



NRC Group

**Report for
3rd quarter 2016**

Highlights and key figures third quarter 2016

Highlights

- All-time high revenue and profit for the quarter
- High activity, particularly in Sweden
- Strong order backlog of NOK 1,444 million in Q3 2016

Key figures Q3 2016

- Revenues of NOK 645.1 million in Q3 2016 vs NOK 417.8 million in Q3 2015
- EBITDA of NOK 88.9 million in Q3 2016 vs NOK 51.7 million in Q3 2015
- EBITDA margin of 13.8% in Q3 2016 vs. 12.4% in Q3 2015

Key events post Q3 2016

- SEK 180 million extension makes Ludvika-Frövi project the largest contract awarded to date, bringing the total contract value to SEK 295 million
- Sale of Blom UK
- Acquisition of Gravco to strengthen position in tram and metro market
- Dividend policy decided by the Board of Directors

Unless otherwise stated, all comments made to the interim financial information for NRC Group in this report relate to pro forma figures for 2015 and 2016. Figures presented in brackets are figures for the corresponding periods in 2015. All figures are unaudited unless otherwise stated.

Key figures (pro forma)

(Amounts in NOK 1 000)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Revenue	645 065	417 835	1 559 976	866 011	1 318 852
EBITDA	88 890	51 716	136 647	63 314	102 637
EBITA	78 442	47 116	114 560	50 448	85 416
EBIT	74 968	43 553	104 015	39 760	71 743
EBT	72 818	41 342	96 684	32 484	63 703
EBITDA (%)	13,8 %	12,4 %	8,8 %	7,3 %	7,8 %
EBIT (%)	11,6 %	10,4 %	6,7 %	4,6 %	5,4 %
Employees	682	600	682	600	596
Investments	24 437	3 384	48 550	26 464	39 586
Order back log (NOK million)	1 444	1 539	1 444	1 539	1 395

Includes pro forma figures for 2016 and 2015, adjusted for transaction costs and one-offs.

Key figures (actual reported)

The table below sets out the actual reported figures for NRC Group for the periods indicated. Revenue in the third quarter of 2016 amounted to NOK 644.9 million (NOK 295.2 million). Third-quarter net profit was NOK 51.9 million (NOK 18.3 million) and net profit as per 30 September 2016 was NOK 54.3 million (NOK 21.6 million). Net profit as per 30 September 2016 includes transaction costs and one-offs of NOK 12.8 million (NOK 26.8 million). Net profit as of 30 September 2015 includes recognition of deferred tax assets of NOK 36 million. Net profit for the fiscal year 2015 includes negative one-offs of NOK 12 million, transaction costs of NOK 22 million and recognition of deferred tax assets of NOK 58 million. Figures for NRC Rail Norge and SJT are included from June 2015, Litz and Elektrobyggnad from November 2015, Segermo from December 2015 and Railcap from June 2016. The income statement for the third quarter, per 30 September 2015 and total year 2015 has been re-presented to reflect the divestment of the Nordic Geo business.

(Amounts in NOK 1 000)	Q3 2016	Q3 2015 (Re-presented)	YTD 2016	YTD 2015	FY 2015 (Re-presented)
Revenue	644 895	295 228	1 550 007	408 177	769 330
Operating profit/loss (EBIT)	75 031	24 721	91 104	7 439	22 115
Net profit/loss	51 882	18 332	54 270	21 618	47 597

Comments on third quarter 2016 results

All-time high results for the third quarter

NRC Group delivered a solid third quarter with significant revenue growth and improved EBITDA margin. This performance came as a result of the company's particularly strong operation in Sweden as well as a good project execution and cost control during the most active period of the year. Total revenue increased 54 per cent compared with the third quarter of 2015, while EBITDA increased 72 per cent to NOK 88.9 million. This equalled an EBITDA margin of 13.8 per cent, up from 12.4 per cent in the same period last year.

The market conditions remained strong with high tendering activity and the company announced several significant contracts during the quarter. The majority of the order intake was related to announced major contracts and the backlog was NOK 1,444 million at the end of the quarter.

NRC Group remains focused on strengthening the position in the Nordic transport infrastructure market. The acquisition of Gravco AS will position the group for projects related to the tram and metro systems in Oslo.

The significant investments planned for the Nordic railway continues to offer a positive long-term outlook. Norway maintains positive and Sweden enjoys one of the fastest rates of economic growth in Europe. With the latest acquisition, NRC Group confirms the ability to consolidate the market. The company will continue to focus on its strategy of organic and acquisitive growth the coming years.

Events after the end of the quarter

On 24 October 2016 the company announced that The Swedish Transport Administration (Trafikverket) had decided to exercise the option on the contract Ludvika – Frövi announced in March 2016. The exercise of the option of SEK 180 million implies a total contract value of approximately SEK 295 million. The contract is the largest track contract awarded to the company to date, and confirms NRC Group's strong position as a leading fully integrated rail infrastructure contractor in Sweden.

On 6 November 2016, the company signed an agreement to divest its Geo business in UK, Blom Aerofilms Limited, to Cyient Europe Limited. The divestment is in-line with the company's strategy to focus on the rail infrastructure.

On 8 November 2016, the company signed an agreement to acquire Gravco AS. Gravco AS is a leading water and wastewater entrepreneur in the Oslo area and enables NRC Group to bid for and execute upcoming turnkey tramline upgrade contracts. The Oslo tram system will undergo a major upgrade, triggering a number of contracts with start-up from 2017 in order to prepare for the delivery of new tram wagons in 2021. The city of Oslo will in parallel with the tramline upgrades, renew water and wastewater lines.

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 per cent of the profit for the year.



Operations

NRC Group aims to be the leading Nordic rail and civil entrepreneur

NRC Group is a fully integrated rail infrastructure contractor covering the Norwegian and Swedish markets. The company is a full-range supplier for the construction of all types of rails including train, tram and subway. Main service offerings include groundwork, specialized track work, electro / telecom, safety & security, signalling work and project

management. NRC Group has all the necessary approvals to work within the train, tram and subway segments.

NRC Group's Geo division operates within acquisition, processing and modelling of geographic information.

Rail business segment

(Amounts in NOK 1 000)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Revenue	600 074	393 204	1 433 288	804 424	1 227 768
EBITDA	86 439	52 471	135 466	68 488	107 493
EBITA	77 014	48 782	116 702	58 022	93 646
EBIT	73 540	45 219	106 157	47 334	79 973
EBITDA (%)	14,4 %	13,3 %	9,5 %	8,5 %	8,8 %
EBIT (%)	12,3 %	11,5 %	7,4 %	5,9 %	6,5 %
Employees	378	301	378	301	300
Investments	23 226	1 972	46 205	22 216	32 736
Order back log (NOK million)	1 397	1 427	1 397	1 427	1 264

Includes pro forma figures for 2016 and 2015, adjusted for transaction costs and one-offs.

Revenue in the third quarter of 2016 amounted to NOK 600.1 million (NOK 393.2 million), an increase of 53 per cent compared to the third quarter of 2015. Accumulated revenue as per the third quarter was NOK 1,433.3 million (NOK 804.4 million), an increase of 78 per cent from the same period last year.

The third-quarter increase in revenue is particularly explained by high activity in Sweden. A large number of the projects completed during the quarter were positively influenced by successful cooperation between the different group companies.

EBITDA for the third quarter of 2016 amounted

to NOK 86.4 million (NOK 52.5 million), an increase of 65 per cent compared to the third-quarter 2015 EBITDA. EBITDA per 30 September 2016 was NOK 135.5 million (NOK 68.5 million). This is an increase of 98 per cent from 2015. Third-quarter 2016 EBITDA margin was 14.4 per cent (13.3 per cent).

The order backlog for the Rail division was NOK 1,397 million (NOK 1,427 million) per 30 September 2016.

The market sentiment in Sweden and Norway is strong. NRC Group's leading position in these respective markets provide a solid foundation for further growth.

Geo business segment

(Amounts in NOK 1 000)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Revenue	44 992	24 631	126 689	61 587	91 084
EBITDA	7 728	2 393	18 442	3 622	8 126
EBITA	6 705	1 523	15 187	1 361	4 934
EBIT	6 705	1 523	15 187	1 361	4 934
EBITDA (%)	17.2 %	9.7 %	14.6 %	5.9 %	8.9 %
EBIT (%)	14.9 %	6.2 %	12.0 %	2.2 %	5.4 %
Employees	297	296	297	296	293
Investments	1 211	1 412	2 345	4 248	6 850
Order back log (NOK million)	47	112	47	112	132

The Geo division has operations in the UK, Germany, Romania and Indonesia. As per the third quarter of 2016, the Geo business accounts for approximately 8.1 per cent of the total business in the NRC Group.

Revenue in the third quarter of 2016 amounted to NOK 45.0 million (NOK 24.6 million), while revenue for the first three quarters was NOK 126.7 million (NOK 61.6 million). The increase in revenue came mainly from the UK operations due to a British rail infrastructure project as well

as a contract with TomTom.

EBITDA for the third quarter of 2016 was NOK 7.7 million (NOK 2.4 million), while EBITDA for the three first quarters of 2016 was NOK 18.4 million (NOK 3.6 million). The increase is mainly due to higher revenue in the UK.

The order reserve for the Geo division was NOK 47.0 million (NOK 112.0 million) per 30 September 2016.

Financial position

Cash flow from operating activities for the third quarter of 2016 was NOK 80.8 million (NOK 1.8 million) and YTD NOK 54.5 million (NOK -14.6 million). Net change in cash was NOK 29.3 million in the third quarter 2016 (NOK 65.8 million) and YTD NOK -55.0 million (NOK 69.5 million).

The cash position at 30 September 2016 was NOK 187.8 million.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 30 September 2016, 675 people were employed in the operative companies, of which 378 were employed in the Rail division and 297 in the Geo division. NRC Group ASA had seven employees as of 30 September 2016.

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's Rail division is the first ISO certificated railway constructor in Norway.

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, but by having operational units in different operational currencies, NRC Group is to some extent exposed to currency risks. NRC Group has not utilized any hedging instruments to limit the risks associated with foreign exchange.

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 Jernbaneverket 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 seasonally relatively high amount of working capital committed. 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 market sentiment in Sweden and Norway is strong. NRC Group's firm position in these respective markets give the group a solid position for further growth.

Oslo, 7 November 2016

The Board of Directors of NRC Group ASA

Helge Midttun
Chairman of the Board of Directors

Brita Eilertsen
Board member

Harald Arnet
Board member

Kristian G. Lundkvist
Board member

Kjersti Kanne
Board member

Øivind Horpestad
CEO

Condensed consolidated statement of income

Pro forma figures

(Amounts in NOK 1 000)	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Revenue	645 065	417 835	1 559 976	866 011	1 318 852
Operating expenses	556 176	366 119	1 423 329	802 697	1 216 215
Operating result before depr. and amort. (EBITDA)	88 890	51 716	136 647	63 314	102 637
Depreciation	10 447	4 600	22 087	12 866	17 221
Operating result before amortisation (EBITA)	78 442	47 116	114 560	50 448	85 416
Amortisation	3 474	3 562	10 545	10 687	13 673
Operating profit/loss (EBIT)	74 968	43 553	104 015	39 760	71 743
Profit/loss before tax (EBT)	72 818	41 342	96 684	32 484	63 703
Key Figures:					
EBITDA (%)	13.8 %	12.4 %	8.8 %	7.3 %	7.8 %
EBIT (%)	11.6 %	10.4 %	6.7 %	4.6 %	5.4 %
EBT (%)	11.3 %	9.9 %	6.2 %	3.8 %	4.8 %
Employees	682	600	682	600	596
Investments	24 437	3 384	48 550	26 464	39 586
Order back log (NOK million)	1 444	1 539	1 444	1 539	1 395

Includes pro forma figures for 2016 and 2015, adjusted for transaction costs and one-offs.

The table below shows a reconciliation of revenue and EBIT for the periods indicated. The table shows the reported figures and pro forma figures for NRC Group, including reported figures for NRC Rail Norge and SJT from June 2015, Litz and Elektrobyggad from

November 2015, Segermo from December 2015 and Railcap from June 2016 only. The income statement for 2015 has been re-presented to reflect the divestment of the Nordic Geo business. The actual reported figures for full year 2015 have been audited.

(Amounts in NOK 1 000)	Q3 2016	Q3 2015 (Re-presented)	YTD 2016	YTD 2015	FY 2015 (Re-presented)
Revenue:					
NRC Group (reported)	644 895	295 228	1 550 007	408 177	769 330
NRC Rail Group (pro forma)	171	122 607	9 969	457 834	549 522
NRC Group (pro forma)	645 065	417 835	1 559 976	866 011	1 318 852
EBIT:					
NRC Group (reported)	75 031	24 721	91 104	7 439	22 115
NRC Rail Group (pro forma)	-63	14 450	72	5 522	15 453
Transaction costs / one-offs	0	4 382	12 839	26 799	34 175
NRC Group (pro forma)	74 968	43 553	104 015	39 760	71 743

Business segments

Pro forma figures

(Amounts in NOK 1 000)

Revenue	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Rail	600 074	393 204	1 433 288	804 424	1 227 768
Geo	44 992	24 631	126 689	61 587	91 084
Total	645 065	417 835	1 559 976	866 011	1 318 852
EBITDA	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Rail	86 439	52 471	135 466	68 488	107 493
Geo	7 728	2 393	18 442	3 622	8 126
Other	-5 277	-3 148	-17 261	-8 796	-12 982
Total	88 890	51 716	136 647	63 314	102 637
EBITA	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Rail	77 014	48 782	116 702	58 022	93 646
Geo	6 705	1 523	15 187	1 361	4 934
Other	-5 277	-3 189	-17 330	-8 935	-13 164
Total	78 443	47 116	114 560	50 448	85 416
EBIT	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Rail	73 540	45 219	106 157	47 334	79 973
Geo	6 705	1 523	15 187	1 361	4 934
Other	-5 277	-3 189	-17 330	-8 935	-13 164
Total	74 969	43 553	104 015	39 760	71 743

Includes pro forma figures for 2016 and 2015, adjusted for transaction costs and one-offs.

Geographical information

Pro forma figures

(Amounts in NOK 1 000)

Revenue	Q3 2016	Q3 2015	YTD 2016	YTD 2015	FY 2015
Norway	161 185	156 091	446 360	359 458	523 093
Sweden	438 889	237 113	986 928	444 966	704 675
Other countries	44 992	24 631	126 689	61 587	91 084
Total	645 065	417 835	1 559 976	866 011	1 318 852

The table above includes pro forma figures for 2016 and 2015.

Condensed consolidated statement of income

Reported figures

(Amounts in NOK 1 000)	Q3 2016	Q3 2015(Re-presented)	YTD 2016	YTD 2015	FY 2015 (Re-presented)
Revenue	644 895	295 228	1 550 007	408 177	769 330
Operating expenses	555 942	263 775	1 426 534	391 116	729 299
Operating profit/loss before depr. and amort. (EBITDA)	88 953	31 453	123 473	17 061	40 032
Depreciation	10 448	4 224	21 824	6 288	11 189
Operating profit/loss before amortisation (EBITA)	78 505	27 229	101 649	10 773	28 842
Amortisation	3 474	2 508	10 545	3 334	6 727
Operating profit/loss (EBIT)	75 031	24 721	91 104	7 439	22 115
Net financial items	-2 150	-2 395	-7 331	-4 669	-5 574
Profit/loss before tax (EBT)	72 881	22 326	83 773	2 770	16 541
Taxes	-20 998	-7 165	-23 064	27 919	41 934
Profit/loss from continuing operations	51 883	15 161	60 708	30 689	58 475
Profit/loss from discontinued operations	0	3 170	-6 438	-9 072	-10 878
Net profit/loss	51 882	18 332	54 270	21 618	47 597
Profit/loss attributable to:					
Shareholders	51 882	18 332	54 270	21 618	47 597
Net profit / loss	51 882	18 332	54 270	21 618	47 597
Comprehensive profit/loss:					
Recalculation of pension obligations	-50	-60	-150	-186	89
Translation differences	-13 241	4 495	-65 184	9 529	28 618
Total comprehensive profit/loss	38 591	22 767	-11 064	30 961	76 304
Total comprehensive profit/loss attributable to:					
Shareholders	38 591	22 767	-11 064	30 961	76 304
Total comprehensive profit/loss	38 591	22 767	-11 064	30 961	76 304
Earnings per share:					
From continuing operations	1,48	0,95	1,74	1,93	3,02
From discontinued operations	0,00	0,20	-0,19	-0,57	-0,56
From total net profit/loss	1,48	1,15	1,55	1,36	2,46

Reported figures 2016 include Railcap from June 2016, transaction costs of NOK 2.0 million and one-offs of NOK 10.8 million. Reported figures for fiscal year 2015 include reported figures for NRC Rail Norge and SJT from June, Litz and Elektroyggnad from November, Segermo from December, transaction costs of NOK 22 million related to the completion of the acquisitions and one-offs of NOK 12 million related to restructuring costs. The financial information for 2015 has been re-presented to reflect the divestment of the Nordic Geo business. The interim financial information has not been audited.

Consolidated balance sheet

(Amounts in NOK 1 000)

ASSETS	30.09.2016	30.09.2015	31.12.2015
Customer contracts and other intangible assets	27 617	17 380	37 861
Deferred tax assets	42 992	36 391	42 992
Goodwill	529 468	297 671	533 822
Intangible non-current assets	600 077	351 442	614 675
Tangible non-current assets	120 261	117 976	120 593
Total non-current asset investments	7 305	11 814	8 393
Total non-current assets	727 643	481 232	743 661
Total receivables	460 672	294 045	359 362
Cash and cash equivalents	169 675	127 538	258 229
Assets classified as held for sale	69 640	0	0
Total current assets	699 987	421 582	617 591
Total assets	1 427 630	902 814	1 361 251

(Amounts in NOK 1 000)

EQUITY AND LIABILITIES	30.09.2016	30.09.2015	31.12.2015
Paid-in-capital:			
Share capital	35 311	26 117	34 945
Treasury shares	-1 643	-1 978	-1 728
Share premium	673 344	323 680	650 623
Other equity:			
Currency translation differences	-60 570	-14 474	4 615
Retained earnings	94 670	14 295	40 549
Total equity	741 113	347 641	729 004
Pension obligations	0	5 472	5 306
Non-current interest-bearing liabilities	115 563	175 070	162 088
Deferred taxes	30 933	26 383	27 600
Other non-current liabilities	4 711	0	100
Total non-current liabilities	151 207	206 925	195 094
Total interest-bearing current liabilities	122 119	96 613	87 841
Total other current liabilities	372 209	251 635	349 312
Liabilities classified as held for sale	40 982	0	0
Total current liabilities	535 310	348 248	437 153
Total equity and liabilities	1 427 630	902 814	1 361 251

Statement of changes in equity

(Amounts in NOK 1 000)	Share capital	Treasury shares	Share premium	Translation differences	Retained earnings	Total equity
Equity at 1 January 2015	10 071	-1 978	97 703	-24 003	-7 137	74 656
Profit for the period					21 618	21 618
Other comprehensive income for the period				9 529	-186	9 343
Share capital	16 046					16 046
Share premium			230 826			230 826
Costs recognised through equity			-4 848			-4 848
Total comprehensive income for the period	16 046	0	225 978	9 529	21 432	272 985
Equity at 30 September 2015	26 117	-1 978	323 681	-14 474	14 295	347 641
 Equity at 1 January 2016	 34 944	 -1 728	 650 623	 4 615	 40 549	 729 003
Profit for the period					54 270	54 270
Other comprehensive income for the period				-65 184	-150	-65 334
Share capital	367					367
Share premium			18 833			18 833
Sale of own shares		85	3 888			3 973
Total comprehensive income for the period	367	85	22 721	-65 184	54 120	12 109
Equity at 30 September 2016	35 311	-1 643	673 344	-60 569	94 669	741 113

Consolidated cash flow statement

(Amounts in NOK 1 000)	Q3 2016	Q3 2015 (Re-presented)	YTD 2016	YTD 2015 (Re-presented)
Profit/loss before tax	72 881	22 326	83 773	2 770
Net cash flow from operating activities - continuing operations	80 812	-3 376	54 475	-2 230
Net cash flow from operating activities - discontinued operations	0	5 159	0	-12 412
A = Net cash flow from operating activities	80 812	1 784	54 475	-14 641
Net cash flow from investing activities - continuing operations	-23 073	-19 200	-52 098	-161 851
Net cash flow from investing activities - discontinued operations	0	-742	-19 697	-1 518
B = Net cash flow from investing activities	-23 073	-19 943	-71 795	-163 370
Net cash flow from financing activities - continuing operations	-28 461	88 556	-37 689	252 886
Net cash flow from financing activities - discontinued operations	0	-4 570	0	-5 382
C = Net cash flow from financing activities	-28 461	83 987	-37 689	247 505
A+B+C Net change in cash and cash equivalents	29 278	65 828	-55 009	69 494
+ Cash and cash equivalents at the start of the period 1)	167 446	56 475	258 228	52 390
Translation differences	-8 969	5 235	-15 465	5 654
= Cash and cash equivalents at the end of the period 1)	187 754	127 538	187 754	127 538
Cash and cash equivalents - continuing operations	187 754	119 661	187 754	119 661
Cash and cash equivalents - discontinued operations		7 877	0	7 877

1) The cash flow statement for 2015 has been re-presented to reflect the divestment of the company's Nordic Geo business. Cash and cash equivalents at the start of 2015 include cash balance of NOK 7.9 million in the Geo business.

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 Fornebuporten, 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 2016 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 2015. The company has not implemented new or changed standards in 2016.

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 2015. The interim accounts have been prepared in accordance with the same principles that are used in the annual accounts for 2015. 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 2016, unaudited interim financial reports for 2015 and audited financial report for the full year of 2015. The consolidated income statement and cash

flow statement have been re-presented to reflect the company's divestment of the Nordic Geo business. The result from discontinued businesses is presented on a separate line in other comprehensive income.

In consolidation of the accounts of foreign subsidiaries, the income statement is translated into the presentation currency (NOK) according to average exchange rates for the period. Balance sheet items are translated at the exchange rate in effect on the balance sheet date. Currency translation gains or losses resulting from differences in the exchange rates in effect on the balance sheet date compared with the rates in effect at the previous year-end are recognised in other comprehensive income.

To increase understanding of the preceding year's comparative figures, adjusted pro forma statements have been prepared and presented separately. The pro forma statements have been prepared as if the business combinations in 2015 and 2016 took place at 01 January 2015, and adjusted for transaction costs and one-offs. All comments on the income statement in this report are based on pro forma figures unless otherwise stated.

The pro forma financial information for third quarter and full year for 2015 and third quarter of 2016 included in this report have not been audited.

Use of estimates

In preparing these condensed consolidated interim financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates are based on the management's best judgement and experience. Actual results may differ from these estimates. Estimates and their

underlying assumptions are assessed on a continuous basis. Changes in accounting estimates are recognised for the period in which the estimate is changed and for future periods if these are affected by the change in estimates.

All projects in the Rail segment are accounted for as construction contracts. The projects vary from shorter projects of less than a month to longer projects ranging over multiple years. The estimates underlying the accounts are based on uniform principles and are subject to audit procedures to ensure reliable measurement of project results and progress.

The significant judgements made by The significant judgements made by management in applying the NRC Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as of and for the year ended 31 December 2015.

Changes in the group's structure

Business combinations

On 20 May 2016, it was announced that the company, through its wholly owned Norwegian subsidiary NRC Norge AS, had acquired 100 per cent of the shares in Railcap AS for an enterprise value of NOK 48 million. Railcap is a rail signalling specialist contractor, which carries out railway installations, test and commissioning, construction and design.

The acquisition was financed by a combination of cash, by the issuance of 366 789 new shares in NRC Group and a seller credit. The shares are subject to a lock-up period of 18 months. The former shareholders of Railcap have guaranteed a minimum EBT in 2016 of NOK 6.1 million.

Presented below is an allocation of the purchase price based on the opening balance for the business combination made in 2016. Allocation of the purchase price was prepared

using the acquisition method as regulated in IFRS 3. The purchase price has been allocated at the fair value of the assets and liabilities of the company. The acquisition of Railcap AS resulted in goodwill of NOK 46 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within rail signalling. The acquisition will enable the group to undertake larger projects where signalling work is a vital and integrated part. The allocation of the purchase price has not been audited and is not final.

(Amounts in NOK 1 000)	Railcap AS
Date of acquisition	01.06.16
Share of ownership	100 %
Cash settlement	27 662
Value of issued shares	19 200
Sellers credit	5 000
Cash in target	-4 961
Net settlement	46 901
Property, plant and equipment	1 654
Other non-current assets	199
Current assets	7 118
Tax payable and deferred tax	-1 524
Interest-bearing debt	-956
Other current liabilities	-5 650
Net identifiable assets and liabilities	840
Goodwill	46 060

From the date of acquisition, the business combination in 2016 contributed to NOK 10.1 million of revenue and NOK 2.1 million to the operating result for NRC Group. If the combination had taken place at the beginning of the year, the NRC Group's pro forma revenue would have been NOK 1,560 million and pro forma operating result would have been NOK 104 million.

Summary of business combinations in 2015

During 2015 the company acquired 100 per cent of the shares in five companies within the infrastructure market in Norway and Sweden. The business combinations in 2015 resulted in goodwill of NOK 487 million. The allocation was final as per 31 December 2015.

The acquisition of NRC Rail AS, a leading contractor within railway infrastructure in Norway, resulted in goodwill of NOK 63.4 million. The goodwill is related to the expected synergies arising from the acquisition. From the initial purchase price allocation there has been made a re-allocation between non-current assets to intangible assets and the total value of goodwill has been adjusted with NOK 2.8 million, related to valuation of properties and customer contracts and relations.

The acquisition of Svensk Järnvägsteknik AB, a fully integrated contractor within railway infrastructure in Sweden, resulted in goodwill of NOK 200.6 million. Goodwill is related to the expected synergies and the group's market position in Norway and Sweden. From the initial

purchase price allocation there has been made a re-allocation between non-current assets to intangible assets and the total value of goodwill has been adjusted with NOK 8.1 million, mainly related to valuation of customer projects and relations.

The acquisition of Litz Entreprenad AB and Elektrobyggnad AB, two companies specialized in railway-related electric services and rail contact line, resulted in goodwill of NOK 51.1 million. The companies have a strong market position in Sweden, and the goodwill is related to the expected synergies from combining the operations with the other companies in the group and the employees competence.

The acquisition of Segermo Entreprenad AB, a Swedish rail groundwork contractor, resulted in goodwill of NOK 172.2 million. The goodwill is related to the group's market position in Norway and Sweden, the employees' competence and the organisation's ability to operate profitable.

Presented below is an allocation of the purchase price based on the opening balances of the companies.

(Amounts in NOK 1 000)	NRC Rail	SJT	Litz	Elektro- byggnad	Segermo
Date of acquisition	01.06.15	01.06.15	01.11.15	01.11.15	01.12.15
Share of ownership	100 %	100 %	100 %	100 %	100 %
Cash settlement		164 736	15 847	10 895	124 144
Value of issued shares	93 000	60 000	23 771	23 771	99 554
Sellers credit		14 399			
Cash in target	-10 814	-15 631	-15 507	1 382	-27 022
Net settlement	82 186	223 504	24 111	36 047	196 676
Property, plant and equipment	63 335	23 227	672	6 132	13 092
Intangible assets: Goodwill at date of acquisition	5 638	492			
Intangible assets: Customer contracts and relations	10 903	14 544	1 892	1 471	12 237
Other non-current assets	3 339	4 880	160	192	
Current assets	95 217	20 512	10 111	14 807	106 568
Tax payable and deferred tax	-7 339	-9 517	-2 674	479	-15 605
Interest-bearing debt	-66 815	-3 745		-7 818	-9
Other current liabilities	-85 460	-26 620	-10 393	-5 990	-91 800
Minority interest		-864			
Net identifiable assets and liabilities	18 818	22 910	-232	9 273	24 483
Goodwill	63 367	200 594	24 343	26 775	172 192

Intangible assets include customer contracts and customer relations acquired through the business combinations of a total of NOK 41 million. They are recognised at their fair value at the date of acquisition and are subsequently amortised according to the straight-line method and on the basis of the timing of projected cash flows from the contracts over their estimated useful lives (3 years). The allocation of purchase price did not result in any provisions for contract related guarantees or any liabilities for contingent considerations.

From the date of acquisition, the business combinations in 2015 contributed to NOK 678.2 million of revenue and NOK 56.7 million to the operating result for NRC Group in 2015. If the combinations had taken place at the beginning of 2015, the NRC Group's pro forma revenue from continuing operations would have been NOK 1,318.9 million and pro forma operating result from continuing operations would have been NOK 71.7 million. The operating result includes the additional amortisation that would have been charged assuming the fair value adjustments to intangible assets had applied from 1 January 2015. Costs related to the transactions that were not directly attributable to the issue of shares are included in other operating expenses in the income statement

and in operating cash flows in the cash flow statement.

Discontinued operations

In March 2016, the company signed an agreement to divest its Geo business in Norway, Sweden and Finland to Terratec AS for a purchase price of NOK 30 million plus a three years earn-out arrangement. NOK 20 million was paid at closing of the agreement and the remaining amount will be paid in two instalments within 24 months after the closing of the agreement. The earn-out will be paid based on the annual accounts for 2016, 2017 and 2018 respectively. The fair value of contingent consideration is 0.

A summary of the financial performance of the Nordic Geo business and sale of the Nordic Geo business is presented below:

(Amounts in NOK 1 000)	Q3 2015	YTD 2016	YTD 2015	FY 2015
Revenue	59 458	15 133	113 952	141 912
Expenses	56 288	21 571	123 024	152 790
Profit/loss from discontinued operations	3 170	-6 438	-9 072	-10 878

The profit/loss from discontinued operations in 2016 includes net result of the Nordic Geo business until closing of the agreement, reclassification of foreign currency translation reserve, total consideration and carrying

amount of net assets sold.

A summary of net cash flows from the Geo business are presented below:

(Amounts in NOK 1 000)	Q3 2015	YTD 2016	YTD 2015
Operating cash flow	5 159	0	-12 412
Investing cash flow	-742	-19 697	-1 518
Financing cash flow	-4 570	0	-5 382
Net cash flow	-153	-19 697	-19 312

Transactions between related parties

Helge Midttun, Chairman of the Board of Directors, and Middelborg AS, a company owned by board member Mr. Kristian Lundkvist, has performed some administrative services for the NRC Group. The services are invoiced based on the arm's length principle for transactions between related parties. These transactions have been considered as immaterial between the company and said parties and thus no third party evaluation during 2016 has been warranted. Aside the above, the NRC Group has not during the last three financial years and up until the date of this report had any closely related parties other than its subsidiaries and associated companies.

(Amounts in NOK 1 000)

Customer	Estimated value	Country	Start date
Trafikverket	38 097	Sweden	01.07.2016
Arvika Municipality	71 309	Sweden	01.08.2016
Infranord AB	47 865	Sweden	01.06.2017
Obrascón Huarte Lain S.A	108 000	Norway	01.02.2017
Sporveien AS	39 000	Norway	01.09.2016
County Council of Värmland	40 050	Sweden	01.12.2016
Total	344 320		

As of 30 September, the company's issued share capital is 35,311,362 shares, each with a par value of NOK 1. The total number of shareholders as of 30 September 2016 was 2,213 and foreign shareholders accounted for approximately 31.8 per cent of the share capital.

Shareholder information

During third quarter 2016 the company secured several large contracts in both the Norwegian and Swedish markets. The table presented below provide an overview of the Stock Exchange announced contracts during the period.

The company owns 61,190 of the issued shares, which represents approximately 0.2 per cent of the total number of the issued shares.

Events after the end of the quarter

24 October NRC Group signed a contract with Trafikverket for renewal of approximately 14 kilometres of railway. The project will involve rail services such as groundwork, track, electro and signal. The contract is valued at approximately SEK 180 million.

On 6 November 2016, the company signed an agreement to divest its Geo business in UK, Blom Aerofilms Limited, to Cyient Europe Limited for a purchase price of approximately GBP 4.4 million. The transaction is expected to close by end of November 2016.

On 8 November 2016, it was announced that the company, through its wholly owned subsidiary in Norway, had acquired 100 per cent of the shares in Gravco AS and Septik Tank AS for an enterprise value of NOK 75 million. The acquisition where settled in shares and cash. The shares are subject to a lock-up period of 18 months.

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.no. 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

NRC Group shall over time give our shareholders a competitive return on their investment in the shares of the company. The return will in the form of a combination of dividend and increase in the share price. Subject to the underlying financial performance of NRC Group being satisfactory, it is NRC Group's ambition over time to distribute as dividend a minimum of 30 per cent of the profit for the year.

NRC Group ASA

Company information

Visiting address:

Fornebuporten
Oksenøyveien 10
NO - 1366 Lysaker

Postal address:

P.O.Box 18,
NO - 1324 Lysaker

Tel: +47 90 40 70 97

Email: contact@nrcgroup.no

Board of Directors:

Helge Midttun - Chairman of the Board of Directors

Kristian G. Lundkvist

Brita Eilertsen

Kjersti Kanne

Harald Arnet

Financial calendar:

15 February 2017

4th quarter 2016 Result report and presentation

11 May 2017

1st quarter 2017 Result report and presentation