NRC Group

1ST QUARTER REPORT 2019

Highlights

1st quarter 2019

/ KEY EVENTS

- Closed acquisition of VR Track Oy - integration progressing as planned
- Significant increase in tendering in Sweden, high activity in Norway and Finland
- Henning Olsen appointed new CEO
- Appointed to largest ever contract to date of EUR 220 million by City of Espoo and City of Helsinki

/ KEY FIGURES Q1 2019

- Revenues of NOK 1,225 million vs NOK 528 million in Q1 2018
- Total EBITDA* of NOK 7 million
- Satisfying order intake in the quarter, amounting to NOK 1,480 million
- Order book of NOK 6,790 million including JVs

* Excluding M&A costs

NRC Group

NRC Group is the largest specialised rail infrastructure company in the Nordic region following the acquisition of VR Track Oy in January 2019. The Group is a supplier of all rail, road and harbour related infrastructure services, including design, groundwork, specialised trackwork, safety, electro, telecom and signalling systems, and environmental services.

Key figures

(Amounts in NOK million)	Q1 2019	Q1 2018	FY 2018
Revenue	1 225	528	3 176
EBITDA*	7	2	132
EBITA*	-46	-12	57
EBIT*	-65	-18	29
EBITDA* (%)	0,6%	0,3%	4,2%
Other income and expenses	-48	0	-28
EBITDA	-41	2	104
EBITA	-95	-12	29
EBIT	-114	-18	1
Employees	2 395	647	879
Investments	1 262	4	153
Order backlog	6 220	3 069	2 748
Order backlog from JVs	570	431	600

* Excluding M&A costs

Comments on first quarter 2019 results

High tendering activity in all markets

In the first quarter, which is low season, the revenue was NOK 1,225 million, compared to NOK 528 million reported for the same period in 2018, an increase of 132%. The underlying organic growth was 10%. The acquisition of VR Track was closed on 7 January and consequently the first quarter 2019 includes figures from that operation.

EBITDA excluding M&A costs was NOK 7 million.

The Norwegian operation continued to report good growth and profitability. Revenue was NOK 470 million compared to NOK 212 million in first quarter of 2018. The organic growth was 51%. EBITDA excluding M&A costs was NOK 14 million.

Revenue from the Swedish operations amounted to NOK 298 million for the quarter compared to NOK 316 million in the first quarter of 2018. The revenue and the profitability in Sweden were, as expected, impacted by the decline in the market in 2018 and a low order book at the start of the year. Tender and award activity has strongly increased during the quarter. This is reflected in NRC Group's order intake to date in 2019. However, there will still be a lag before new orders come to execution and impact the revenue and margin. EBITDA* in the first quarter was NOK -7 million. The organic growth was -25%.

Finland had revenue of NOK 361 million and an EBITDA* of NOK 4 million in the first quarter. The organic growth was 17%.

Design, which includes the Finnish and Swedish design business, had a revenue of NOK 99 million. The organic growth was 10%.

First quarter order intake was NOK 1,480 million. Announced contracts amounted to NOK 957million and unannounced order intake was NOK 523 million. The order backlog for own production amounted to NOK 6,220 million at the end of March. The order backlog in VR Track at closing 7 January 2019 amounted to NOK 3,397 million. Approximately 50% of the backlog is estimated for production in 2019. NRC Group's interest in the order backlog of joint ventures/ associated companies was NOK 570 million.

New orders included a SEK 221 million contract for track-related work on Söderåsbanan and a SEK 173 million contract for track renewal on the connection between Älmhult – Olofström, both in Sweden. Trafikverket also exercised a SEK 142 million option for maintenance on the railway connections "Blekinge Kustbanan" and "Kust till Kustbanorna" in Sweden. In Finland, NRC Group won a EUR 10.9 million contract for maintenance on the Tampere Tramway through the Tampere Tramway Alliance. In Norway, the company won a NOK 56 million contract for track work at Lodalen driftsbanegård and a NOK 76 million contract for track-related work between Oslo and Ski at the Østfold Line.

On 29 April, subsequent to the quarter, NRC Group was appointed to a contract by The City of Espoo and The City of Helsinki for construction of the Jokeri Light Rail line in Finland. The Jokeri Light Rail project will be executed under the alliance model, together with Finnish YIT. The contract value for NRC Group alone is approximately EUR 220 million. The contract will upon final confirmation become the largest contract awarded to the Group to date. The project includes design and construction work. According to the preliminary project schedule, track construction is planned to commence in June 2019 and the project is scheduled for completion in June 2024. The formal contractual signing of the alliance contract is expected to take place on or about 22 May 2019, however, subject to no political or valid legal objections being raised prior to such date.

With the award of the Jokeri Light Rail contract, NRC Group has been involved in all five rail transport related alliance projects in Finland, including Tampere tramway, which is the largest ongoing alliance project, and the renovation of the Lielahti – Kokemäki railway, the first public infrastructure alliance project in Europe.

Tendering activity remained high in Norway, focused on larger turnkey projects covering several special competencies. This is in line with the Group's strategic positioning in recent years. The national budget reflects political ambitions for strengthening the railway sector with a record NOK 26.4 billion allocated to 2019, up 12% from 2018. However, the planned investment, maintenance and renewal spending is below the average level of the 2018-29 National Transport Plan (NTP) for a second consecutive year while the maintenance backlog is increasing. These factors indicate continued growth in railway infrastructure investments and activity in Norway.

In Sweden, tendering and award activity rebounded in the first quarter of 2019. The development reflects the planned growth in spending in the NTP for 2019-2030, approved in June last year. The national budget for 2019 shows SEK 11.4 billion in new investments, up 26% from 2018, and maintenance expenditure of SEK 9.3 billion, an increase of 6%.

The Finnish market also remains firm with forecasts of increased investments in 2019. Light rail systems are likely to represent the highest growth rate. Overall growth for the Finnish market is forecasted at an average of 8% annually for the 2018-2022 period.

Investment activity is high in Norway, Sweden and Finland on the back of broad political support for developing rail-based systems to provide environmentally friendly and effective transport systems. Railway, metro and light-rail solutions are sustainable solutions required for efficient transport of people and goods amid population growth and urbanisation. NRC Group holds a leading position in a growing Nordic market with capabilities supporting environmentally friendly operations in all project phases.

Cash flow

Net cash flow from operating activities for the first quarter 2019 was NOK -40 million compared to NOK -69 million in 2018. First quarter is low season that significantly impact on the net income, normal working capital changes and payment of M&A costs of NOK 60 million.

Net cash flow from investing activities for the first quarter of 2019 mainly consisted of a cash payment of NOK 1,347 million net of cash in target of NOK 90 million, for the acquisition of VR Track Oy. A final payment of EUR 11.4 million was made in April 2019.

Net cash flow from financing activities for the first quarter of 2019 was NOK 1,347 million compared to NOK -27 million in 2018. Proceeds from borrowings related to the acquisition amounts to NOK 1,414 million and repayment of borrowings to NOK 22 million. Payment of lease liabilities amounts to NOK 33 million compared to NOK 9 million in 2018. The increase is related to the acquired business in addition to additional lease contracts under IFRS 16. Total cash payment for acquisition of treasury shares under a share employee programme amounted to NOK 12 million.

The cash position at 31 March was NOK 439 million.

Financial position

Total intangible assets increased by NOK 1,694 million during the first quarter. The change is mainly related to the acquisition of VR Track. Calculated value of goodwill and customer contracts from the purchase price allocation amounted to NOK 1,689 million. Intangible assets capitalised by VR Track amounted to NOK 54 million. Total amortisation in the quarter amounted to NOK 19 million. The remaining change is related to currency adjustments.

Other long-term assets mainly consist of tangible assets and right-of-use assets. Right-of-use assets are related to leasing contracts accounted for under the new IFRS 16 policy for which all lease agreements including operating leases (mainly real estate rent), are capitalised. Previously, only financial lease agreements have been capitalised. Net right-of-use assets as of 31 March 2019 amount to NOK 573 million. This amount includes financial lease agreements as at 31 December 2018 amounting to NOK 253 million being reclassified from tangible assets and NOK 76 million related to operating leases being capitalised upon adoption of IFRS 16. The remaining amount mainly consists of operating lease agreements amounting to approximately NOK 204 million and financial lease agreements amounting to NOK 80 million as part of the acquisition of VR Track. The remaining change is new agreements during the quarter, net of depreciations. The reduction of tangible assets is mainly related to the reclassification of financial lease agreements of NOK 253 million from tangible assets to right-of-use assets as part of implementing the new standard.

Inventory is related to the acquired business. Increase in total receivables is related to increased activity as well as changes in seasonality including the acquired business.

The equity ratio is reduced from 49% at 31 December 2018 to 33% at the end of the quarter. The change is mainly related to the acquisition as 2/3 of the net settlement was paid in cash based on a new loan agreement.

Interest-bearing debt consists of bank loans and discounted cash flow related to lease agreements, including operating lease agreements (mainly real estate rents) under IFRS 16. Short term interest-bearing debt includes a NOK 550 million acquisition loan that is due first quarter of 2020. Net of cash, the net interest-bearing debt increased by NOK 1,670 million to NOK 1,888 million during the quarter. Net debt excluding debt related to IFRS 16 is NOK 1,630 million. The change is mainly related to net increase in new bank loans of NOK 1,380 million consisting of the new acquisition loan agreement net of instalments. New interest-bearing lease liability related to operating leases and the adoption of IFRS 16 amounted to NOK 76 million in addition to operating lease liability added at closing of the VR Track acquisition 7 January 2019 of NOK 204 million. The rest consists of new financial lease agreements including those being acquired net of lease payments and increased cash.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 31 March 2019, 2,395 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. The process of improving internal routines and risk management is continuous and NRC Group has initiated a Group-wide review and update of policies and compliance functions.

Risks

NRC Group is exposed to both operational and financial risks. Operational risks include risk assessment and contingency appraisal in project tendering, project execution and resource optimization following fluctuations in seasonal demand in the business of NRC Group.

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 minimize the exposure to risk that cannot be managed.

Financial risks include market risk, credit risk and liquidity risk. Market risk includes currency risk and interest rate 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). NRC Group has to a limited extent utilized hedging instruments to limit the risks associated with foreign exchange.

The purchase price of VR Track was in EUR. The cash proceeds were financed with a EUR 89 million loan and a NOK 550 million loan fixed to EUR by a forward contract of EUR 57 million at a fixed rate of 9.5535.

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. Liquidity risk is overall considered low.

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 losses from this type of customer to be low.

Outlook

The positive investment outlook for Nordic infrastructure, and especially the railway segment, is supported by strong macro trends and political commitment. The markets in Norway, Sweden and Finland look strong in the coming years.

Combining NRC Group and VR Track has created the largest specialized rail infrastructure company in the Nordic region, with strong capabilities across the entire railway value chain and leading positions in the attractive Norwegian, Swedish and Finnish markets. With a broader operational scope and combining the extensive construction and maintenance expertise, the combined group will be in a favourable position to capitalise on these positive market trends.

Oslo, 13 May 2019

The Board of Directors of NRC Group ASA

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Chairman of the BoD

Mats Williamson
Board member

Brita Eilertsen
Board member

Kjersti Kanne
Board member

Harald Arnet
Board member

Eva Nygren
Board member

Rolf Jansson
Board member

Henning Olsen
CEO

Interim condensed consolidated statement of profit or loss

(Amounts in NOK million)	Q1 2019	Q1 2018	FY 2018
Revenue	1 225	528	3 176
Operating expenses	1 218	526	3 044
EBITDA before other income and expenses	**7**	**2**	**132**
Other income and expenses	-48	0	-28
EBITDA	**-41**	**2**	**104**
Depreciation	53	14	75
Operating profit/loss before amortisation (EBITA)	**-95**	**-12**	**29**
Amortisation	19	7	28
Operating profit/loss (EBIT)	**-114**	**-18**	**1**
Net financial items	-17	-3	-11
Profit/loss before tax (EBT)	**-130**	**-21**	**-10**
Taxes	17	3	10
Net profit/loss	**-113**	**-18**	**0**
Profit/loss attributable to:			
Shareholders of the parent	-113	-18	0
Non-controlling interests	0	0	0
Net profit / loss	**-113**	**-18**	**0**
EARNINGS PER SHARE			
Earnings per share in NOK (ordinary):	-2,13	-0,43	0,01
Earnings per share in NOK (diluted):	-2,11	-0,43	0,01

Interim condensed consolidated statement of comprehensive income

(Amounts in NOK million)	Q1 2019	Q1 2018	FY 2018
Net profit / loss	**-113**	**-18**	**0**
Translation differences	-20	-41	-20
Net gain on hedging instruments	-18	0	18
Total comprehensive profit/loss	**-151**	**-59**	**-2**
Total comprehensive profit/loss attributable to:			
Shareholders of the parent	-151	-59	-2
Non-controlling interests	0	0	0
Total comprehensive profit/loss	**-151**	**-59**	**-2**

Interim condensed consolidated statement of financial position

(Amounts in NOK million)

ASSETS	**31.03.2019**	**31.03.2018**	**31.12.2018**
Deferred tax assets	43	70	45
Goodwill	2 743	920	1 192
Customer contracts and other intangible assets	183	22	39
Intangible assets	**2 969**	**1 012**	**1 275**
Tangible assets	309	263	418
Right-of-use assets	573	0	0
Other non-current assets	10	9	11
Total non-current assets	**3 860**	**1 284**	**1 703**
Total inventories	191	0	0
Total receivables	1 293	682	819
Cash and cash equivalents	439	305	396
Other current financial assets	0	0	23
Total current assets	**1 923**	**987**	**1 237**
Total assets	**5 783**	**2 271**	**2 940**

(Amounts in NOK million)

EQUITY AND LIABILITIES	**31.03.2019**	**31.03.2018**	**31.12.2018**
Equity			
Paid-in-capital	1 697	969	1 053
Other equity	236	330	387
Total equity attributable to owners of the parent	**1 932**	**1 300**	**1 440**
Non-controlling interests	2	0	2
Total equity	**1 935**	**1 300**	**1 442**
Liabilities			
Long-term leasing liabilities	408	72	152
Other non-current interest-bearing liabilities	995	220	287
Deferred taxes	41	23	20
Other non-current liabilities	26	0	25
Total non-current liabilities	**1 471**	**316**	**486**
Short-term leasing liabilities	166	46	89
Other interest-bearing current liabilities	758	72	86
Other current liabilities	1 453	537	838
Total current liabilities	**2 377**	**655**	**1 012**
Total equity and liabilities	**5 783**	**2 271**	**2 940**

Interim condensed consolidated statement of cash flows

(Amounts in NOK million)	**Q1 2019**	**Q1 2018**	**FY 2018**
Profit/loss before tax	-130	-21	-10
Depreciation and amortisation	72	20	103
Taxes paid	-1	-2	-12
Change in working capital and other accruals	19	-66	112
Net cash flow from operating activities	**-40**	**-69**	**192**
Purchase of property, plant and equipment	-5	-4	-14
Acquisition of companies, net of cash acquired	-1 257	0	-139
Net proceeds from sale of property, plant and equipment	9	1	7
Proceeds from sale of shares and other investments	0	5	5
Net cash flow from investing activities	**-1 253**	**2**	**-141**
Proceeds from borrowings	1 414	0	145
Repayments of borrowings	-22	-14	-81
Payments of lease liabilities	-33	-9	-48
Acquisition of treasury shares	-12	-3	-3
Dividend paid	0	0	-73
Net cash flow from financing activities	**1 347**	**-27**	**-60**
Net change in cash and cash equivalents	**54**	**-94**	**-9**
Cash and cash equivalents at the start of the period	**396**	**408**	**409**
Translation differences	-10	-10	-3
Cash and cash equivalents at the end of the period	**439**	**305**	**396**
Herof presented as:			
Free cash	438	296	377
Restricted cash	2	9	19
Cash and cash equivalents - continuing operations	439	305	396

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						-18	-18		-18
Other compr. income for the period					-41		-41		-41
IFRS 15 implementation effect [1)]						1	1		1
Share-based payments						0	0		0
Total changes in equity	**0**	**0**	**0**	**0**	**-41**	**-17**	**-58**	**0**	**-58**
Equity at 31 March 2018	**42**	**0**	**927**	**0**	**-27**	**357**	**1 300**	**0**	**1 300**
Equity at 1 January 2019	**44**	**0**	**1 009**	**18**	**-6**	**375**	**1 440**	**2**	**1 442**
Profit/loss for the period						-113	-113	0	-113
Other compr. income for the period				-18	-20		-38		-38
Increase share capital	10		649				659		659
Costs related to capital increase			-3				-3		-3
Share-based payments			1				1		1
Acquisition of treasury shares		0	-12				-12		-12
Total changes in equity	**10**	**0**	**634**	**-18**	**-20**	**-113**	**493**	**0**	**493**
Equity at 31 March 2019	**54**	**0**	**1 643**	**0**	**-26**	**262**	**1 932**	**2**	**1 935**

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 March 2019 are prepared in accordance with IFRS and comprise NRC Group ASA and its subsidiaries. The interim financial report is presented in accordance with revised 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 described under IFRS 16 and lease agreements. As described in the annual report of 2018, NRC Group has implemented IFRS 16 with effect from 1 January 2019.

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 2018 and audited financial report for the full year of 2018.

In 2019, with 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 is established to include the specific engineering and consulting services which is distinctly separated from the business in the other segments.

Change in accounting principles

This note explains the impact of the adoption of IFRS 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

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 in Q1 2019:

Groups of right-of-use assets	**31 March 2019**	**1 January 2019**
Right-of-use: Intangible assets	8	5
Right-of-use: Land, offices and buildings	228	62
Right-of-use: Machinery, cars and equipment	337	262
Total right-of-use assets at 1 January 2019	**573**	**329**

The following table shows the movements in the net book values of right-of-use of leased assets and lease liabilities for the period ended March 31, 2019:

(Amounts in NOK million)	**Right-of-use 2019**	**Lease liabilities 2019**
Net book value on January 1	**329**	**-317**
Translation differences	-10	12
Acquisitions of subsidiaries	284	-284
Net additions	8	15
Depreciation	-39	
Net book value on March 31	**573**	**-574**

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 2.81%.

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

The Group leases various offices, warehouses, 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 to produce a constant periodic rate of interest 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 and value of any project modifications including any disputes and 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. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments, is subsequently measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with IFRS 9. The contingent consideration can include facts and circumstances not available at the balance sheet date or assumptions related to future events such as meeting earning targets. Estimating the fair value of contingent consideration require determination of all facts and information available and how this will impact on the calculations. The key assumption is to consider the most likely outcome based on the current state of the target.

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 is 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 annual 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 amounts to NOK 1,458 million. The cash amount is 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 will result in an estimated goodwill of NOK 1,577 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.

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 NOK 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**
		0,0
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	284	29,0
Other non-current assets	17	1,7
Current assets	906	92,4
Long-term leasing liabilities	-216	-22,0
Non-current liabilities	-32	-3,3
Tax payable and deferred tax	-57	-5,8
Short-term leasing liability	-68	-7,0
Other current liabilities	-663	-67,6
Net identifiable assets and liabilities	**449**	**45,9**
Non-controlling interests *	0	0,0
Goodwill (majority share)	**1 577**	**160,9**
Consolidated revenue from date of acquisition	547	
Consolidated profit/loss before tax from date of acquisition	-68	
Transaction costs expensed in 2018 and 2019	63	

Corporate events during the quarter

On 7 January, NRC Group completed the acquisition of VR Track Oy, with reference to the announcement on 11 October 2018 regarding the company's entry into an agreement for the acquisition of VR Track Oy as well as the notice of and the minutes from an Extraordinary General Meeting of the company held on 5 November 2018 and the prospectus published by the company on 22 November 2018. The purchase price was based on an enterprise value of VR Track of EUR 225 million on a cash and debt free basis with normalised working capital. 65% of the preliminary estimated purchase price was paid in cash at closing by NRC Group while the remaining 35% of the purchase price was paid in the form of consideration shares in NRC Group at an agreed price per consideration share of NOK 75.31. The share price represents the volume weighted average price of the NRC Group share on Oslo Børs the last thirty trading days prior to signing. The cash portion of the purchase price was fully financed by available cash and a new bank debt facility. VR Group will obtain an ownership in NRC Group representing around 18% of the total number of issued shares in NRC Group following completion of the transaction.

As set out in the minutes from the Extraordinary General Meeting of the company held on 5 November 2018, the Board of Directors of the company was, with effect from completion of the acquisition of VR Track Oy, expanded with two new Board members.

On 8 January, 9,877,953 new shares in the company were registered as partial consideration to VR Group Ltd. as payment for the acquisition of VR Track Oy. The new shares were issued at a price of NOK 75.31 per share, as resolved by the Board of Directors and pursuant to an authorization granted by the Extraordinary General Meeting held 5 November 2018. The company's share capital after the issuance was NOK 53,904,223, divided into 53,904,223 shares, each with a nominal value of NOK 1.

VR Group Ltd. will, following receipt of the new shares in the company hold a total of 9,877,953 shares in the company, at the time equal to approximately 18 percent of the total number of shares and votes in the company. VR Group Ltd. is represented on the Board of Directors of the company.

On 20 February and 21 March, the Company initiated two separate share buyback programmes for up to respectively NOK 10 million and NOK 5 million in the market, where the shares would be used in connection with the Company’s employee share programme. Acquisitions of own shares were executed until the termination dates, respectively 6 March and 5 April, leaving the Company’s total holdings of treasury shares at 200,372 shares.

On 20 March, Henning Olsen was appointed new CEO of NRC Group. Henning Olsen replaced Øivind Horpestad as CEO of NRC Group 2 May.

Segments

Q1 2019 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Design**	**Other**	**Consolidated**
External	470	298	361	95	0	1 225
Inter-segment	0	0	0	3	-3	0
Total revenue	**470**	**299**	**361**	**99**	**-3**	**1 225**
EBITDA*	**14**	**-7**	**4**	**7**	**-12**	**7**
Depreciation	20	13	18	2	0	53
EBITA*	**-5**	**-20**	**-13**	**5**	**-13**	**-46**
Amortisation and impairment	7	0	10	1	0	19
EBIT*	**-13**	**-20**	**-24**	**4**	**-13**	**-65**
Other income and expenses	2	0	46	0	0	48
EBIT	**-15**	**-20**	**-70**	**4**	**-13**	**-114**

Q1 2018 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Design**	**Other**	**Consolidated**
External	212	316			0	528
Inter-segment	1	0			-1	0
Total revenue	**212**	**316**			**-1**	**528**
EBITDA*	**-1**	**9**			**-6**	**2**
Depreciation	6	7			0	14
EBITA*	**-7**	**2**			**-6**	**-12**
Amortisation and impairment	6	1			0	7
EBIT*	**-13**	**1**			**-6**	**-18**
Other income and expenses	0	0			0	0
EBIT	**-13**	**1**			**-6**	**-18**

FY 2018 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Design**	**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**

Transactions between related parties

NRC Group ASA had no significant related party transactions other than ordinary cause of business in the first 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 Visento AS and Hermia AS to provide consultancy services on an hourly basis related to the acquisition of VR Track Oy and for management recruitment. 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. Any related party transactions are carried out on arm's length terms.

Contract announcements

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

(Amounts in NOK million)

Client	Estimated value	Country
Swedish Transport Administration	210	Sweden
Finnish Transport Infrastructure Agency	30	Finland
Swedish Transport Administration	69	Sweden
Swedish Transport Administration	37	Sweden
City of Tampere	80	Finland
Tampere Tramway Ltd	106	Finland
Swedish Transport Administration	160	Sweden
Bane NOR	56	Norway
Swedish Transport Administration	131	Sweden
Bane NOR	76	Norway
Total	**957**	

Events after the end of the period

On 4 April, the Group was appointed to a SEK 44 million contract in Sweden by Trafikverket for track related work at Gävle in Sweden.

On 5 April, the Group was appointed to a NOK 34 million contract by Bane NOR for track related work on Meråker and Trønderbanen in Norway.

On 10 April, the Group was appointed to a NOK 68 million contract by Kultur- og idrettsbygg Oslo (Oslo Municipality) for ground, foundation and construction work at Museumsutstikkeren in Oslo, Norway.

On 10 April, NRC Group ASA completed the 2019 share programme for employees in the Company and the Company's subsidiaries in Norway, Sweden and Finland, where the employees have been offered the opportunity to purchase shares in the Company at a 20% discount for a total amount of either NOK 12,000, NOK 20,000 or NOK 32,000. The purchase price per share before the discount was NOK 59.70, corresponding to the closing trading price of the Company's share on the Oslo Stock Exchange on 9 April 2019. In connection with the programme, the Company transferred 187,875 of its shares held in treasury to employees participating in the programme. The Company holds 12,497 shares in treasury following the transaction.

On 11 April, the Annual report 2018 was published.

On 16 April, the Group was appointed to a EUR 3.82 million contract by the Finnish Transport Infrastructure Agency for bridge construction works in Lappeenranta and Imatra in Finland.

On 29 April, the Group was appointed to a EUR 220 million contract by the City of Espoo and the City of Helsinki in Finland for the construction of the Jokeri Light Rail. The contract is an alliance contract together with Finnish YIT and is the largest ever contract awarded to the Group. The formal contractual signing of the alliance contract is expected to take place on or about 22 May 2019, however, subject to no political or valid legal objections being raised prior to such date. At present, NRC Group do not expect any such objections to be raised.

On 8 May, the Annual General Meeting approved all items in accordance with the Notice to the General Meeting.

On 13 May, the Group was appointed to a NOK 123 million contract by Bane NOR for track work on Nordlandsbanen in Norway. The contract includes an option for Bane Nor to include additional track renewal work with a value of approximately NOK 75 million.

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.

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.

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.

EBITDA
Operating profit plus depreciations and amortisations.

EBITDA (%)
EBITDA in relation to operating revenues.

EBIT, EBITA or EBITDA ex M&A
EBIT, EBITA or EBITDA plus expensed costs related to merger and acquisitions.

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

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

EQUITY RATIO
Total equity in relation to total assets.

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

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

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

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

ORDER BACKLOG FROM JVs
Our relative ownership of the total nominal value of orders received less revenue recognised on the same orders for joint contracts operated in joint ventures/ associated companies without eliminating any intercompany transactions.

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.

NRC Group ASA

Company information

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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 Henning Olsen	CEO & acting MD NRC Sweden
Dag Fladby	CFO
Hans Olav Storkås	MD NRC Norway
Harri Lukkarinen	MD NRC Finland

/ FINANCIAL CALENDAR 2019

20 August 2019	**2nd quarter and first-half 2019 result report and presentation**
5 November 2019	**3rd quarter 2019 result report and presentation**