NRC Group

4TH QUARTER REPORT 2019

Highlights

4th quarter 2019

/ KEY FIGURES Q4 2019

- Revenues of NOK 1,663 million vs NOK 971 million in Q4 2018
- Total EBITA* of NOK -32 million vs NOK -36 million in Q4 2018
    - Net project margin adjustments of NOK -110 million
- Order intake in the quarter amounting to NOK 1,926 million
- Order backlog of NOK 7,151 million

/ KEY FIGURES 2019

- Revenues of NOK 6,193 million vs NOK 3,176 million in 2018
- Total EBITA* of NOK 70 million vs NOK 57 million in 2018

/ KEY EVENTS

- Appointed to NOK 793 million rail services contract for Nykirke and Barkåker on Vestfoldbanen in Norway, confirming our strong position in the Norwegian market
- Completed a strategy update with clear priorities to restore profitability and drive growth with a 2024 ambition of NOK 10 billion of revenue and 7% EBITA margin
- Sale of Design business for EUR 42.5 million was closed

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

NRC Group

NRC Group is the largest specialised rail infrastructure company in the Nordic region. The Group is a supplier of all rail, road and harbour related infrastructure services, including groundwork, specialised trackwork, safety, electro, telecom and signalling systems, and environmental services.

Key figures

(Amounts in NOK million)	Q4 2019	Q4 2018	FY 2019	FY 2018
Revenue	1 663	971	6 193	3 176
EBITDA*	28	-7	281	132
EBITA*	-32	-36	70	57
EBIT*	-49	-44	0	29
EBITDA* (%)	1,7 %	-0,7 %	4,5 %	4,2 %
Other income and expenses	-32	-14	-91	-28
EBITDA	-4	-21	191	104
EBITA	-64	-50	-21	29
EBIT	-80	-59	-91	1
Employees	2 070	879	2 070	879
Investments	18	3	1 191	153
Order backlog	7 151	2 748	7 151	2 748

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

Comments on fourth quarter 2019 results

Fourth quarter negatively affected by project margin adjustments - measures initiated to restore profitability

Fourth quarter revenue was NOK 1,663 million, an increase of 71% from NOK 971 million reported for the same period of 2018, mainly driven by the acquisition of VR Track. The organic growth was -6% in fourth quarter and +2% for 2019.

Group EBITA* was NOK -32 million as a result of net project margin adjustments of approximately NOK -110 million. The margin adjustments are mainly related to Rail and Civil construction contracts in Sweden and Rail construction in Norway. The projects were all tendered before changes in the management team in Sweden and in Rail construction in Norway, which was implemented in the second half of 2019.

Several measures have been initiated and implemented in the non-performing units to restore profitability, including strengthening the processes and competence in tender selection, risk assessment and execution. Furthermore, an overhead cost reduction programme for 2020 targeting savings of NOK 55 million has been initiated.

For 2020, loss-making projects including the above projects will represent approximately NOK 400 million of revenue which is expected to yield zero margin. Most of the projects are scheduled to be completed by the end of 2020.

Full-year 2019 revenue was NOK 6,193 million, an increase of 95% from 2018, and in line with previously communicated expectations. Full year revenue-growth reflected acquisitions and strong organic growth in Finland and Norway, offset by reduced activity in Sweden. Group EBITA* was NOK 70 million, an increase from NOK 57 million in 2018.

The Norwegian operation had a revenue of NOK 583 million in fourth quarter 2019 compared to NOK 630 million in the fourth quarter of 2018. The organic growth was -7% in the quarter and +16% for the full year. Continued strong margins in Civil construction and Environment were offset by net project adjustments in Rail construction, amounting to approximately NOK -50 million, which reduced the EBITA* margin to 3.9%.

Revenue from the Swedish operation amounted to NOK 370 million for the quarter compared to NOK 344 million in the same period of 2018. The organic growth was -26%. The activity continued to be affected by a low pace of contract awards in late 2018 and for most of 2019. EBITA was -83 million due to net project adjustments of approximately NOK -80 million in certain projects in Civil- and Rail construction. Strong growth from 2016-2018, with unsatisfactory establishment of sustainable processes and competence to support the production, has led to weak control in certain projects. Several measures have been initiated during the second half of 2019 to restore the profitability in Sweden.

Finland had revenue of NOK 713 million. The organic growth was +4% in the quarter, mainly driven by the alliance projects, Tampere Light Rail and Jokeri Light Rail. The full-year organic growth was +13%. The EBITA* margin in fourth quarter decreased compared with the same quarter last year. The main contributors were adjustment of three bridge construction contracts and lower margins in maintenance. The non-renewal of Maintenance area 1, ending in April 2020 has led to increased costs to close the project. Additional depreciations of approximately NOK 10 million related to depreciation rate adjustment for certain assets for the full year (one-off) and a full-year management fee from Group of NOK 6 million, have been charged in the quarter. EBITA* margin was 4.1% in the quarter.

The Group operating profit (EBIT) for the quarter amounted to NOK -80 million compared to NOK -59 million last year. 2018 was negatively impacted by the reorganisation of the Swedish operations. 2019 has been impacted by the projects margin adjustments as described above. In addition, EBIT includes M&A expenses (other income and expenses) of NOK 32 million and amortisations of NOK 17 million. The M&A expenses relate to subsequent adjustment of contingent considerations in the business combination of NSS recognised in profit or loss. The agreement to acquire NSS, which was closed in the third quarter of 2018, included a contingent consideration related to the actual EBIT for the acquired business for 2018 and 2019. As the business has developed very positively, the initial estimate made for the purchase price allocation was outperformed, resulting in the difference being expensed in fourth quarter based on updated estimates. The final calculations will be made during 2020. Most of the M&A expenses in fourth quarter 2018 of NOK 14 million, were related to the acquisition of VR Track (closed 7 January 2019). The increase in amortisations on intangible assets in the quarter compared to 2018 was NOK 8 million, mainly due to increased amortisations related to NRC Finland.

Net financial items for the continuing operations amounted to NOK -20 million for the quarter, compared to NOK -5 million for the same period last year. The increase is mainly related to the increased financing following the acquisition of VR Track and increased volume of financial and operating leases.

Upon the decision to dispose Design, the segment was reclassified to discontinued operations in third quarter of 2019, including year-to-date numbers. On 1 November, NRC Group completed the sale at an enterprise value of EUR 42,5 million. The divestment was a strategic step to focus on NRC Group's core business and net proceeds of approximately NOK 400 million were used to repay parts of the bank debt. The discontinued operations for fourth quarter 2019 mainly consist of the net gain from the sale.

Fourth-quarter order intake was NOK 1,926 million. Announced contracts amounted to NOK 1,396 million and unannounced order intake was NOK 529 million.

In Norway, new orders included the NOK 793 million rail services contract for Nykirke and Barkåker on Vestfoldbanen and a NOK 175 million award for ground and railway technical works on the railway connection between Drammen and Gulskogen. Both contracts are part of the Intercity development programme and were bid and won under the new tender selection and -execution model implemented in Rail construction in Norway.

In Finland, NRC Group was awarded an EUR 20.3 million signal system renewal contract on the Tampere-Seinäjoki railway section. In Sweden, The Swedish Transport Administration (Trafikverket) exercised a two-year option for railway maintenance Västra Götaland Väst region worth SEK 130 million.

Full-year 2019 order intake was NOK 7,913 million and the year-end backlog amounted to NOK 7,151 million, a more than doubling compared to the prior year. Approximately 44% and 24% of the backlog is estimated for production in 2020 and 2021, respectively.

Subsequent to the quarter, the Group has been appointed to two contracts in Sweden by the Swedish Transport Administration, for signalling and catenary work respectively, where the largest contract is valued at SEK 149 million.

The Norwegian market remains active with high tender activity for projects covering several competencies. This is in line with the Group's strategic positioning in recent years. The 2020 national budget confirmed broad political support to improving the national railway system. Nearly NOK 27 billion is allocated to the railway sector in 2020, up 4.5% from the revised 2019 budget. New investments are expected to increase with 8% in 2020 to NOK 13.2 billion.

The budget for operations, maintenance and renewal was up 3% to NOK 8.7 billion, including ERTMS investments of NOK 1.4 billion and at least NOK 2.2 billion in renewal projects. The maintenance backlog is expected to increase further to NOK 21 billion at the end of 2020 as renewal investments of NOK 3.5 billion yearly are required to offset actual wear on existing infrastructure. These factors indicate continued growth in railway infrastructure investments and activity in Norway.

While tendering activity in Sweden was weak in second and third quarter, activity picked up in fourth quarter. The tender activity is expected to continue to increase in 2020. NRC Group has identified an addressable tender pipeline of approximately SEK 6 billion for the next nine months, confirming a substantial increase in the market. There will however be a lag before new orders come to execution and impact revenue and margin.

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

In Finland, the addressable market is expected to grow to an estimated EUR 0,89 billion in 2020. The main drivers for the growth are light rail projects, where NRC Group is already part of the projects in the market, and an expected increase in renewal and reinvestment, based on Governmental decisions in 2019. In addition, there will be a permanent increase of EUR 300 million in the basic transport infrastructure to reduce the maintenance backlog, on top of the existing budget. NRC Group is estimating that EUR 100 million of the permanent increase will be allocated to rail yearly in 2020-2022. Maintenance is expected to be quite stable in 2020, with 1% growth.

Strategy update: Creating a Nordic leader in sustainable infrastructure

NRC Group has built a leading Nordic position in rail construction and maintenance covering the entire value chain with complementary positions in civil construction and environmental services. The company addresses large and growing infrastructure markets supported by strong macro trends such as sustainability, population growth and urbanisation, with broad political support for increased investments in Norway, Sweden and Finland.

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

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

Following years of growth and satisfactory margins, profitability declined in 2018 and 2019. NRC Group has initiated a series of measures to restore margins. These measures are focused on professionalising the organisation by changing management in units with weak results and strengthening the processes and competence in tendering, risk assessment and project execution across the Group. The implementation of the improvement processes started in the second half of 2019. In 2020, the main priority is to complete the execution of the improvement programmes which will be the platform to increase profitability and continued profitable growth from 2021 and onwards.

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

To reach these ambitions, access to competent management capacity is the most important factor for restoring profitability. NRC Group's ambition is to be the most attractive employer of tomorrow's infrastructure. The right people will enable the company to restore profitability through operational excellence, capitalise on the leading Nordic position in strong markets through profitable organic growth and to expand into complementary services.

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

The NOK 10 billion revenue ambition reflects an extensive group-wide process. The Nordic rail services market is expected to grow by around 9% annually in coming years. NRC Group will also target additional opportunities for growth and expansion in complementary services and capture synergies between existing segments and across countries. Revenue growth will primarily be organic, supported by bolt-on M&As in existing segments and services.

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

It is NRC Group's ambition over time to distribute a dividend of minimum 30% of the profit for the year, subject to a satisfactory underlying financial performance. Based on the 2019 results, the Board of Directors will not propose dividend for 2019.

Cash flow

Net cash flow from operating activities for the fourth quarter of 2019 was NOK 122 million compared to NOK 242 million in 2018. NOK 54 million of the cash flow relate to operations being discontinued. The operating cash flow at the end of the year is significantly impacted by a decrease of net working capital and other accruals having a positive impact of NOK 105 million. This was significantly lower than 2018, mainly because the cash cycle for the business acquired in 2019 is different to the rest of the Group. Historically, VR Track had a strong cash flow in the beginning of the year compared to NRC Group having a strong cash flow towards the end of the year.

The cash flow from operating activities for the full year of 2019 was NOK 77 million compared to NOK 206 million in 2018. NOK 109 million of the cash flow relate to operations being discontinued. The negative result and the negative change in working capital and other accruals as described above, had a significant impact of the cash flow for the year. Payments for M&A expenses amounting to NOK 65 million are included in the operating cash flow for the year. This include payment for stamp duty on the shares relating to the acquisition in Finland, amounting to NOK 34 million. Taxes paid amounted to NOK 58 million compared to NOK 28 million in 2018. The increase is mainly related to prepayments that will be refunded.

Net cash flow from investing activities for the fourth quarter 2019 was NOK 427 million, reflecting the sale of Design. Net other investments were NOK -4 million. Net cash flow from investing activities for the year was NOK -937 million and mainly consist of the VR Track acquisition net of the sale of Design. The total cash payment of NOK 1 368 million for the acquisition is split between continuing and discontinuing operations.

Net cash flow from financing activities for the fourth quarter of 2019 was NOK -481 million compared to NOK -46 million in 2018. The cash flow includes repayment of loans amounting to NOK 394 million utilizing proceeds from the sale of Design. Total cash flow from financing activities for the year amount to NOK 628 million. Proceeds from borrowings amounted to NOK 2,022 million. This consist of the acquisition financing of VR Track in addition to the issuance of a 5-year senior unsecured bond with maturity on 13 September 2024 of NOK 600 million. The net proceeds from the bond issue and the sale of Design have been used to repay parts of the bank debt, which combined with ordinary instalments led to total repayment of borrowings of NOK 1,128 million in 2019.

Fourth quarter lease payments were NOK 55 million compared to NOK 19 million in 2018. The change is related to increased activity and the impact of the business acquired, as well as the implementation of IFRS 16 and the inclusion of operating lease payments from 2019. Total lease payments for the year amounted to NOK 165 million compared to NOK 48 million for 2018, increasing for the same reason. Total interest payments for the quarter amounted to NOK 25 million, up from NOK 6 million in 2018 mainly due to the debt financing of the acquisition and increased leasing. Total interests for the year amounted to NOK 84 million compared to NOK 15 million for 2018. The total interest payment for 2019 include initial fees and expenses that are included in the amortised cost calculation applied in the profit and loss statement.

Proceeds from issuing new shares under the management option plan amounted to NOK 2 million for the quarter.

Net cash increased by NOK 69 in the quarter and decreased by NOK 232 for the year. The cash position at 31 December was NOK 154 million, of which NOK 1 million was restricted cash.

Financial position

Intangible assets increased by NOK 39 million to NOK 2,796 million during the quarter. Goodwill increased by NOK 29 million, mainly due to subsequent adjustments to the purchase price accounting of VR Track and Gunnar Knutsen. Other intangible assets reduced with NOK 15 million for the quarter due to amortisation. Deferred tax assets increased by NOK 24 million due to capitalised tax benefit related to tax losses expected to be utilised in the following years.

Tangible assets reduced by NOK 3 million to NOK 276 million in the quarter. Additions were approximately at the same level as the depreciations. Right-of-use assets reduced by NOK 55 million to NOK 522 million for the quarter. Upon the sale of Design, the Group has terminated the lease agreement for the Finland head office, releasing assets and liabilities of approximately EUR 7 million.

Right-of-use assets were reported upon implementation of IFRS 16 effective from 1 January 2019. The assets consist of the net present value of financial lease agreements being reclassified from tangible assets as well as capitalised operating lease agreements. Significant additions were made to the right-of-use assets as part of the VR Track acquisition in January 2019.

Inventory is related to operation in Finland and decreased by NOK 32 million in the quarter.

Total receivables decreased by NOK 230 million to NOK 1,511 million during the quarter, mainly due to seasonal working capital changes linked to reduced activity in winter.

As part of signing the agreement to sell the Design segment, all assets related to Design in the third quarter were combined and reclassified to assets held for sale. Upon closing of the sale 1 November 2019, the full amount net of liabilities held for sale, were released and recognised as part of the net gain calculation under discontinued operations.

Total assets reduced by NOK 611 million to NOK 5,420 million, mainly due to reduced working capital and the sale of Design. The equity ratio increased from 34% to 38% during the quarter.

Interest-bearing debt consists of bank loans, bond and discounted cash flow related to lease agreements, including operating lease agreements (mainly real estate rents) under IFRS 16. Short- and long-term lease liability have in total decreased by NOK 68 million, mainly due to the termination of the lease agreement for the Finland head office, releasing leasing liabilities of approximately EUR 7 million. Other interest-bearing liability (the bond and the bank debt) is reduced by NOK 389 million to NOK 1,262 million using proceeds from the sale of Design for repayment. At the end of the year the remaining liability consist of the NOK 600 million bond and a EUR 68,3 million bank loan.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 31 December 2019, 2,070 people were employed in the Group.

Health, safety and environmental considerations are priority areas. NRC Group has adopted HSE policies and implemented guidelines to comply with applicable local regulations and to maintain and develop its HSE standards. NRC Group's HSE efforts are managed on both central and regional levels. NRC Group is highly focused on ESG. The Group align their strategies with the UN Sustainable Development Goals to be able to adjust to global society's future needs and ensure a sustainable business with value creation for its stakeholders. NRC Group is building sustainable infrastructure and will actively seek a minimum of environmental impact in its activities.

The process of improving and updating Group policies, internal routines, risk management procedures and compliance functions is continuous.

Risks

NRC Group is exposed to operational, financial and market risks. Operational risks include risk assessment and contingency appraisal in project tendering, project execution, claims and legal proceedings, resource optimisation following fluctuations in seasonal demand in the business and ability to implement strategies, as well as macroeconomic conditions such as change in government spending or demand.

NRC Group aims to undertake operational risk that the business units can influence and control. NRC Group has developed risk management processes that are well adapted to the business. This includes analysis of project risk from the tendering phase through to completion to ensure appropriate pricing and risk management. NRC Group also seeks to minimise the exposure to risk that cannot be managed. As part of the negative development in certain divisions during 2018 and 2019, several new measures have been initiated, including strengthening the processes and competence in tender selection, risk assessment and execution processes.

Financial risks include financial market risk, credit risk and liquidity risk. Financial market risks most relevant for the Group are currency risk and interest rate risk. A Group risk management policy for hedging is implemented to manage this risk. By having operational units in different functional currencies, NRC Group is exposed to currency translation risks related to subsidiaries in Sweden (SEK) and Finland (EUR). The Group uses currency loans to hedge net investments in foreign currencies. Most transactions in the Group are in local functional currencies. Significant transactions in other than functional currencies are assessed, and hedging instruments are considered to limit the risks associated with foreign exchange. The 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. The agreement to sell Design was signed 12 August 2019 and closed 1 November 2019 at an enterprise value of EUR 42.5 million. The amount was hedged for the full period at a forward rate of EUR 10.0525.

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due. The Group has total short-term liabilities at the end of the year 2019 amounting to NOK 1,842 million and current assets of NOK 1,802 million, about the same level. Total cash amounts to NOK 154 million in addition to a 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 multi-currency cash pool provides significant 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 customer to be low.

Outlook

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

Interim condensed consolidated statement of profit or loss

(Amounts in NOK million)	Q4 2019	Q4 2018	FY 2019	FY 2018
Revenue	1 663	971	6 193	3 176
Operating expenses	1 635	977	5 912	3 044
EBITDA before other income and expenses	**28**	**-7**	**281**	**132**
Other income and expenses	-32	-14	-91	-28
EBITDA	**-4**	**-21**	**191**	**104**
Depreciation	60	29	212	75
Operating profit/loss before amortisation (EBITA)	**-64**	**-50**	**-21**	**29**
Amortisation	17	9	70	28
Operating profit/loss (EBIT)	**-80**	**-59**	**-91**	**1**
Net financial items	-20	-5	-73	-11
Profit/loss before tax (EBT)	**-100**	**-64**	**-163**	**-10**
Taxes	26	12	23	10
Net profit/loss from continuing operations	**-74**	**-52**	**-140**	**0**
Net profit from discontinued operations	65	0	80	0
Net profit/loss	**-9**	**-52**	**-61**	**0**
Profit/loss attributable to:				
Shareholders of the parent	-9	-52	-62	0
Non-controlling interests	0	0	1	0
Net profit / loss	**-9**	**-52**	**-61**	**0**
EARNINGS PER SHARE IN NOK (ordinary)				
From continuing operations	-1,37	-1,19	-2,61	0,01
From discontinued operations	1,21	0,00	1,48	0,00
From net profit/loss	**-0,17**	**-1,19**	**-1,13**	**0,01**
EARNINGS PER SHARE IN NOK (diluted)				
From continuing operations	-1,36	-1,17	-2,59	0,01
From discontinued operations	1,20	0,00	1,47	0,00
From net profit/loss	**-0,16**	**-1,17**	**-1,12**	**0,01**

Interim condensed consolidated statement of comprehensive income

(Amounts in NOK million)	**Q4 2019**	**Q4 2018**	**FY 2019**	**FY 2018**
Net profit / loss	**-9**	-52	**-61**	0
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):				
Translation differences	9	34	14	-20
Net gain on hedging instruments	-5	18	-17	18
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):				
Net actuarial gain/loss on pension expense	4	0	4	0
Total comprehensive profit/loss	**-4**	**0**	**-66**	**-2**
Total comprehensive profit/loss attributable to:				
Shareholders of the parent	-4	0	-66	-2
Non-controlling interests	0	0	1	0
Total comprehensive profit/loss	**-4**	**0**	**-66**	**-2**

Interim condensed consolidated statement of financial position

(Amounts in NOK million) ASSETS	31.12.2019	31.12.2018
Deferred tax assets	66	45
Goodwill	2 611	1 192
Customer contracts and other intangible assets	119	39
Intangible assets	**2 796**	**1 275**
Tangible assets	276	418
Right-of-use assets	522	0
Other non-current assets	24	11
Total non-current assets	**3 618**	**1 703**
Total inventories	136	0
Total receivables	1 511	819
Cash and cash equivalents	154	396
Other current financial assets	1	23
Total current assets	**1 802**	**1 237**
Total assets	**5 420**	**2 940**

(Amounts in NOK million) EQUITY AND LIABILITIES	31.12.2019	31.12.2018
Equity		
Paid-in-capital	1 716	1 053
Other equity	326	387
Total equity attributable to owners of the parent	**2 041**	**1 440**
Non-controlling interests	3	2
Total equity	**2 044**	**1 442**
Liabilities		
Pension obligations	11	0
Long-term leasing liabilities	339	152
Other non-current interest-bearing liabilities	1 161	287
Deferred taxes	23	20
Other non-current liabilities	0	25
Total non-current liabilities	**1 534**	**486**
Short-term leasing liabilities	186	89
Other interest-bearing current liabilities	101	86
Other current liabilities	1 555	838
Total current liabilities	**1 842**	**1 012**
Total equity and liabilities	**5 420**	**2 940**

Interim condensed consolidated statement of cash flows

(Amounts in NOK million)	Q4 2019	Q4 2018	FY 2019	FY 2018
Profit/loss before tax	-100	-64	-163	-10
Depreciation and amortisation	76	38	281	103
Taxes paid	-33	-14	-58	-28
Net financial items	20	5	73	11
Change in working capital and other accruals	105	277	-164	131
Net cash flow from operating activities - cont. oper.	**68**	**242**	**-32**	**206**
Net cash flow from operating activities - disc. oper.	**54**	**0**	**109**	**0**
Net cash flow from operating activities	**122**	**242**	**77**	**206**
Purchase of property, plant and equipment	-18	-3	-40	-14
Acquisition of companies, net of cash acquired	0	0	-1 151	-139
Net proceeds from sale of property, plant and equipment	14	4	41	8
Net cash flow from investing activities - cont. oper.	**-4**	**0**	**-1 150**	**-146**
Net cash flow from investing activities - disc. oper.	**431**	**0**	**214**	**5**
Net cash flow from investing activities	**427**	**0**	**-937**	**-140**
Proceeds from issue of shares	-3	0	4	0
Proceeds from borrowings	0	0	2 022	145
Repayments of borrowings	-394	-21	-1 128	-81
Payments of lease liabilities	-55	-19	-165	-48
Interest paid	-25	-6	-84	-15
Net proceeds from acquisition/sale of treasury shares	2	0	-5	-3
Dividend paid	-1	0	-1	-73
Net cash flow from financing activities - cont. oper.	**-475**	**-46**	**642**	**-76**
Net cash flow from financing activities - disc. oper.	**-5**	**0**	**-14**	**0**
Net cash flow from financing activities	**-481**	**-46**	**628**	**-76**
Net change in cash and cash equivalents	**69**	**197**	**-232**	**-10**
Cash and cash equivalents at the start of the period	**84**	**189**	**396**	**408**
Translation differences	2	10	-9	-3
Cash and cash equivalents at the end of the period	**154**	**396**	**154**	**396**
Hereof presented as:				
Free cash	153	377	153	377
Restricted cash	1	19	1	19
Cash and cash equivalents - continuing operations	154	396	154	396
Cash and cash equivalents - discontinued operations	0	0	0	0

Interim condensed consolidated statement of changes in equity

(Amounts in NOK million)	Share capital	Treasury shares	Other paid-in capital	Hedge reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2018	**42**	**0**	**927**		**14**	**374**	**1 357**		**1 357**
Profit/loss for the period						0	0	0	0
Other comprehensive income				18	-20		-2		-2
IFRS 15 implementation effect						1	1		1
Increase share capital	2		125				127		127
Costs related to capital increase			-1				-1		-1
Dividend paid			-73				-73		-73
Share-based payments			1			0	1		1
Non-controlling interests							0	2	2
Acquisition and sale of treasury shares		0	29				30		30
Total changes in equity	**2**	**0**	**81**	**18**	**-20**	**1**	**82**	**2**	**85**
Equity at 31 December 2018	**44**	**0**	**1 009**	**18**	**-6**	**375**	**1 440**	**2**	**1 442**
Equity at 1 January 2019	**44**	**0**	**1 009**	**18**	**-6**	**375**	**1 440**	**2**	**1 442**
Profit/loss for the period						-62	-62	1	-61
Other comprehensive income				-17	14	4	0		0
Increase share capital	10		656				666		666
Costs related to capital increase			-3				-3		-3
Dividend paid							0	-1	-1
Employee share program			11				11		11
Share-based payments			1				1		1
Acquisition of treasury shares		0	-12				-12		-12
Total changes in equity	**10**	**0**	**653**	**-17**	**14**	**-58**	**602**	**0**	**602**
Equity at 31 December 2019	**54**	**0**	**1 662**	**1**	**8**	**317**	**2 041**	**3**	**2 044**

Notes to the interim condensed consolidated financial statement

General information

The legal and commercial name of the company is NRC Group ASA.

The company is a public limited liability company incorporated in Norway under the Norwegian Public Limited Liability Companies Act with registration number 910 686 909. The company address is Lysaker Torg 25, 1366 Lysaker, Norway.

The company is listed at Oslo Børs under the ticker “NRC” and with ISIN NO0003679102.

Accounting policies and basis for preparation

The condensed consolidated financial statements as per 31 December 2019 are prepared in accordance with IFRS and comprise NRC Group ASA and its subsidiaries. The interim financial report is presented in accordance with IAS 34, Interim Financial Reporting. The accounting principles applied in the interim report are the same as those described in the consolidated accounts for 2018 except for what further described regarding IFRS 16 lease agreements and the classification of interests paid in the cash flow statement. As described in the annual report of 2018, NRC Group has implemented IFRS 16 with effect from 1 January 2019. Upon the new acquisition financing in 2019 and the bond issue in September, the financing activities of the Group have increased significantly. Based on the change, it was decided in the third quarter to reclassify interests paid from operating to financing activities to better reflect the underlying activities in the cash flow statement.

The interim accounts do not contain all the information that is required in complete annual accounts, and they should be read in connection with the consolidated accounts for 2018. The report has not been audited.

The selected historical consolidated financial information set forth in this section has been derived from the company’s consolidated, unaudited interim financial reports for 2019 and audited financial report for the full year of 2018.

In 2019, following the acquisition of NRC Group Finland, the new segments Finland and Design were added to the existing operating segments Norway and Sweden. While the segments Norway, Sweden and Finland are based on the geographical location of the subsidiaries, the segment Design was established to include the specific engineering and consulting services which is distinctly separated from the business in the other segments. In August, an agreement to divest Design was signed and based on this reported as discontinued operations. The sale of Design was closed 1 November 2019.

Change in accounting principles

This note explains the impact of changes made to the Group’s accounting principles implemented in 2019.

Cash flow statement

Upon the acquisition financing in 2019 and the bond issue in September, the financing activities of the Group have increased significantly. Prior to the Q3 reporting, the interest expenses were considered as part of profit before tax, and differences between interest expense and interest paid were included in "Change in working capital and other accruals". To better reflect the underlying activities in the cash flow statement, the interests paid have been reclassified from operating activities and presented under a separate line under financing activities Comparable numbers from prior periods have been restated such as:

(Amounts in NOK million)	**Q4 2019**	**Q4 2018**	**FY 2019**	**FY 2018**
Net financial items	24	5	77	11
Change in working capital and other accruals	1	0	7	4
Changes in net cash flow from operating activities - cont. oper.	**25**	**6**	**84**	**15**
Changes in net cash flow from operating activities - disc. oper.	**5**	**0**	**7**	**0**
Total changes in net cash flow from operating activities	**30**	**6**	**91**	**15**
Interest paid	-25	-6	-84	-15
Changes in net cash flow from financing activities - cont. oper.	**-25**	**-6**	**-84**	**-15**
Changes in net cash flow from financing activities - disc. oper.	**-5**	**0**	**-7**	**0**
Total changes in net cash flow from financing activities	**-30**	**-6**	**-91**	**-15**
Net change in cash and cash equivalents	**0**	**0**	**0**	**0**

Adjustments recognised on adoption of IFRS 16

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

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

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

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

(Amounts in NOK million) **Reconciliation**	
Operating lease obligations at 31 December 2018, ref. note 20 in annual report	89
Relief option for short-term assets and low-value assets	-4
Gross lease liabilities at 1 January 2019	**85**
Effect of discounting	-9
Lease liabilities at 1 January 2019	**76**
Of which are:	
Current lease liabilities	19
Non-current lease liabilities	57

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

(Amounts in NOK million) **Groups of right-of-use assets**	**Financial lease**	**Adjust.**	**IFRS 16**
Right-of-use: Intangible assets		5	5
Right-of-use: Land, offices and buildings		62	62
Right-of-use: Machinery, cars and equipment	253	9	262
Total right-of-use assets at 1 January 2019	**253**	**76**	**329**

Development of right-of-use assets full-year 2019:

(Amounts in NOK million)	**31 December 2019**	**1 January 2019**
Groups of right-of-use assets		
Right-of-use: Intangible assets	2	5
Right-of-use: Land, offices and buildings	117	62
Right-of-use: Machinery, cars and equipment	402	262
Total right-of-use assets	**522**	**329**

Practical expedients applied

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

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

Options (extension / termination) on lease contracts have been considered on a case by case basis following a regular management assessment. The borrowing rates used for IFRS 16 purposes have been defined based on the underlying countries and asset classes related risks. The Group's expected weighted average incremental borrowing rate is 3,17%.

The Group's leasing activities and how these are accounted for

The Group leases various offices, warehouses, machinery, equipment and cars. Rental 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.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment, small items of office furniture and barracks.

Significant estimates and judgements

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Estimates and assumptions are evaluated continuously and based on historical experience and other factors, including expectations of future events that are regarded as probable under the current circumstances. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities in future periods.

Revenue from contracts with customers
The Group's business mainly consists of execution of projects. The complexity and scope of our projects mean that the project has an inherent risk that the results may differ from expected results. The Group recognises revenue over time using the input method, e.g. contract costs incurred, resources consumed, or hours spent in relation to the total expected input to fulfil the performance obligation. For projects in progress, the uncertainty is mainly linked to the estimate of total expenses, the estimate of any variable proceeds, value of any project modifications being recognised and the impact of any disputes or contractual disagreements.

Goodwill and other intangible assets
The Group performs annual tests to assess the impairment of goodwill, or more frequently if there is an indication of impairment. 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.

Purchase price allocation and accounting for contingent consideration in business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the assets that are contributed as consideration for the acquisition, equity instruments that are issued and liabilities that are assumed. Identifiable acquired assets, liabilities and contingent liabilities that are assumed to be inherent in a business combination are assessed at their fair value. Estimating the fair value of acquired assets, liabilities and contingent liabilities require determination of all facts and information available and how this will impact on the calculations. These calculations require the use of assumptions and estimates related to future cash flows and discount rate.

Contingent consideration to be transferred will be recognised at fair value at the acquisition date. The contingent consideration can include facts and circumstances not available at the balance sheet date or assumptions related to future events such as meeting earning targets. Estimating the fair value of contingent consideration require determination of all facts and information available and how this will impact on the calculations. The key assumption is to consider the most likely outcome based on the current state of the target.

Business combinations

VR Track Oy

On 7 January 2019, NRC Group completed the transaction to acquire VR Track Oy at an estimated net settlement of NOK 2,027 million based on an enterprise value of EUR 225 million on a cash and debt free basis with a normalised working capital. VR Track Oy was a Finnish company engaged in the business of railway construction, maintenance services and design with operations in Finland and Sweden. Allocation of the purchase prices were prepared using the acquisition method according to IFRS 3. The allocations in VR Track were not finalised by the date of the quarterly report. Preliminary estimates are made regarding certain aspects of the opening balance sheet and the estimated purchase price.

The acquisition of VR Track OY was financed by cash and issuance of 9,877,953 consideration shares in NRC Group at a fixed price of NOK 75.31. The fair value of the consideration shares on the transaction day amounted to NOK 659 million. The estimated cash settlement amounted to NOK 1,458 million. The cash amount was mainly financed with a EUR 89 million and a NOK 550 million (exchanged to a fixed exchange rate forward contract at 9.5535) loan in Danske Bank. The acquisition of VR Track Oy resulted in an estimated goodwill of NOK 1,592 million. Goodwill is related to the expected synergies arising from the acquired entities' competence within project - and site management as well as construction technique within the groundworks segment. Additionally, it will improve the Group's competence within maintenance and design. The acquisition will strengthen the NRC Group's overall capabilities, enabling the NRC Group to undertake larger, more complex and simultaneous projects. The acquisition will also improve the competitiveness of the Group's Finnish and Swedish operations.

Intangible assets related to the acquisition of VR Track Oy include customer contracts acquired through the business combination of NOK 112 million. They are recognised at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method over their estimated useful life. The allocation of the purchase price resulted in a provision of NOK 1 million related to contract guarantees and a provision of NOK 17 million for loss-making projects, included as other current and non-current liabilities. Due to a subsequent assessment of new information obtained about facts and circumstances that existed as of the acquisition date, a retrospective fair value adjustment of right-to-use assets of NOK 15 million was made in the third quarter, including a corresponding increase of goodwill (net of taxes). In Q4 the adjustment was updated to NOK 10 million based on subsequent assessment of new information obtained about facts and circumstances that existed as of the acquisition date. Further, other subsequent assessments in Q4 have resulted in increased right-of-use assets of NOK 47 million and increased leasing liabilities of in total 37 million, including a corresponding decrease in goodwill (net of taxes). Finally, an increased provision for corporate income taxes of NOK 3 million has been made with a corresponding increase in goodwill.

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

(Amounts in million)	**VR Track Oy**	**VR Track Oy**
Date of acquisition	07.01.2019	07.01.2019
Share of ownership	100 %	100 %
	NOK	**EUR**
Estimated cash settlement	1 458	148,8
Fair value of consideration shares in NRC Group ASA	659	67,2
Cash in target	-90	-9,2
Net settlement	**2 027**	**206,8**
Property, plant and equipment	114	11,6
Intangible asset: Customer contracts and relations	112	11,4
Other intangible assets	54	5,5
Right-of-use assets	320	32,7
Other non-current assets	17	1,7
Current assets	906	92,4
Long-term leasing liabilities	-235	-24,0
Non-current liabilities	-32	-3,3
Pension obligations	-14	-1,4
Tax payable and deferred tax	-57	-5,8
Short-term leasing liability	-86	-8,7
Other current liabilities	-663	-67,6
Net identifiable assets and liabilities	**435**	**44,3**
Non-controlling interests *	0	0,0
Goodwill (majority share)	**1 592**	**162,4**
Consolidated revenue from date of acquisition	2 388	
Consolidated operating profit/loss (EBIT) from date of acquisition	38	
Consolidated transaction costs expensed in 2018 and 2019	54	
Net profit from discontinued operations	80	

NSS Holding AS

On 11 September 2018, the Group completed the transaction to acquire NSS Holding AS. Based on additional information obtained after that date about facts and circumstances that existed at the acquisition date, in September 2019 an adjustment to the estimated net settlement was made. The adjustment increased the estimated net settlement from NOK 144 million to NOK 172 million, with a corresponding increase of goodwill of NOK 28 million. The purchase price allocation for NSS was final in third quarter 2019.

The final net settlement in the share purchase agreement include a contingent consideration related to the final EBIT in NSS during 2018 and 2019. During 2019 the operations have developed very positive, increasing the estimated final settlement. As this change in estimate is based on new information about development subsequent to the acquisition, a total change of MNOK 35 has been expensed as other income and expenses (M&A expenses) in Q4 and will not impact on the purchase price allocation. The final calculations will be concluded during 2020. For further information see note 2 (Business Combinations) to the annual accounts for 2018.

Gunnar Knutsen AS

On 28 September 2018, the Group completed the transaction to acquire Gunnar Knutsen AS. The PPA was final in Q3, 2019. However, based on additional information obtained after that date about facts and circumstances that existed at the acquisition date, an adjustment to the estimated net settlement has been made. The adjustment increased the estimated net settlement from NOK 208 million to NOK 238 million, with a corresponding increase in goodwill of NOK 30 million. As the change would have no impact on the profit or loss or the equity statements in prior periods, the full adjustment have been made in Q4, 2019. For further information see note 2 (Business Combinations) to the annual accounts for 2018.

Discontinued operations and assets held for sale

On 12 August 2019, the Group announced the decision of its Board of Directors to sell the Design segment. Following this decision, Design was classified as a disposal group held for sale and as a discontinued operation. The transaction was closed on 1 November 2019. With Design being classified as discontinued operations, the Design segment is no longer presented in the segment note.

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

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

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

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

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

(Amounts in NOK million)	FY 2019
External	341
Inter-segment	26
Total revenue	**367**
EBITDA*	**55**
Depreciation	11
EBITA*	**43**
Amortisation and impairment	4
EBIT*	**39**
Other income and expenses	10
EBIT	**29**
EBT	**23**
Taxes	-11
Net profit	**12**
Eliminations of intercompany transactions	7
Net profit before gain on sale	**5**
Gain on sale of subsidiaries after income tax	74
Net profit from discontinued operations	**79**

The net gain consists of:

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

Corporate events during the quarter

On 1 November, the agreement to sell the Design segment to Sweco for an enterprise value of EUR 42.5 million on a cash and debt free basis with normalised working capital was completed.

On 3 December, the Financial Supervisory Authority of Norway approved a prospectus in connection with the listing of the FRN Senior Unsecured Open Callable Bond 2019/2024 issued on Oslo Stock Exchange 13 September 2019. The prospectus was published on the Oslo Stock Exchange 3 December.

Segments

Q4 2019 (in NOK million)	Norway	Sweden	Finland	Other	Consolidated
External	580	369	713	0	1 663
Inter-segment	2	1	0	-3	0
Total revenue	**583**	**370**	**713**	**-3**	**1 663**
EBITDA*	**47**	**-71**	**53**	**-1**	**28**
Depreciation	24	12	24	0	60
EBITA*	**23**	**-83**	**29**	**-1**	**-32**
Amortisation and impairment	6	0	10	0	17
EBIT*	**17**	**-83**	**19**	**-1**	**-49**
Other income and expenses	34	0	-10	7	32
EBIT	**-17**	**-83**	**29**	**-9**	**-80**

Q4 2018 (in NOK million)	Norway	Sweden	Finland	Other	Consolidated
External	627	343		0	971
Inter-segment	2	1		-3	0
Total revenue	**630**	**344**		**-3**	**971**
EBITDA*	**65**	**-60**		**-12**	**-7**
Depreciation	17	11		0	29
EBITA*	**48**	**-71**		**-13**	**-36**
Amortisation and impairment	9	0		0	9
EBIT*	**39**	**-71**		**-13**	**-44**
Other income and expenses	6	0		9	14
EBIT	**34**	**-71**		**-21**	**-59**

YTD 2019 (in NOK million)	Norway	Sweden	Finland	Other	Consolidated
External	2 272	1 538	2 383	0	6 193
Inter-segment	9	2	4	-15	0
Total revenue	**2 281**	**1 539**	**2 388**	**-15**	**6 193**
EBITDA*	**200**	**-77**	**191**	**-33**	**281**
Depreciation	88	48	75	1	212
EBITA*	**112**	**-125**	**116**	**-34**	**70**
Amortisation and impairment	28	0	41	1	70
EBIT*	**84**	**-125**	**75**	**-35**	**0**
Other income and expenses	45	0	37	8	91
EBIT	**39**	**-125**	**38**	**-43**	**-91**

FY 2018 (in NOK million)	Norway	Sweden	Finland	Other	Consolidated
External	1 587	1 589		0	3 176
Inter-segment	11	2		-13	0
Total revenue	**1 598**	**1 591**		**-13**	**3 176**
EBITDA*	**136**	**26**		**-31**	**132**
Depreciation	40	35		0	75
EBITA*	**96**	**-9**		**-31**	**57**
Amortisation and impairment	20	8		0	28
EBIT*	**76**	**-16**		**-31**	**29**
Other income and expenses	7	0		21	28
EBIT	**69**	**-16**		**-52**	**1**

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

Transactions between related parties

NRC Group ASA had no significant related party transactions other than ordinary cause of business in the fourth quarter 2019. Note 6 and 7 in the annual report for 2018 provide further disclosures on the size and types of related party transactions during the previous years. NRC Group ASA has agreements with Board members for consultancy services related to certain internal projects such as acquisitions and management recruitment. The agreements are based on hourly rates and are carried out on arm’s length terms. Currently, there exists agreements with Visento AS, Hermia AS and Mats Williamson. The Chairman of the Board, Helge Midttun, is the owner of Visento AS. The Board member Harald Arnet is the majority owner of Hermia AS.

Contract announcements

The table presented below provides an overview of the Stock Exchange announced contracts during fourth quarter 2019.

(Amounts in NOK million)

Client	**Estimated value**	**Country**
Finnish Transport Infrastructure Agency	205	Finland
Bane NOR	793	Norway
The Swedish Transport Administration	122	Sweden
Tampere Tramway Ltd and the City of Tampere	101	Finland
Bane NOR	175	Norway
Total	**1 396**	

Events after the end of the period

On 9 January, the Group was appointed to a SEK 47 million contract by The Swedish Transport Administration for signalling work on the railway connection between Borlänge-Ludvika in Sweden.

On 24 January, the Group was appointed to a SEK 149 million contract by The Swedish Transport Administration for catenary work on the railway connections Österås-Bispgården, Ramsjö-Ljusdal and Storvik-Gävle in Sweden.

IR Policy

The company’s objective is to serve the financial market precise and relevant information about the company to ensure that the share price reflects the underlying values and future prospects.

The company discloses price sensitive information relating to significant contracts and investments or other material changes or events in NRC Group to investors and other market players through the Oslo Stock Exchange, www.newsweb.no, and the company’s website, www.nrcgroup.com. In addition, the company intends to publicly disclose all tenders awarded with value exceeding NOK 30 million. All tenders awarded are normally subject to a 10-days appeal period before the award is definitive. The company’s policy is to not inform the market of expiry of any such appeal period unless an actual appeal has been filed and the company is informed by the customer that the appeal is being considered and that this may lead to a delay or cancellation of the contract. Information about other tenders awarded will be updated quarterly as part of the company’s order backlog.

Dividend Policy

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

Statement of the Board of Directors and CEO

The Board of Directors and CEO have today reviewed and approved the interim financial report and the unaudited condensed interim consolidated financial statements for the fourth quarter and the full year of 2019. The condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, as adopted by the EU. To the best of our knowledge, the interim financial report gives a fair view of NRC Group's assets, liabilities, financial position and performance. In addition, the report gives a fair overview of important events in the reporting period and their impact on the financial statements, and describes the principal risks and uncertainties associated with the next reporting period.

Oslo, 12 February 2020

The Board of Directors of NRC Group ASA

Helge Midttun

Chairman

Brita Eilertsen

Board member

Kjersti Kanne

Board member

Harald Arnet

Board member

Mats Williamson

Board member

Rolf Jansson

Board member

Eva Nygren

Board member

Henning Olsen

CEO NRC Group ASA

Alternative performance measures and definitions

Alternative performance measures are used to describe the development of operations and to enhance comparability between periods. These are not defined under IFRS but correspond to the methods applied by Group management and Board of Directors to measure the Company's financial performance. Alternative performance measures should not be viewed as a substitute for financial information presented in accordance with IFRS but rather as a complement. The Group believes that APMs such as EBITA* and EBITDA* (excluding other income and expenses) are commonly reported by companies in the markets in which it competes and are widely used by investors in comparing performance on a consistent basis without regard to factors such as depreciation on fixed assets, amortisation on intangible assets and M&A expenses, which can vary significantly, depending upon accounting methods (in particular when acquisitions have occurred) or based on non-operating factors. Accordingly, the Group discloses these APMs to permit a more complete and comprehensive analysis of its underlying operating performance relative to other companies and across periods, and of the Group's ability to service its debt. Because companies may calculate EBITA and EBITDA, and EBITA and EBITDA margin differently, the Company's presentation of these APMs may not be comparable to similar titled measures used by other companies.

CONTRACT VALUE
The amount stated in the contract for contract work excluding VAT.

EBT
Profit before tax.

EBIT
Operating profit.

EBIT %
Operating profit in relation to operating revenues.

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

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

EBITDA %
EBITDA in relation to operating revenues.

EBIT*, EBITA* and EBITDA* (ex M&A)
EBIT, EBITA and EBITDA plus other income and expenses.

EBITDA* (ex M&A) %
EBITDA ex M&A in relation to operating revenues.

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

EQUITY RATIO
Total equity in relation to total assets.

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

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

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

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

ORDER INTAKE
Total nominal value of orders received.

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

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

(Amounts in NOK million)	Q4 2019	Q4 2018	FY 2019	FY 2018
Operating profit/loss (EBIT)	-80	-59	-91	1
Other income and expenses	32	14	91	28
EBIT*	**-49**	**-44**	**0**	**29**
Amortisation	17	9	70	28
EBITA*	**-32**	**-36**	**70**	**57**
Depreciation	60	29	212	75
EBITDA*	**28**	**-7**	**281**	**132**

NRC Group ASA

Company information

Visiting address

Lysaker Torg 25

NO - 1366 Lysaker

Postal address

P.O. Box 18

NO - 1324 Lysaker

Board of Directors

Helge Midttun	Chairman
Brita Eilertsen	Board member
Kjersti Kanne	Board member
Harald Arnet	Board member
Mats Williamson	Board member
Rolf Jansson	Board member
Eva Nygren	Board member

Management

Henning Olsen	CEO
Dag Fladby	CFO
Hans Olav Storkås	MD NRC Norway
Harri Lukkarinen	MD NRC Finland
Robert Röder	MD NRC Sweden
Alfred Beck	Legal counsel
Mirka Nevala	EVP strategy and corporate development

/ FINANCIAL CALENDAR 2020

2 April 2020	**Annual report**
6 May 2020	**Annual General Meeting**
20 May 2020	**1st quarter 2020 result report and presentation**
19 August 2020	**2nd quarter and half-year 2020 result report and presentation**
10 November 2020	**3rd quarter 2020 result report and presentation**