

# REPORT

## 3RD QUARTER

# 17

A blurred photograph of high-speed train tracks curving into the distance under a warm, golden sunset sky. The tracks are dark and the surrounding landscape is out of focus, creating a sense of motion and speed.

# Highlights

3<sup>rd</sup> quarter 2017

## / KEY EVENTS

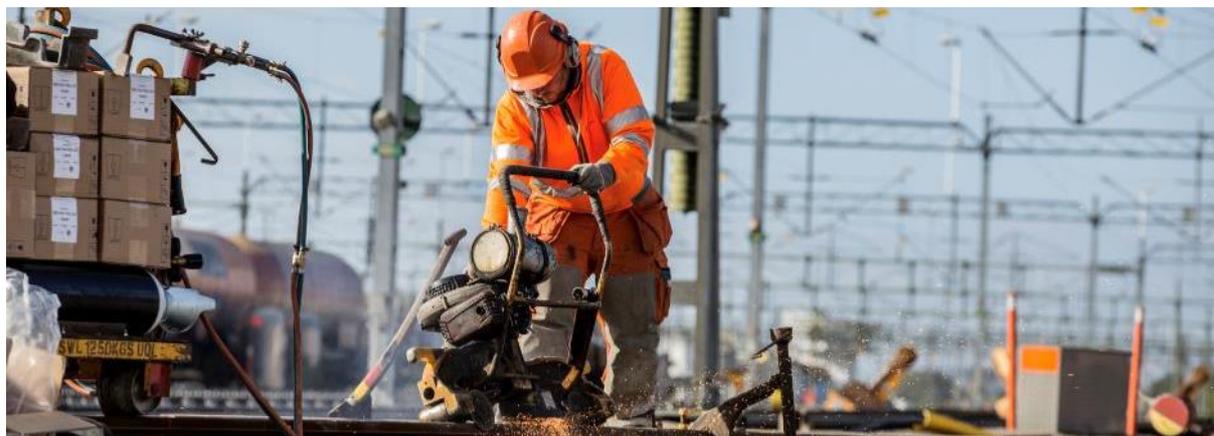
- All time high quarterly revenue and EBITDA
- Record EBITDA margin driven by strong project execution
- Closed acquisitions of ALTi and SBB
- Subsequent acquisition of Norwegian fiber specialist Fibertech

## / KEY FIGURES Q3

- Revenues of NOK 776.5 million in 2017 vs NOK 599.9 million in 2016
- EBITDA of NOK 110.5 million in 2017 vs NOK 81.2 million in 2016
- EBITDA margin of NOK 14.2% in 2017 vs NOK 13.5% in 2016

## / ORDER INTAKE

- Order backlog of NOK 2,417 million, an increase of 73%
- Order intake of NOK 642 million
- Six announced contracts during the quarter



## NRC Group

NRC Group aims to be the leading Nordic railway infrastructure entrepreneur

NRC Group is a leading contractor within railway infrastructure in Norway and Sweden. The company is a supplier of all track-related infrastructure services, including groundwork, specialized trackwork, safety, electro, telecom- and signalling systems.

The company works within rail, metro and tram segments, and closely related infrastructure. NRC Group has experienced significant growth since its inception in 2011 and has a vision of becoming the leading Nordic entrepreneur within railway infrastructure.

## Key figures

(Amounts in NOK million)	Q3 2017	Q3 2016	YTD 2017	YTD 2016	FY 2016
Revenue	776,5	599,9	1 699,0	1 423,3	1 975,0
EBITDA	110,5	81,2	159,5	105,0	152,4
EBITA	98,0	71,8	129,0	86,5	127,7
EBIT	88,7	64,7	103,0	65,1	99,3
EBT	88,1	62,8	98,1	58,3	89,4
EBITDA (%)	14,2 %	13,5 %	9,4 %	7,4 %	7,7 %
EBIT (%)	11,4 %	10,8 %	6,1 %	4,6 %	5,0 %
Employees	636	385	636	385	418
Investments	11,9	23,2	97,0	44,8	45,8
Order backlog	2 417	1 397	2 417	1 397	1 402

# Comments on third quarter 2017 result

## Record results, solid order intake and strong market outlook

NRC Group delivered all-time high revenue and EBITDA and record EBITDA margin in the third quarter, reflecting high activity during the peak season and a continued strong project execution.

Revenue was NOK 776.5 million in the quarter, an increase of 29.4% compared with the third quarter of 2016. EBITDA was NOK 110.5 million, compared with NOK 81.2 million in same period last year. This equalled an EBITDA margin of 14.2% (13.5%). The Swedish operations performed strong this quarter in terms of EBITDA and EBITDA margin. The strong margin is due to a favorable project mix and excellent project execution. A new management team has been in place in Norway from September, and the team has strong focus on improving the operational performance.

Order intake for the third quarter was NOK 642 million and the backlog amounted to NOK 2,417 million at the end of September. In the third quarter, NRC Group signed a contract in Norway worth NOK 155 million for ground-work at the Ullevål crossroads in Oslo and a NOK 122 million contract for port infrastructure upgrades on the Brekstad-Valset ferry line. In Sweden, NRC Group was awarded a SEK 87 million contract for groundwork, track, electro and signal/-telecommunication related to the rebuilding of the terminal C at Södertälje in Stockholm.

The acquisitions of ALTi Bygg og Anlegg AS (ALTi) and Signal and Banbyggarna i Dalarna

Aktiebolag (SBB) were both closed in early July.

In October, NRC Group acquired Fibertech AS. The acquisition strengthens NRC Group's competencies within fibre optic lines ahead of the upcoming EMRTS development in both Norway and Sweden.

NRC Group continues its proactive and high acquisitions activity in line with NRC Group's strategy. The recent acquisitions have provided NRC Group with additional expertise and capacity as a turnkey railway and ground entrepreneur, which has been reflected in recent contract awards. These competencies positions NRC Group for larger upcoming contracts in its core market, while also providing flexibility to utilize capacity on a wider range of transport infrastructure projects.

The positive investment outlook for the Nordic railway and other transport infrastructure is supported by strong macro trends and political commitment. The approved National Transport Plan (NTP) in Norway and the proposed NTP for Sweden give better visibility and confirm the commitment to increased railway spending and shift towards larger projects.

NRC Group continue to be uniquely positioned to benefit from the strong macro outlook, and is committed to its strategy to consolidate the market and to deliver good organic growth in the coming years.

## Financial position

Net cash flow from operating activities for the third quarter of 2017 was NOK 32.6 million (NOK 106.1 million).

Net cash flow from investing activities for the third quarter 2017 was NOK -137.7 million (NOK -23.1 million), including NOK -136.6 million related to acquisitions of ALTi and SBB.

Net cash flow from financing activities for the third quarter 2017 was NOK 151.3 million (NOK -28.5 million) including acquisition financing of NOK 171.4 million and repayments of borrowing of NOK -20.1 million.

The cash position at 30 September 2017 was NOK 308.2 million.

## Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 30 September 2017, 636 people were employed in NRC 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, change management in 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 in the tendering phase 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. The exposure to currency risk is limited, however by having operational units in different functional currencies, NRC Group is to some extent exposed to currency risks, mainly SEK. NRC Group have used hedging instruments to limit the risks associated with foreign exchange to a limited extent. Significant investments in Sweden are financed with SEK loans, limiting the net investment exposure.

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. A major part of the business is with state owned companies such as Bane NOR in Norway and Trafikverket in Sweden. 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 the Nordic railway and other transport infrastructure is supported by strong macro trends and political commitment. The approved NTP in Norway and the proposed NTP for Sweden gives better visibility and confirm the commitment to increased railway spending and shift towards larger projects.

NRC Group continue to be uniquely positioned to benefit from the strong macro outlook, and is committed to its strategy to consolidate the market and to deliver good organic growth in the coming years.

*Oslo, 6 November 2017*

*The Board of Directors of NRC Group ASA*

**Helge Midttun**  
Chairman of the Board of Directors

**Brita Eilertsen**  
Board member

**Kjersti Kanne**  
Board member

**Harald Arnet**  
Board member

**Øivind Horpestad**  
CEO NRC Group ASA

# Condensed consolidated statement of comprehensive income

## Reported figures

(Amounts in NOK million)	Restated		Restated		FY 2016
	Q3 2017	Q3 2016	YTD 2017	YTD 2016	
Revenue	776,5	599,9	1 699,0	1 423,3	1 975,0
Operating expenses	665,9	518,7	1 539,5	1 318,3	1 822,6
<b>Oper. profit/loss before depr. and amort. (EBITDA)</b>	<b>110,5</b>	<b>81,2</b>	<b>159,5</b>	<b>105,0</b>	<b>152,4</b>
Depreciation	12,6	9,4	30,5	18,6	24,7
<b>Operating profit/loss before amortisation (EBITA)</b>	<b>98,0</b>	<b>71,8</b>	<b>129,0</b>	<b>86,5</b>	<b>127,7</b>
Amortisation	9,3	7,1	26,0	21,3	28,4
<b>Operating profit/loss (EBIT)</b>	<b>88,7</b>	<b>64,7</b>	<b>103,0</b>	<b>65,1</b>	<b>99,3</b>
Net financial items	-0,6	-2,0	-4,9	-6,9	-9,9
<b>Profit/loss before tax (EBT)</b>	<b>88,1</b>	<b>62,8</b>	<b>98,1</b>	<b>58,3</b>	<b>89,4</b>
Taxes	-21,2	-20,1	-23,4	-20,3	-21,8
<b>Profit/loss from continuing operations</b>	<b>66,8</b>	<b>42,7</b>	<b>74,8</b>	<b>38,0</b>	<b>67,6</b>
Profit/loss from discontinued operations	0,0	6,4	-6,9	7,9	-10,3
<b>Net profit/loss</b>	<b>66,8</b>	<b>49,1</b>	<b>67,9</b>	<b>45,9</b>	<b>57,3</b>
<b>Profit/loss attributable to:</b>					
Shareholders	66,8	49,1	67,9	45,9	57,3
<b>Net profit / loss</b>	<b>66,8</b>	<b>49,1</b>	<b>67,9</b>	<b>45,9</b>	<b>57,3</b>
<b>Comprehensive income:</b>					
Translation differences	-12,6	-13,2	15,9	-65,2	-22,9
<b>Total comprehensive income</b>	<b>54,2</b>	<b>35,9</b>	<b>83,8</b>	<b>-19,3</b>	<b>34,4</b>
<b>Total comprehensive income attributable to:</b>					
Shareholders	54,2	35,9	83,8	-19,3	34,4
<b>Total comprehensive income</b>	<b>54,2</b>	<b>35,9</b>	<b>83,8</b>	<b>-19,3</b>	<b>34,4</b>
<b>Earnings per share in NOK (ordinary and diluted):</b>					
From continuing operations	1,61	1,21	1,88	1,08	1,91
From discontinued operations	0,00	0,18	-0,17	0,23	-0,29
<b>From total net profit/loss</b>	<b>1,61</b>	<b>1,39</b>	<b>1,71</b>	<b>1,31</b>	<b>1,62</b>

# Condensed consolidated balance sheet

(Amounts in NOK million)			
<b>ASSETS</b>	<b>30.09.2017</b>	<b>Restated 30.09.2016</b>	<b>31.12.2016</b>
Deferred tax assets	31,3	43,0	31,2
Goodwill	892,6	518,1	576,7
Customer contracts and other intangible assets	31,3	29,4	23,8
<b>Intangible assets</b>	<b>955,2</b>	<b>590,5</b>	<b>631,8</b>
Tangible assets	256,9	126,7	143,5
Financial investments	8,9	7,3	7,2
<b>Total non-current assets</b>	<b>1 221,0</b>	<b>724,5</b>	<b>782,5</b>
Total receivables	620,9	505,5	413,4
Cash and cash equivalents	308,2	187,8	418,4
Assets classified as held for sale	0,0	0,0	9,1
<b>Total current assets</b>	<b>929,1</b>	<b>693,2</b>	<b>840,9</b>
<b>Total assets</b>	<b>2 150,1</b>	<b>1 417,8</b>	<b>1 623,4</b>

(Amounts in NOK million)			
<b>EQUITY AND LIABILITIES</b>	<b>30.09.2017</b>	<b>30.09.2016</b>	<b>31.12.2016</b>
<b>Paid-in-capital:</b>			
Share capital	41,8	35,3	38,8
Treasury shares	-0,3	-0,3	-0,1
Share premium	918,5	659,8	888,5
<b>Other equity:</b>			
Currency translation differences	-2,4	-60,6	-18,3
Retained earnings	274,8	96,7	105,2
<b>Total equity</b>	<b>1 232,4</b>	<b>731,0</b>	<b>1 014,2</b>
Pension obligations	0,0	5,9	0,0
Non-current interest-bearing liabilities	318,5	115,6	110,8
Deferred taxes	19,5	31,2	11,3
Other non-current liabilities	0,0	4,7	4,7
<b>Total non-current liabilities</b>	<b>338,1</b>	<b>157,4</b>	<b>126,8</b>
Interest-bearing current liabilities	114,5	122,1	82,1
Other current liabilities	465,1	407,2	392,4
Liabilities classified as held for sale	0,0	0,0	7,9
<b>Total current liabilities</b>	<b>579,6</b>	<b>529,4</b>	<b>482,4</b>
<b>Total equity and liabilities</b>	<b>2 150,1</b>	<b>1 417,8</b>	<b>1 623,4</b>

# Condensed consolidated statement of changes in equity

(Amounts in NOK million)	Share capital	Treasury shares	Share premium	Translation differences	Retained earnings	Restated total equity
<b>Equity at 1 January 2016</b>	<b>34,9</b>	<b>-0,7</b>	<b>641,0</b>	<b>4,6</b>	<b>46,8</b>	<b>726,6</b>
Profit/loss for the period					45,9	45,9
Other comprehensive income for the period				-65,2		-65,2
Increase share capital	0,4		18,8			19,2
Sale of treasury shares		0,4			4,0	4,4
<b>Total changes in equity</b>	<b>0,4</b>	<b>0,4</b>	<b>18,8</b>	<b>-65,2</b>	<b>49,9</b>	<b>4,3</b>
<b>Equity at 30 September 2016</b>	<b>35,3</b>	<b>-0,3</b>	<b>659,8</b>	<b>-60,6</b>	<b>96,7</b>	<b>731,0</b>
<b>Equity at 1 January 2017</b>	<b>38,8</b>	<b>-0,1</b>	<b>888,5</b>	<b>-18,3</b>	<b>105,2</b>	<b>1 014,2</b>
Profit/loss for the period					67,9	67,9
Other comprehensive income for the period				15,9		15,9
Reallocation			-112,8		112,8	0,0
Increase share capital	3,1		174,2			177,3
Dividend paid			-31,5			-31,5
Acquisition and sale of treasury shares		-0,2			-11,2	-11,4
<b>Total changes in equity</b>	<b>3,1</b>	<b>-0,2</b>	<b>29,9</b>	<b>15,9</b>	<b>169,6</b>	<b>218,3</b>
<b>Equity at 30 September 2017</b>	<b>41,8</b>	<b>-0,3</b>	<b>918,5</b>	<b>-2,4</b>	<b>274,8</b>	<b>1 232,4</b>

# Condensed consolidated cash flow statement

(Amounts in NOK million)	Q3 2017	Restated Q3 2016	YTD 2017	Restated YTD 2016	FY 2016
Profit/loss before tax	88,1	62,8	98,1	58,3	89,4
Depreciation and amortisation	21,9	16,5	56,5	39,9	53,1
Taxes paid	-5,9	-4,3	-14,8	-12,9	-23,4
Change in working capital	-71,4	24,1	-167,4	-13,5	10,1
<b>Net cash flow from operating activities - cont. oper.</b>	<b>32,6</b>	<b>99,1</b>	<b>-27,6</b>	<b>71,8</b>	<b>129,2</b>
<b>Net cash flow from operating activities - disc. oper.</b>	<b>0,0</b>	<b>7,0</b>	<b>0,0</b>	<b>8,0</b>	<b>17,7</b>
<b>Net cash flow from operating activities</b>	<b>32,6</b>	<b>106,1</b>	<b>-27,6</b>	<b>79,8</b>	<b>146,9</b>
Purchase of property, plant and equipment	-3,1	-24,8	-29,3	-49,1	-52,2
Acquisition of companies, net of cash acquired	-136,6	0,0	-193,3	-23,5	-41,5
Proceeds from sale of shares, other invest. and equip.	1,9	2,4	4,2	2,6	4,9
<b>Net cash flow from investing activities - cont. oper.</b>	<b>-137,7</b>	<b>-22,4</b>	<b>-218,4</b>	<b>-70,1</b>	<b>-88,9</b>
Purchases of property, plant and equipment	0,0	-0,7	0,0	-2,0	-2,0
Net proceeds from sale of shares and other invest.	0,0	0,0	4,1	0,3	23,0
<b>Net cash flow from investing activities - disc. oper.</b>	<b>0,0</b>	<b>-0,7</b>	<b>4,1</b>	<b>-1,7</b>	<b>21,0</b>
<b>Net cash flow from investing activities</b>	<b>-137,7</b>	<b>-23,1</b>	<b>-214,3</b>	<b>-71,8</b>	<b>-67,9</b>
Proceeds from borrowings	171,4	0,0	231,1	23,0	23,0
Repayments of borrowings	-20,1	-5,3	-57,4	-59,4	-126,9
Net change in overdraft facilities	0,0	-22,1	0,0	-2,3	-9,1
Net receipt of equity capital	0,0	-1,0	0,0	1,0	206,1
Payments for treasury shares	0,0	0,0	-14,6	0,0	0,0
Dividend paid	0,0	0,0	-31,5	0,0	0,0
<b>Net cash flow from financing activities - cont. oper.</b>	<b>151,3</b>	<b>-28,5</b>	<b>127,6</b>	<b>-37,7</b>	<b>93,1</b>
<b>Net cash flow from financing activities - disc. oper.</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>
<b>Net cash flow from financing activities</b>	<b>151,3</b>	<b>-28,5</b>	<b>127,6</b>	<b>-37,7</b>	<b>93,1</b>
<b>Net change in cash and cash equivalents</b>	<b>46,1</b>	<b>54,6</b>	<b>-114,3</b>	<b>-29,7</b>	<b>172,1</b>
<b>Cash and cash equivalents at the start of the period</b>	<b>263,9</b>	<b>167,4</b>	<b>418,4</b>	<b>258,2</b>	<b>258,2</b>
Translation differences	-1,9	-9,0	4,1	-15,5	-12,0
<b>Cash and cash equivalents at the end of the period</b>	<b>308,2</b>	<b>213,1</b>	<b>308,2</b>	<b>213,1</b>	<b>418,4</b>
Cash and cash equivalents - continuing operations	308,2	213,1	308,2	213,1	418,4
Cash and cash equivalents - discontinued operations	0,0	0,0	0,0	0,0	2,9

# Notes to the financial statement

## General information

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

The company is a Norwegian public limited liability company incorporated in Norway under the Norwegian Public Limited Liability Companies Act with registration number 910 686 909. The company has its registered address at Akerkvartalet, Oksenøyveien 10, 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 30 September 2017 are prepared in accordance with IFRS and comprise NRC Group ASA and its subsidiaries. The interim 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 2016. The company has not implemented new or changed standards in 2017.

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 2016. 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 2017, unaudited interim financial reports for 2016 and audited financial report for the full year of 2016.

The purchase price allocations for the 2015 business combinations were restated in 2016. Corrections to the third quarter 2016 comparative numbers presented in this report

are an increase in customer contracts and other intangible assets of NOK 1.5 million, an increase in deferred tax liabilities of NOK 0.3 million, and a reduction in goodwill of NOK 11.4 million. Amortisation of intangible assets have been increased with NOK 10.8 million for the year to date and NOK 3.6 million for the third quarter. Reference is made to note 2 and note 24 in the annual report for 2016.

The consolidated income statement and cash flow statements for the third quarter 2016 have been changed to reflect the company's divestment of the Geo business. The net result from discontinued businesses is presented on a separate line in the income statement.

Following the divestment of the Geo division, and the implementation of a common organisational and business structure for the remaining group entities, the group's operating segments have been changed in 2017. The segments reported are now Norway and Sweden, based on the geographical location of the subsidiaries. Corresponding information for earlier periods have been restated.

## Changes in the group's structure during the quarter

On 29 June 2017, NRC Group agreed to acquire the construction company ALTi Bygg og Anlegg AS for a total consideration of NOK 200 million in a combination of cash and NRC Group ASA shares. The transaction was closed 6 July 2017.

On 31 March 2017, NRC Group agreed to acquire the railway infrastructure and signal company Signal og Banbyggarna i Dalarna Aktiebolag (SBB) for an estimated enterprise value of SEK 115 million in a combination of cash and NRC Group ASA shares. The transaction was closed 10 July 2017.

## Business combinations

On 7 April 2017, NRC Group acquired 100% of the shares in HAG Anlegg AS for an enterprise value of NOK 107.5 million. The transaction was closed 7 April 2017. For further information, see to the second quarter report.

The purchase price allocation was not finalised by 30 September 2017.

Presented below is the allocation of the purchase price based on the opening balance for the business combinations made in the third quarter of 2017. The purchase prices have been allocated at the fair value of the assets and liabilities of the acquired companies.

(Amounts in NOK million)	ALTi BA AS	SBB AB
Date of acquisition	6 July	10 July
Share of ownership	100%	100%
Cash settlement	100,0	60,3
Value of issued shares in NRC Group ASA	100,0	33,2
Cash/debt in target	-52,2	28,3
<b>Net settlement</b>	<b>147,8</b>	<b>121,8</b>
Property, plant and equipment	8,4	37,4
Intangible asset: Customer contracts and relations	10,2	9,8
Current assets	27,4	71,2
Tax payable and deferred tax	-5,7	-3,8
Interest-bearing debt	-4,5	-26,8
Other current liabilities	-50,4	-35,3
<b>Net identifiable assets and liabilities</b>	<b>-14,6</b>	<b>52,5</b>
<b>Goodwill</b>	<b>162,4</b>	<b>52,0</b>
Consolidated revenue from date of acquisition	37,0	66,0
Consolidated profit/loss before tax from date of acquisition	8,0	6,0
Transaction costs expensed as other operating expenses	1,1	1,6

Allocation of the purchase prices were prepared using the acquisition method as regulated in IFRS 3. The allocations were not finalised by 30 September 2017. On 6 July 2017, NRC Group acquired 100% of the shares in ALTi Bygg og Anlegg AS for a total consideration of NOK 200 million. The acquisition was financed by a combination of cash and issuance of 1,724,137 new shares in NRC Group. The shares are subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 24 months, 1/3 for 30 months and the last 1/3 for 36 months.

The acquisition of ALTi Bygg og Anlegg AS resulted in goodwill of NOK 162.4 million.

Goodwill is related to the fair value of expected synergies arising from the organisation's competence within project - and site management as well as construction technique within the groundworks segment. The acquisition will strengthen NRC Group's overall capabilities, enabling NRC Group to undertake larger, more complex and simultaneous projects.

Intangible assets related to the acquisition of ALTi Bygg og Anlegg AS include customer contracts and customer relations acquired through the business combination of NOK 10.2 million. They are recognized at their fair value at the date of acquisition and are subsequently amortised according to the

straight-line method over their estimated useful life. The allocation of the purchase price resulted in a change in fair value of fixed assets of NOK 3.6 million and a provision of NOK 0.6 million related to contract guarantees, included as other current liabilities.

On 10 July 2017, NRC Group acquired 100% of the shares in Signal and Banbyggarna i Dalarna Aktiebolag (SBB) for an enterprise value of SEK 115 million. The net settlement was adjusted to NOK 121.8 million including net debt settlement based on pre-closing estimates of net debt and working capital adjustments. The final consideration is contingent of the EBITDA for SBB for 2017. The final purchase price, including net debt settlement, is estimated to NOK 104.5 million, causing a refund. The contingent consideration in the agreement can increase the purchase price and the goodwill with maximum SEK 29 million. The acquisition was financed by a combination of cash and issuance of 561,604 new shares in NRC Group. Of the cash consideration, SEK 7.5 million is placed in escrow. The escrow amount, together with SEK 15.5 million in shares, will for a specific period of time serve as security for any claims NRC Group may

have against the sellers under the share purchase agreement. The shares are subject to a lock-up period, whereby 1/3 of the shares are subject to a lock-up period of 18 months, 1/3 for 24 months and the last 1/3 for 36 months.

The acquisition of SBB resulted in goodwill of NOK 52.0 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within construction work and project- and site management within railway infrastructure and signalling as well as groundwork. The acquisition will improve the competitiveness of NRC Group's Swedish operations.

Intangible assets related to the acquisition of SBB include customer contracts and customer relations acquired through the business combination of NOK 9.8 million. They are recognized 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 1.0 million related to contract guarantees, included as other current liabilities.

## Segments

<b>Norway operations (NOK million)</b>	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>YTD 2017</b>	<b>YTD 2016</b>	<b>FY 2016</b>
Revenue	254,8	161,0	551,8	436,4	604,4
Operating profit/loss before depr. and amort. (EBITDA)	18,6	13,9	22,6	14,7	13,2
Operating profit/loss before amort. (EBITA)	13,0	10,6	8,2	6,2	2,5
Operating profit/loss (EBIT)	8,4	9,4	-2,0	2,8	-2,3
<b>Sweden operations (NOK million)</b>	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>YTD 2017</b>	<b>YTD 2016</b>	<b>FY 2016</b>
Revenue	524,5	438,9	1 153,0	986,9	1 370,6
Operating profit/loss before depr. and amort. (EBITDA)	95,5	72,6	156,9	117,4	173,5
Operating profit/loss before amort. (EBITA)	88,6	66,5	140,8	107,4	159,7
Operating profit/loss (EBIT)	83,8	60,5	124,9	89,5	136,0
<b>Parent, holding companies and eliminations (NOK million)</b>	<b>Q3 2017</b>	<b>Q3 2016</b>	<b>YTD 2017</b>	<b>YTD 2016</b>	<b>FY 2016</b>
Revenue	-2,8	0,0	-5,8	0,0	0,0
Operating profit/loss before depr. and amort. (EBITDA)	-3,6	-5,3	-20,0	-27,1	-34,4
Operating profit/loss before amort. (EBITA)	-3,6	-5,3	-20,0	-27,1	-34,4
Operating profit/loss (EBIT)	-3,6	-5,2	-20,0	-27,1	-34,4

## Discontinued operations

In 2016, most of the companies in the former Geo business were divested and the remaining Geo companies were presented as discontinued operations as per year-end 2016.

These entities are Blom Deutschland GmbH, Blom Nusantara PT, Indonesia and Blom International Operations S.R.L. The sale of Blom Deutschland GmbH was closed in January 2017 with no material gain or loss for the group. The sale of Blom Nusantara PT and

Blom International Operations S.R.L were closed during the second quarter of 2017.

The profit/loss from discontinued operations for the first half of 2017 and full year 2016 therefore includes the net profit/loss of the Geo business, the net gain on sale of the entities as well as reclassification of foreign currency translation reserves, as required by IFRS, for the entities sold. Reference is made to note 23 in the annual report for 2016.

Profit/loss from discontinued operations:

(Amounts in NOK million)	YTD 2017	2016
Operating revenue	9	163
Operating expenses	-9	-166
<b>Operating profit/loss</b>	<b>-1</b>	<b>-3</b>
Net financial items	0	0
Net profit/loss from sale and remeasurement	-6	-7
<b>Profit/loss before tax from discontinued operations</b>	<b>-7</b>	<b>-10</b>
Tax	0	0
<b>Profit/loss for the year from discontinued operations</b>	<b>-7</b>	<b>-10</b>

Net profit/gain from sale and remeasurement:

(Amounts in NOK million)	YTD 2017	2016
Consideration received or receivable:		
Cash	6	54
Receivable	0	12
Transaction costs	-1	-7
<b>Total consideration</b>	<b>5</b>	<b>59</b>
Carrying amounts of net assets sold	-8	-33
Gain on sale before remeasurement, tax and reclassification of translation reserve	-4	26
Reclassification of foreign currency translation reserve	-2	-31
Income tax expense	0	0
<b>Gain (loss) on sale</b>	<b>-6</b>	<b>-5</b>
Transaction costs disposal group	0	-2
<b>Net profit/gain from sale and remeasurement</b>	<b>-6</b>	<b>-7</b>

Summary of net cash flows:

(Amounts in NOK million)	YTD 2017	2016
Operating cash flow	0	18
Investing cash flow	0	-2
Net proceeds from sale of shares and other investments	4	47
Cash in companies sold	0	-24
Financing cash flow	0	0
<b>Net cash (outflow)/inflow</b>	<b>4</b>	<b>39</b>

## Transactions between related parties

NRC Group ASA had no significant related party transactions in the third quarter of 2017. Note 6 in the annual report for 2016 provides further disclosures on the size and types of related party transactions during the previous years. The transactions are carried out on arm's length terms.

## Shareholder information

The table presented below provide an overview of the Stock Exchange announced contracts during third quarter 2017.

**(Amounts in NOK million)**

Client	Estimated value	Country
Statens Vegvesen	155	Norway
Trafikverket	57	Sweden
Statens Vegvesen	122	Norway
Trafikverket	84	Sweden
Statens Vegvesen	44	Norway
<b>Total</b>	<b>462</b>	

6 September NRC Group ASA completed a limited share program for its new employees in acquired companies in 2017. The employees have been offered the opportunity to purchase a certain number of shares at 20% discount. The purchase price per share before the discount was NOK 54.00, corresponding to the trading price of the company's share on the Oslo Stock Exchange on 5 September 2017. The company completed a transfer of a total of 22,937 of its shares held in treasury to the employees participating in the program.

As of 30 September, the company holds 210.488 own shares in treasury.

As of 30 September, the company's share capital was NOK 41,814,953 divided on 41,814,953 shares, each with a nominal value of NOK 1.

## Events after the end of the period

In October, NRC Group agreed to acquire 100% of Fibertech AS for an enterprise value of NOK 61.5 million with payment as mix of cash and issue of new shares. The enterprise value is based on estimated EBIT, and the sellers have guaranteed a minimum EBIT in 2017 and 2018 of NOK 12 million. The takeover strengthens NRC Group's competencies within fibre optic lines ahead of the upcoming EMRTS development in both Norway and Sweden.

24 October the Fibertech transaction was completed. In connection with the acquisition, the board of directors of the company resolved to issue 512,895 new shares in the company at a price per share of NOK 61.50.

The acquisition is in line with NRC Group's strategy of developing its competencies as a turnkey railway and groundworks entrepreneur, and to consolidate the market for rail, tram and metro construction services.

The initial accounting for the business combination is incomplete at the time for the interim financial statement being issued. Information related to the purchase price allocation as well as the transaction costs, revenue and profit or loss of the combined entity are therefore not disclosed.

The company's new share capital following the acquisition is NOK 42,327,848 divided on 42,327,848 shares, each with a nominal value of NOK 1.

## 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](http://www.newsweb.no), and the company's website, [www.nrcgroup.com](http://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.

# NRC Group ASA

## Company information

### Visiting address

Akerkvartalet  
Oksenøyveien 10, O10  
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

## Management

Øivind Horpestad	CEO
Dag Fladby	CFO
Daniel Pettersson	MD Sweden
Geir Nilsen	MD Norway

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