any related party transactions are carried out on arm's length terms.

Note 30

Subsequent events

The political conflict and war between Russia and Ukraine have global impact. The Group does not have any operations or investments directly impacted by the conflict. Possible indirect consequences such as increased costs related to raw materials, fuel, electricity, and sub-suppliers, as well as limited availability of raw materials, can have impact on our future operations. Any financial impact will depend on the contract terms on a project-by-project basis. Any impact on infrastructure investments in our markets assumes to be limited.

NRC Group ASA accounts

Income statement – NRC Group ASA

1 January – 31 December

(Amounts in NOK million)

	Note	2021	2020
Operating revenue	2	**16**	**16**
Salaries and personnel costs	3	36	30
Depreciation and amortisation		1	2
Other operating and administrative expenses	4	17	18
Operating expenses		**54**	**50**
Operating profit/loss (-)		**-38**	**-34**
Financial income/expenses (-)	5	17	-37
Net financial items		**17**	**-37**
Profit/loss before tax		**-21**	**-70**
Tax expense (-)/ income	6	3	15
Net profit/loss (-) for the year		**-17**	**-56**
Allocation of profit/loss:			
Dividend		0	0
Transfer from share premium		-17	-56
Total allocations		**-17**	**-56**

Statement of financial position – NRC Group ASA

31 December

(Amounts in NOK million)

Assets	Note	2021	2020
Intangible assets		0	1
Deferred tax asset	6	101	98
Total intangible assets		**101**	**98**
Plant, property and equipment		0	0
Shares in subsidiaries	7	1,746	1,746
Long-term intercompany receivables	8	282	710
Total financial assets		**2,028**	**2,456**
Total non-current assets		**2,129**	**2,554**
Other receivables	8/12	1,698	1,761
Cash and cash equivalents	9	619	592
Total current assets		**2,318**	**2,353**
Total assets		**4,447**	**4,907**

Statement of financial position – NRC Group ASA

31 December

(Amounts in NOK million)

Equity and liabilities	Note	2021	2020
Paid-in capital:			
Share capital		73	73
Treasury shares		0	0
Share premium		2,216	2,230
Total equity	10	**2,289**	**2,303**
Interest-bearing liabilities		877	1,041
Total non-current liabilities	11/13	**877**	**1,041**
Interest-bearing liabilities	13	145	152
Intercompany payables	12	1,118	1,401
Public fees payable		3	1
Other current liabilities		14	8
Total other current liabilities		**1,281**	**1,563**
Total liabilities		**2,157**	**2,603**
Total equity and liabilities		**4,447**	**4,907**

Oslo, 16 March 2022

Rolf Jansson
Chairman of the Board

Mats Williamson
Board member

Outi Henriksson
Board member

Eva Nygren
Board member

Tove Elisabeth Pettersen
Board member

Heikki Allonen
Board member

Henning Olsen
CEO

Cash flow statement – NRC Group ASA

1 January – 31 December

(Amounts in NOK million)

	Note	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/loss before tax		-21	-70
Depreciation, amortisation and impairment		1	2
Net financial items		-17	37
Change in current receivables		-2	5
Change in trade payables		2	-1
Change in other accruals		6	-67
Net cash flow from operating activities		**-30**	**-94**
CASH FLOW FROM INVESTING ACTIVITIES			
Repayment from subsidiaries		405	514
Net effect of cash-pool	12	-215	-521
Net cash flow from investing activities		**189**	**-7**
CASH FLOW FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares		0	672
Proceeds from sale of treasury shares		5	5
Repayment of borrowings		-147	-119
Aquisition of treasury shares		-4	-6
Interest received		70	62
Interest paid		-66	-63
Group contribution received		10	0
Net cash flow from financing activities		**-132**	**550**
Net change in cash and cash equivalents		**27**	**449**
Effects of exchange rate changes on cash and cash equivalents		592	143
Cash and cash equivalents as at 31 December	9	**619**	**592**

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% (2020: 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)

Revenue	2021	2020
Norway	7	6
Sweden	4	4
Finland	6	6
Total operating revenue	**16**	**16**

Note 3

Salaries and personnel costs

(Amounts in NOK million)

Salaries and personnel costs	2021	2020
Salaries	24	20
Board remuneration	3	3
Social security tax	4	3
Pension costs	2	2
Other personnel costs	2	2
Total	**36**	**30**

The full-time equivalent employees' number for 2021 was 13,5 (2020: 12). 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)

Other operating and administrative expenses	2021	2020
Rent and other office expenses	4	4
External services	3	5
Merger and acquisition expenses	4	4
Other operating and administrative expenses	5	5
Total	**17**	**18**

(Amounts in NOK million)

Compensation to auditors	2021	2020
Statutory audit	0.6	0.7
Other assurance engagements	0.0	0.1
Tax related services	0.0	0.0
Other services	0.0	0.0
Total excluding VAT	**0.6**	**0.9**

Note 5

Financial income and expenses

(Amounts in NOK million)

Financial income and expenses	2021	2020
Interest income from subsidiaries	64	58
Group contribution	27	0
Other interest income	2	4
Currency gain	26	90
Total financial income	**119**	**151**
Interest cost to subsidiaries	15	5
Other interest and financial expenses	54	64
Currency loss	33	119
Total financial expenses	**101**	**188**

Note 6

Tax

(Amounts in NOK million)

Tax	2021	2020
Tax expense:		
Tax payable	0	0
Tax expense / income recognised in equity	0	-6
Change in deferred tax	3	21
Total tax expense (-) / income	**3**	**15**
Result before tax	**-21**	**-70**
Change in temporary differences	2	0
Permanent differences	5	4
Basis for tax payable for the year	**-14**	**-67**
Tax payable	**0**	**0**
Temporary differences between tax and book values and tax losses carried forward:		
Tax losses carried forward	-459	-444
Other differences	0	1
Net	**-459**	**-443**
Unrecognised tax benefit basis	0	0
Basis for deferred tax	**-459**	**-443**
Net deferred tax (-)/ tax asset	**101**	**98**
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 has suffered pre-tax losses recently. Due to changes and reorganisations being implemented, this is considered temporary. Norway has improved the tendering processes, strengthened the organisation and project execution, as well as reduced overhead costs. In 2021, the operating segment in Norway improved the operating profit before other income and expenses with NOK 39 million, and the order backlog increased with 23%. A significant part of the tax losses carried forward derive from operations different to the current activities of the Norwegian operations.

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)

Non-current and current receivables	2021	2020
Long-term intercompany receivables (note 12)	282	710
Total non-current receivables	**282**	**710**
Short-term intercompany receivables (note 12)	1,680	1,760
Group contribution	17	0
Other current receivables	1	1
Total current receivables	**1,698**	**1,761**

Note 9

Cash and cash equivalents

(Amounts in NOK million)

Cash and cash equivalents	2021	2020
Cash and bank deposits	619	592
Restricted bank deposits	0	0
Total	**619**	**592**

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)

Equity	Share capital	Treasury shares	Share premium	Total equity
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**
Profit/loss for the year			-17	-17
Employee share programme[1)]			5	5
Share-based payments			2	2
Treasury share transactions[1)]			-4	-4
Equity as at 31 December 2021	**73**	**73**	**2,216**	**2,289**

1) The Company owned 26,842 treasury shares at the beginning of 2021. During 2021, the Company acquired 255,500 treasury shares at a total proceed of NOK 4 million. 281,759 of the shares were transferred to the employees participating in the 2021 share program for employees. At the end of 2021, the Company owned 583 treasury shares corresponding to 0.001% 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

A bank loan amounting to EUR 43 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 431 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) and, and intercompany long-term loans amounting to in aggregate NOK 431 million at year-end consisting of a EUR 43 million loan with an interest at EURIBOR (minimum zero) + 3.1%. 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 217 million, including a total receivable from Group companies of NOK 1,528 million and a liability to Group companies of NOK 1,118 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, management recruitment and other. The agreements are based on hourly rates and are carried out on arm's length terms. Total expense amounted to NOK 0.5 million for 2021. 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)

Interest-bearing liabilities	2021	2020
Interest-bearing non-current liabilities:		
Bond debt	600	600
Other loans and borrowings	277	441
Total interest-bearing non-current liabilities	**877**	**1,041**
Current interest-bearing liabilities:		
Loans and borrowings	145	152
Other current interest-bearing liabilities	**145**	**152**

The loan and borrowings consist of a EUR 42.8 mill 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 2021 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, 16 March 2022

Chairman of the Board
Rolf Jansson

Board member
Mats Williamson

Board member
Eva Nygren

Board member
Tove Elisabeth Pettersen

Board member
Heikki Allonen

Board member
Outi Henriksson

CEO
Henning Olsen

Statsautoriserte revisorer
Ernst & Young AS

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Medlemmer av Den norske Revisorforening

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 (the Company) which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company comprise the statement of financial position as at 31 December 2021 and the income statement and statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements of the Group comprise the statement of financial position as at 31 December 2021, the income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion

- the financial statements comply with applicable legal requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021 and its financial performance and 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 give a true and fair view of the financial position of the Group as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the audit committee.

Basis for opinion

We conducted our audit in accordance with 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 requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities 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.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for six years from the election by the general meeting of the shareholders on 12 May 2016 for the accounting year 2016.

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 2021. 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 assessment of goodwill

Basis for the key audit matter

The carrying amount of goodwill as at 31 December 2021 was NOK 2 666 million. 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 2021 the management identified several impairment indicators, including the low market capitalization compared to book value of equity, effects of the Covid-19 pandemic and operating losses in Sweden. Management assessed the recoverable amounts of each cash generating unit based on value-in-use (VIU) calculations, which require significant judgement related to future cash flows and discount rates.

Impairment assessment of goodwill is a key audit matter because of the significant carrying amount, the impairment indicators identified, and the considerable estimation uncertainty, complexity and subjectivity related to determination of VIU.

Our audit response

We obtained an understanding of and evaluated the design over the Group's impairment assessment process. We assessed the reasonableness of key assumptions applied in future cash flows such as revenue growth rates, project margins, discount rate and the growth rate for the terminal period. We evaluated the historical accuracy of management's estimates by comparing actual versus estimated cash flows and evaluated the specific reasons for deviations in 2020 and 2021 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, budgeted revenues and project margins in order backlog, and budgets approved by the board of directors. Further we benchmarked relevant key assumptions to comparable companies in the same industry, including market statistics. In addition, we assessed potential Covid-19 effects on estimated future cash flows and performed sensitivity and benchmark analysis against reports from market analysts. We involved our internal valuation specialists to assess the VIU calculation and the reasonableness of the discount rates applied by management. We refer to the consolidated financial statements note 12 Intangible assets and note 1.3 Material accounting judgements, estimates and assumptions.

Revenue recognition for construction contracts

Basis for the key audit matter

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 accrued costs compared with estimated total costs to fulfill the performance obligations. When recording revenue based on progress, the projects' total revenues, total costs, outcome of disputes and any other contractual obligations are determined based on estimates. Project revenues consist of agreed consideration and variable consideration 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-period.

Based on the projects complexity and significant management judgement required to measure progress, revenue recognition for construction contracts is a key audit matter.

Our audit response

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. We also tested costs charged to the projects against invoices and assessed the determination of estimated total project costs. 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 the Covid-19 pandemic.

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

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and Chief Executive Officer) is 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 board of directors' report, the statement on corporate governance and the statement on corporate social responsibility contain the information required by applicable legal requirements and 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 or that the information required by applicable legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report, the statement on corporate governance and the statement on corporate social responsibility are consistent with the financial statements and contain the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway and of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, 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 and the Group'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 the Group, 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 ISAs, we exercise professional judgment and maintain professional skepticism 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 and the Group'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 and the Group'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 and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors 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 the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to 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 the board of directors, 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 requirement

Report on compliance with regulation on European Single Electronic Format (ESEF)

Opinion

As part of our audit of the financial statements of NRC Group ASA we have performed an assurance engagement to obtain reasonable assurance whether the financial statements included in the annual report, with the file name nrcgroupasa-2021-12-31-en, has been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation given with legal basis in Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the consolidated financial statements.

In our opinion, the financial statements included in the annual report have been prepared, in all material respects, in compliance with the ESEF Regulation.

Management's responsibilities

Management is responsible for the preparation of an annual report and iXBRL tagging of the consolidated financial statements that complies with the ESEF Regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary to enable the preparation of an annual report and iXBRL tagging of the consolidated financial statements that is compliant with the ESEF Regulation.

Auditor's responsibilities

Our responsibility is to express an opinion on whether, in all material respects, the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation based on the evidence we have obtained. We conducted our engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 – "Assurance engagements other than audits or reviews of historical financial information". The standard requires us to plan and perform procedures to obtain reasonable

assurance that the financial statements included in the annual report have been prepared in accordance with the ESEF Regulation.

As part of our work, we performed procedures to obtain an understanding of the company's processes for preparing its annual report in XHTML format. We evaluated the completeness and accuracy of the iXBRL tagging and assessed management's use of judgement. Our work comprised reconciliation of the iXBRL tagged data with the audited financial statements in human-readable format. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Oslo, 16 March 2022
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.

FTIA
Finnish Transport Infrastructure Agency.

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 INTEREST-BEARING 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, subsequent adjustment of contingent considerations or other subsequent adjustments of final purchase price allocation in business combinations that are recognised in profit or loss.

TRV
Trafikverket – Swedish Transport Administration.

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

	FY 2021	FY 2020
Operating profit/loss (EBIT)	**42**	**-10**
Other income and expenses	34	1
EBIT*	**75**	**-8**
Amortisation and impairment	64	59
EBITA*	**139**	**50**
Depreciation	196	214
EBITDA*	**336**	**264**

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