REPORT
4TH QUARTER 16

Highlights and key figures

Fourth quarter 2016

/ HIGHLIGHTS

- All-time high fourth-quarter revenue and profit
- Full year 2016 organic growth of 59%
- Fourth quarter order intake of NOK 570 million
- Order backlog of NOK 1.4 billion in Q4 2016

/ FINANCIALS

- Revenues of NOK 564.7 million in Q4 2016 vs NOK 439.8 million in Q4 2015
- EBITDA of NOK 56.4 million in Q4 2016 vs NOK 39.5 million in Q4 2015
- EBITDA margin of 10% Q4 2016 vs. 9% in Q4 2015
- Proposed dividend of NOK 0.80 per share

/ KEY EVENTS

- Raised NOK 210 million through private placement of 3 million new shares
- Sale of Blom UK - remaining Geo business classified as held for sale
- Acquisition of Gravco AS

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

Key figures (pro forma)

(Amounts in NOK million)	Q4 2016	Q4 2015	2016	2015
Revenue	564,7	439,8	2 045,4	1 290,1
EBITDA	56,4	39,5	190,2	112,6
EBITA	49,8	35,2	162,0	95,1
EBIT	45,8	31,6	145,5	78,8
EBT	42,7	30,8	135,1	73,3
EBITDA (%)	10,0 %	9,0 %	9,3 %	8,7 %
EBIT (%)	8,1 %	7,2 %	7,1 %	6,1 %
Employees	418	339	418	339
Investments	1,4	11,2	53,8	34,4
Order back log	1 402	1 264	1 402	1 264

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

Key figures (actual reported)

(Amounts in NOK million)	Q4 2016	Q4 2015	2016	2015
Revenue	551,7	331,7	1 975,0	678,2
Operating profit/loss (EBIT)	37,8	11,1	113,7	17,2
Profit/loss before tax (EBT)	34,7	10,3	103,8	11,8
Taxes	-2,3	14,2	-25,0	42,5
Profit/loss from continuing operations	32,4	24,5	78,8	54,3
Profit/loss from discontinued operations	-18,2	1,6	-10,3	-6,7
Net profit/loss	14,2	26,1	68,5	47,6

Net profit from discontinued operations is affected by IFRS adjustments of NOK -30 million in fourth quarter 2016. The adjustment has no cash or equity effect.

In fourth quarter 2015 recognition of deferred tax amounted to NOK 22 million. Net profit as per 31 December 2016 includes transaction costs and one-offs of NOK 17.1 million (NOK 34 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. The income statement for the fourth quarter and total year 2015 has been re-presented to reflect the divestment of the Geo business in Nordic countries and in UK, and classification of the remaining Geo business as held for sale.

Comments on fourth quarter 2016 results

All-time high results for 2016

NRC Group delivered another strong quarter with significant top-line revenue and profit growth. The organization continues to deliver and focus on good project execution and cost control which are the main drivers for the improved results. Total revenue was NOK 564.7 million in the quarter, which is an increase of 28% compared with the fourth quarter of 2015. EBITDA increased by 43% to NOK 56.4 million. This equalled an EBITDA margin of 10%, up from 9% in the same period of 2015.

Cash flow from operating activities in fourth quarter was strong and amounted to NOK 92.4 million. Cash flow from operating activities for full year 2016 was NOK 146.9 million.

Order intake for the fourth quarter amounted to NOK 570 million and the backlog was NOK 1,402 million at the end of the quarter. The SEK 180 million option-award on the contract with The Swedish Transport Administration (Trafikverket) on the Ludvika – Frövi development was the biggest contract award during the quarter. It brought the total project value to SEK 295 million. This makes the project the largest track contract awarded to the company to date and affirms NRC Group's strong position as a leading fully integrated rail infrastructure contractor in Sweden.

NRC Group has successfully executed a number of projects in 2016 by leveraging additional capacity and competencies from the companies acquired in 2015. While focus mainly has been on operational integration in 2016, a process to strengthen brand recognition and market position was initiated in the fourth quarter.

NRC Group divested its Geo business in UK in November. Total cash flow from net proceeds from the sale amounted to NOK 34.7 million.

NRC Group successfully raised NOK 210 million in new equity through a private placement towards high quality investors. The placement was significantly oversubscribed. NRC Group has following the placement a cash balance of NOK 418.4 million as of 31 December 2016 and is well positioned to pursue accretive growth opportunities.

A dividend policy was introduced in the fourth quarter whereby it is the NRC Group’s ambition over time to distribute a dividend of minimum 30% of the profit for the year, subject to a satisfactory underlying financial performance. The Board of Directors will propose a dividend of NOK 0.80 per share for 2016.

Operations

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 groundworks, specialized track work, 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.

Rail business segment

(Amounts in NOK million)	Q4 2016	Q4 2015	2016	2015
Revenue	564,7	439,8	2 045,4	1 290,1
EBITDA	63,8	42,3	214,9	124,8
EBITA	57,2	38,1	186,8	107,5
EBIT	53,2	34,4	170,3	91,2
EBITDA (%)	11,3 %	9,6 %	10,5 %	9,7 %
EBIT (%)	9,4 %	7,8 %	8,3 %	7,1 %
Employees	410	336	410	336
Investments	1,4	11,2	53,8	34,4
Order back log	1 402	1 264	1 402	1 264

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

Revenue in the fourth quarter 2016 amounted to NOK 564.7 million (NOK 439.8 million), while revenue for the full year was NOK 2,045.4 million (NOK 1,290.1 million), an increase of 59% compared with 2015. The strong organic growth was driven by a 95% revenue increase in Sweden versus last year. Even though growth in the first half of 2016 was affected by an extraordinary political situation in 2015, which lead to postponed project funding, the second half of 2016 continued with strong organic growth. One of the main reasons for this development is the group's strong position in Sweden after the acquisitions in 2015, and the successful integration of these companies in 2016. Norway also contributed positively showing a 15% growth versus last year.

EBITDA for the fourth quarter of 2016 amounted to NOK 63.8 million (NOK 42.3 million), an increase of 51% compared with the fourth quarter 2015. The EBITDA for the full year of 2016 was NOK 214.9 million (NOK 124.8 million). This is an increase of 72% from 2015. The EBITDA margin for the full year of 2016 ended at 10.5% (9.7%), which is mainly explained by successful integration, good project execution and cost control in the companies in Sweden.

In November 2016, NRC Group acquired Gravco AS in order to strengthen the position for the Norwegian tramline market, which is set to grow in the next years due to major upgrades to the Oslo tramway.

The order backlog for the Rail division was NOK 1,402 million (NOK 1,264 million) per year-end 2015. The order intake in fourth quarter was NOK 570 million.

Financial position

Cash flow from operating activities for NRC Group for the fourth quarter of 2016 was NOK 92.4 million (NOK 48.4 million) and NOK 146.9 million (NOK 33.8 million) for the year. Net change in cash was NOK 227.1 million in the fourth quarter 2016 (NOK 129.0 million) and NOK 172.1 million (NOK 198.5 million) for the year.

The cash position at 31 December 2016 was NOK 418.4 million.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth. As of 31 December 2016, 410 people were employed in the operative companies. NRC Group ASA had eight employees as of 31 December 2016. During 2016 several companies in the former Geo division have been divested and the remaining Geo activities have been presented as discontinued operations as per 31 December.

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, mainly SEK. NRC Group has to limited extent utilized 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, or Bane NOR from 1 January 2017, 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 positive investment outlook for the Nordic railway is supported by strong macro trends such as population growth, urbanization and a significant maintenance backlog. Effective and environmentally friendly transport solutions for both people and cargo is also high on the political agenda. With considerable financial strength, NRC Group remains committed to its strategy to consolidate the market and deliver organic and acquired growth in coming years.

Oslo, 14 February 2017

The Board of Directors and CEO of NRC Group ASA

Helge Midttun
Chairman of the Board of Directors

Kristian G. Lundkvist
Board member

Brita Eilertsen
Board member

Kjersti Kanne
Board member

Harald Arnet
Board member

Øivind Horpestad
CEO NRC Group

Condensed consolidated statement of income

Pro forma figures

(Amounts in NOK million)	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Revenue	564,7	439,8	2 045,4	1 290,1
Operating expenses	508,3	400,3	1 855,1	1 177,5
Operating result before depr. and amort. (EBITDA)	**56,4**	**39,5**	**190,2**	**112,6**
Depreciation	6,6	4,3	28,2	17,5
Operating result before amortisation (EBITA)	**49,8**	**35,2**	**162,0**	**95,1**
Amortisation	4,0	3,6	16,5	16,3
Operating profit/loss (EBIT)	**45,8**	**31,6**	**145,5**	**78,8**
Profit/loss before tax (EBT)	**42,7**	**30,8**	**135,1**	**73,3**
Key Figures:				
EBITDA (%)	10,0 %	9,0 %	9,3 %	8,7 %
EBIT (%)	8,1 %	7,2 %	7,1 %	6,1 %
EBT (%)	7,6 %	7,0 %	6,6 %	5,7 %
Employees	418	339	418	339
Investments	1,4	11,2	53,8	34,4
Order back log	1 402	1 264	1 402	1 264

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

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 Elektrobyggnad from November 2015, Segermo from December 2015, Railcap from June 2016 and Gravco from December 2016. The income statement for 2015 and 2016 has been re-presented to reflect the divestment of Geo business in the Nordic countries and in UK, and classification of the remaining Geo business as held for sale. The actual reported figures for full year 2015 have been audited.

(Amounts in NOK million)	Q4 2016	Q4 2015	2016	2015
Revenue:				
NRC Group (reported)	551,7	331,7	1 975,0	678,2
NRC Group (pro forma)	13,0	108,1	70,4	611,8
NRC Group (pro forma)	**564,7**	**439,8**	**2 045,4**	**1 290,1**
EBIT:				
NRC Group (reported)	37,8	11,1	113,7	17,2
NRC Group (pro forma)	3,7	16,1	14,7	34,8
Transaction costs / one-offs	4,3	4,4	17,1	26,8
NRC Group (pro forma)	**45,8**	**31,6**	**145,5**	**78,8**

Business segments

Pro forma figures

(Amounts in NOK million)

Revenue	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Rail	564,7	439,8	2 045,4	1 290,1
Total	**564,7**	**439,8**	**2 045,4**	**1 290,1**

EBITDA	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Rail	63,8	42,3	214,9	124,8
Other	-7,4	-2,8	-24,7	-12,2
Total	**56,4**	**39,5**	**190,2**	**112,6**

EBITA	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Rail	57,2	38,1	186,8	107,5
Other	-7,4	-2,9	-24,7	-12,4
Total	**49,8**	**35,2**	**162,0**	**95,1**

EBIT	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Rail	53,2	34,4	170,3	91,2
Other	-7,4	-2,9	-24,7	-12,4
Total	**45,8**	**31,6**	**145,5**	**78,8**

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

As from first quarter 2017 segment reporting will be on countries.

Geographical information

Pro forma figures

(Amounts in NOK million)

Revenue	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Norway	181,1	180,1	674,8	585,4
Sweden	383,6	259,7	1 370,6	704,7
Total	**564,7**	**439,8**	**2 045,4**	**1 290,1**

The table above includes pro forma figures for 2016 and 2015 (see notes).

Condensed consolidated statement of income

Reported figures

(Amounts in NOK million)	Q4 2016	Q4 2015	2016	2015
Revenue	551,7	331,7	1 975,0	678,2
Operating expenses	504,3	313,2	1 822,6	646,3
Operating profit/loss before depr. and amort. (EBITDA)	**47,4**	**18,5**	**152,4**	**31,9**
Depreciation	6,1	4,0	24,7	8,0
Operating profit/loss before amortisation (EBITA)	**41,2**	**14,5**	**127,7**	**23,9**
Amortisation	3,5	3,4	14,0	6,7
Operating profit/loss (EBIT)	**37,8**	**11,1**	**113,7**	**17,2**
Net financial items	-3,0	-0,8	-9,9	-5,4
Profit/loss before tax (EBT)	**34,7**	**10,3**	**103,8**	**11,8**
Taxes	-2,3	14,2	-25,0	42,5
Profit/loss from continuing operations	**32,4**	**24,5**	**78,8**	**54,3**
Profit/loss from discontinued operations	-18,2	1,6	-10,3	-6,7
Net profit/loss	**14,2**	**26,1**	**68,5**	**47,6**
Profit/loss attributable to:				
Shareholders	14,2	26,1	68,5	47,6
Net profit / loss	**14,2**	**26,1**	**68,5**	**47,6**
Comprehensive profit/loss:				
Recalculation of pension obligations	0,2	-0,1	0,0	-0,2
Translation differences	42,3	4,5	-22,9	9,5
Total comprehensive profit/loss	**56,7**	**30,5**	**45,6**	**56,9**
Total comprehensive profit/loss attributable to:				
Shareholders	56,7	30,5	45,6	56,9
Total comprehensive profit/loss	**56,7**	**30,5**	**45,6**	**56,9**
Earnings per share:				
From continuing operations	0,88	1,27	2,22	2,81
From discontinued operations	-0,50	0,08	-0,29	-0,35
From total net profit/loss	**0,39**	**1,35**	**1,93**	**2,46**

Reported figures for 2016 include Railcap from June 2016, Gravco from December 2016, and transaction costs and one-offs of NOK 17.1 million. Reported figures for fiscal year 2015 include reported figures for NRC Rail Norge and SJT from June, Litz and Elektrobyggnad 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 Geo business in the Nordic countries and in UK, and classification of the remaining Geo business as held for sale.

Consolidated balance sheet

(Amounts in NOK million) ASSETS	31.12.2016	31.12.2015
Customer contracts and other intangible assets	25,8	37,9
Deferred tax assets	31,2	43,0
Goodwill	588,3	533,8
Intangible non-current assets	**645,3**	**614,7**
Tangible non-current assets	143,5	120,6
Total non-current asset investments	7,2	8,4
Total non-current assets	**796,1**	**743,7**
Total receivables	413,4	359,4
Cash and cash equivalents	418,4	258,2
Assets classified as held for sale	9,1	0,0
Total current assets	**840,9**	**617,6**
Total assets	**1 637,0**	**1 361,3**

(Amounts in NOK 1 000) EQUITY AND LIABILITIES	31.12.2016	31.12.2015
Paid-in-capital:		
Share capital	38,8	34,9
Treasury shares	-1,6	-1,7
Share premium	904,9	650,6
Other equity:		
Currency translation differences	-18,3	4,6
Retained earnings	103,4	40,5
Total equity	**1 027,3**	**729,0**
Pension obligations	0,0	5,3
Non-current interest-bearing liabilities	110,8	162,1
Deferred taxes	11,8	27,6
Other non-current liabilities	4,7	0,1
Total non-current liabilities	**127,3**	**195,1**
Total interest-bearing current liabilities	82,1	87,8
Total other current liabilities	392,4	349,3
Liabilities classified as held for sale	7,9	0,0
Total current liabilities	**482,4**	**437,2**
Total equity and liabilities	**1 637,0**	**1 361,3**

Statement of changes in equity

(Amounts in NOK million)	Share capital	Treasury shares	Share premium	Translation differences	Retained earnings	Total equity
Equity at 1 January 2015	**10,1**	**-2,0**	**97,7**	**-24,0**	**-7,1**	**74,7**
Profit for the period					47,6	**47,6**
Other comprehensive income for the period				28,6	0,1	**28,7**
Increase share capital	24,9		543,2			**568,0**
Sale of own shares		0,3	9,8			**10,0**
Total comprehensive income for the period	**24,9**	**0,3**	**552,9**	**28,6**	**47,7**	**654,3**
Equity at 31 December 2015	**34,9**	**-1,7**	**650,6**	**4,6**	**40,5**	**729,0**
Equity at 1 January 2016	**34,9**	**-1,7**	**650,6**	**4,6**	**40,5**	**729,0**
Profit for the period					68,5	**68,5**
Other comprehensive income for the period				-22,9	-5,6	**-28,5**
Share capital	3,8		247,5			**251,3**
Sale of own shares		0,1	6,8			**6,9**
Total comprehensive income for the period	**3,8**	**0,1**	**254,3**	**-22,9**	**62,9**	**298,2**
Equity at 31 December 2016	**38,8**	**-1,6**	**904,9**	**-18,3**	**103,4**	**1 027,3**

Consolidated cash flow statement

(Amounts in NOK million)	**Q4 2016**	**Q4 2015**	**2016**	**2015**
Profit/loss before tax	34,7	10,3	103,8	11,8
Depreciation and amortisation	9,6	7,4	38,7	14,7
Taxes paid	-5,4	-3,3	-23,4	-6,6
Change in working capital	51,6	20,9	10,1	6,1
Net cash flow from operating activities - cont. oper.	**90,5**	**35,3**	**129,2**	**26,0**
Net cash flow from operating activities - disc. oper.	**1,9**	**13,1**	**17,7**	**7,7**
Net cash flow from operating activities	**92,4**	**48,4**	**146,9**	**33,8**
Purchases of property, plant and equipment	-3,1	-3,3	-52,2	-11,7
Acquisition of companies, net of cash acquired	-18,0	-87,2	-41,5	-239,9
Net proceeds from sale of shares and other investments	2,3	8,0	4,9	10,7
Net cash flow from investing activities - cont. oper.	**-18,8**	**-82,5**	**-88,9**	**-240,9**
Purchases of property, plant and equipment	0,0	-3,1	-2,0	-8,1
Net proceeds from sale of shares and other investments	22,7	0,0	23,0	0,0
Net cash flow from investing activities - disc. oper.	**22,7**	**-3,1**	**21,0**	**-8,1**
Net cash flow from investing activities	**3,9**	**-85,6**	**-67,9**	**-249,0**
Proceeds from borrowings	0,0	0,0	23,0	179,5
Repayments of borrowings	-67,5	-29,9	-126,9	-38,4
Net change in overdraft facilities	-6,8	-2,5	-9,1	-10,3
Net receipt of equity capital	205,1	199,3	206,1	289,0
Net cash flow from financing activities - cont. oper.	**130,8**	**166,9**	**93,1**	**419,8**
Repayments of borrowings	0,0	-0,7	0,0	-6,1
Net cash flow from financing activities - disc. oper.	**0,0**	**-0,7**	**0,0**	**-6,1**
Net cash flow from financing activities	**130,8**	**166,2**	**93,1**	**413,7**
Net change in cash and cash equivalents	**227,1**	**129,0**	**172,1**	**198,5**
Cash and cash equivalents at the start of the period	**187,8**	**127,5**	**258,2**	**52,4**
Translation differences	3,5	1,7	-12,0	7,4
Cash and cash equivalents at the end of the period	**418,4**	**258,2**	**418,4**	**258,2**
Cash and cash equivalents - continuing operations	418,4	258,2	418,4	258,2
Cash and cash equivalents - discontinued operations	2,9	0,0	2,9	0,0

The cash flow statement for 2015 has been re-presented to reflect the divestment of the company's Geo business in the Nordic countries and in UK, and classification of the remaining Geo business as held for sale.

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 31 December 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 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 restated to reflect the company’s divestment of the Nordic Geo business, the UK Geo company and classification of the remaining entities in the Geo business as classified as held for sale. The result from discontinued businesses is presented on a separate line in the income statement.

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 recognized in other comprehensive income.

Pro forma

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 1 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 fourth quarter and full year for 2015 and fourth quarter and full year for 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 recognized 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 control procedures to ensure reliable measurement of project results and progress.

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

Changes in the group's structure in the quarter

On 6 November 2016, NRC Group signed an agreement to divest its Geo business in UK, Blom Aerofilms, for a purchase price of approximately GBP 4.4 million. The transaction closed 30 November 2016.

On 8 November 2016, NRC Group acquired 100% of the shares in Gravco AS and Septik Tank AS for an enterprise value of NOK 75 million. The acquisition was settled in shares and cash. The shares are subject to a lock-up period of 18 months. The transaction closed 1 December 2016.

Business combinations in 2016

On 20 May 2016, NRC Group acquired 100% of the shares in Railcap AS for an enterprise value of NOK 48 million. 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. 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.

On 8 November 2016, NRC Group acquired 100 per cent of the shares in Gravco AS and Septik Tank Co AS ('Gravco') for an enterprise value of NOK 75 million. The acquisition was financed by a combination of cash, by the issuance of 441 988 new shares in NRC Group and a seller credit. The acquisition of Gravco resulted in goodwill of NOK 51 million. Goodwill is related to the fair value of expected synergies arising from the organisation's competence within water and wastewater and the company's market position. The acquisition will strengthen the groups position for projects related to the tram and metro systems in Oslo.

As part of the purchase agreement a contingent consideration (sellers credit) of NOK 15 million has been agreed. If the entity does not generate EBITDA of NOK 15 million for each of the years 2016 and 2017 the contingent consideration will be reduced correspondingly. At the acquisition date the fair value of the contingent consideration was estimated to be NOK 13 million using a discount rate of 7.6% and under the assumption that it his highly likely that the target will be achieved.

Allocation of the purchase prices were prepared using the acquisition method as regulated in IFRS 3. The allocations have been finalised by 31 December 2016.

(Amounts in NOK million)	RailCap	Gravco
Date of acquisition	1 Jun	1 Dec
Share of ownership	100 %	100 %
Cash settlement	28	30
Value of issued shares in NRC Group ASA	19	30
Seller's credit	5	13
Cash in target	-5	-12
Net settlement	**47**	**61**
Property, plant and equipment	2	18
Intangible asset: Goodwill at date of acquisition		4
Intangible asset: Customer contracts and relations		5
Current assets	7	13
Tax payable and deferred tax	-2	-7
Interest-bearing debt	-1	-11
Other current liabilities	-5	-8
Net identifiable assets and liabilities	**1**	**14**
Goodwill	**46**	**47**
Consolidated revenue from date of acquisition	22	4
Consolidated profit/loss before tax from acquisition	5	0
Transaction costs expensed as other operating expenses	1	1

If the combination had taken place at the beginning of the year, the NRC Group's pro forma revenue would have been NOK 2,045 million and pro forma operating result (EBIT) would have been NOK 145 million.

Intangible assets related to the Gravco acquisition include customer contracts and customer relations acquired through the business combination of NOK 5 million. They are recognized 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 (three years).

Summary of business combinations in 2015

During 2015 the company acquired 100% 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 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 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. The allocation was final as per 31 December 2015.

(Amounts in NOK million)	**NRC Rail Norge**	**SJT**	**Litz**	**Elektro-byggnad**	**Segermo**	**Total**
Date of acquisition in 2015	1 Jun	1 Jun	1 Nov	1 Nov	1 Des	
Share of ownership	100 %	100 %	100 %	100 %	100 %	
Cash settlement		165	16	11	124	316
Value of issued shares in NRC ASA	93	60	24	24	100	301
Seller's credit		15				15
Cash in target	-11	-16	-16	1	-27	-69
Net settlement	**82**	**224**	**24**	**36**	**197**	**563**
Property, plant and equipment	63	23	1	6	13	106
Intang. asset: Goodwill at date of acquis.	6	1				7
Intang. ass.: Customer contracts and rel.	11	15	2	2	12	42
Other non-current assets	3	5				8
Current assets	95	21	10	15	108	249
Tax payable and deferred tax	-7	-10	-3	0	-16	-36
Interest-bearing debt	-67	-4		-8		-79
Other current liabilities	-85	-27	-10	-6	-92	-220
Non-controlling interests		-1				-1
Net identifiable assets and liabilities	**19**	**23**	**0**	**9**	**25**	**76**
Goodwill	**63**	**201**	**24**	**27**	**172**	**487**
Consol. revenue from date of acquis.	348	296	14	9	55	722
Consol. profit/loss before tax from acquis.	35	35	2	2	6	80
Transaction costs expensed as other oper. exp.						22

Intangible assets include customer contracts and customer relations acquired through the business combinations of a total of NOK 42 million. They are recognized 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 as of 2016 would have been NOK 1,290 million and pro forma operating result (EBIT) would have been NOK 79 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, NRC Group signed an agreement to divest its Geo business in Norway, Sweden and Finland 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.

On 6 November 2016, NRC Group signed an agreement to divest its Geo business in UK, Blom Aerofilms Limited for a purchase price of approximately GBP 4.4 million, which includes an amount of approximately GBP 1.4 million in cash transferred prior to the completion of the transaction. The transaction was closed at 30 November 2016.

Following the above divestments, the group expects the remaining entities in the Geo-division to be sold in the near future. These entities are therefore considered as a disposal group 31 December 2016 and classified as discontinued operation together with the entities sold in 2016. These entities are Blom Deutschland GmbH, Blom Nusantara PT, Indonesia and Blom International Operations S.R.L.

The profit/loss from discontinued operations in full year 2016 therefore includes the net profit/loss of the Geo-business, the net gain on sale and re-measurement of the entities as well as reclassification of foreign currency translation reserves, as required by IFRS, for the entities sold.

Profit/loss from discontinued operations:

(Amounts in NOK million)	2016	2015
Operating revenue	163	233
Operating expenses	-166	-238
Operating profit/loss	-3	-5
Net financial items		-1
Net profit/loss from sale and remeasurement	-7	
Profit/loss before tax from discontinued operations	-10	-6
Tax		1
Profit/loss for the year from discontinued operations	-10	-7

Net profit/gain from sale and remeasurement:

(Amounts in NOK million)	Nordics	UK	Total
Consideration received or receivable:			
Cash	20	34	54
Receivable	10	2	12
Transaction costs	-1	-6	-7
Total consideration	29	30	59
Carrying amount of net assets sold	-21	-12	-33
Gain on sale before tax and reclassification of foreign currency translation reserve	8	18	26
Reclassification of foreign currency translation reserve	-3	-28	-31
Income tax expense	0	0	0
Gain (loss) on sale	5	-10	-5
Transaction costs disposal group			-2
Net profit/gain from sale and remeasurement			-7

A summary of net cash flows are presented below:

(Amounts in NOK million) Net cash (outflow)/inflow:	2016	2015
Operating cash flow	18	8
Investing cash flow	-2	-8
Net proceeds from sale of shares and other investments	47	0
Cash in companies sold	-24	0
Financing cash flow	0	-6
Net cash (outflow)/inflow	**39**	**-6**

Assets and related liabilities, classified as held for sale at 31 December:

(Amounts in NOK million)	**2016**
Intangible assets and property, plant and equipment	1
Trade receivables and other receivables	5
Cash and cash equivalents	3
Total assets	**9**
Other current liabilities	8
Total liabilities	**8**

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 certain 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 transactions with closely related parties other than its subsidiaries and associated companies.

Shareholder information

The table presented below provide an overview of the Stock Exchange announced contracts during fourth quarter 2016.

(Amounts in NOK million)

Customer	**Estimated value**	**Country**	**Start date**
Trafikverket	171	Sweden	01.01.17
Trafikverket	53	Sweden	01.12.16
Jernbaneverket	35	Norway	01.02.17
Total	**259**		

During 2015 and 2016 the NRC Group ASA gave employees the opportunity to purchase a certain number of shares at a 20% discount to the trading price at exercise. At 24 November 2016 a total of 43 025 shares were sold under this offer with a total discount of approx. NOK 600 000, which is expensed as salaries. All the shares sold were treasury shares.

16 November the company raised NOK 210,000,000 in gross proceeds through a private placement of 3,000,000 new shares. The price in the Private Placement was NOK 70.00 per share.

The Private Placement, which was substantially oversubscribed, attracted strong interest from both existing shareholders and new high quality institutional investors. The net proceeds from the Private Placement will be used for further acquisitions to strengthen the position of the Company, as well as for general corporate purposes.

On 1 December 2016, the share capital increase related to the 441 988 consideration shares issued to the sellers of Gravco AS and Septik Tank Co AS was registered.

As of 31 December, the company's issued share capital is 38,753,350 shares, each with a par value of NOK 1. The total number of shareholders as of 31 December 2016 was 2,220 and foreign shareholders accounted for approximately 34.2% of the share capital. The company owns 18,165 of the issued shares, which represents approximately 0.05% of the total number of the issued shares.

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% of the profit for the year. The Board of Directors will propose a divided of NOK 0.80 per share for 2016.

NRC Group ASA

Company information

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Board of Directors

Helge Midttun	Chairman of the Board of Directors
Kristian G. Lundkvist	Board member
Brita Eilertsen	Board member
Kjersti Kanne	Board member
Harald Arnet	Board member

FINANCIAL CALENDAR 2017

3 May 2017	**AGM**
11 May 2017	**1st quarter 2017 Result report and presentation**
15 August 2017	**Half-year 2017 Result report and presentation**
7 November 2017	**3rd quarter 2017 Result report and presentation**