1st quarter result report **2020**

NRC Group

Highlights Q1 2020

REVENUE

- NOK 1.3 billion
- Organic growth of 7%

EBITA*

- NOK -54 million (NOK -54 million in Q1 19)
- Seasonally low activity levels
- Limited Covid-19 impact

ORDERS

- Order intake of NOK 1.4 billion
- Record high order backlog of NOK 8 billion

LIQUIDITY

- Cash flow from operations of NOK 43 million
- Private placement of NOK 700 million completed
- Cash position of NOK 821 million

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

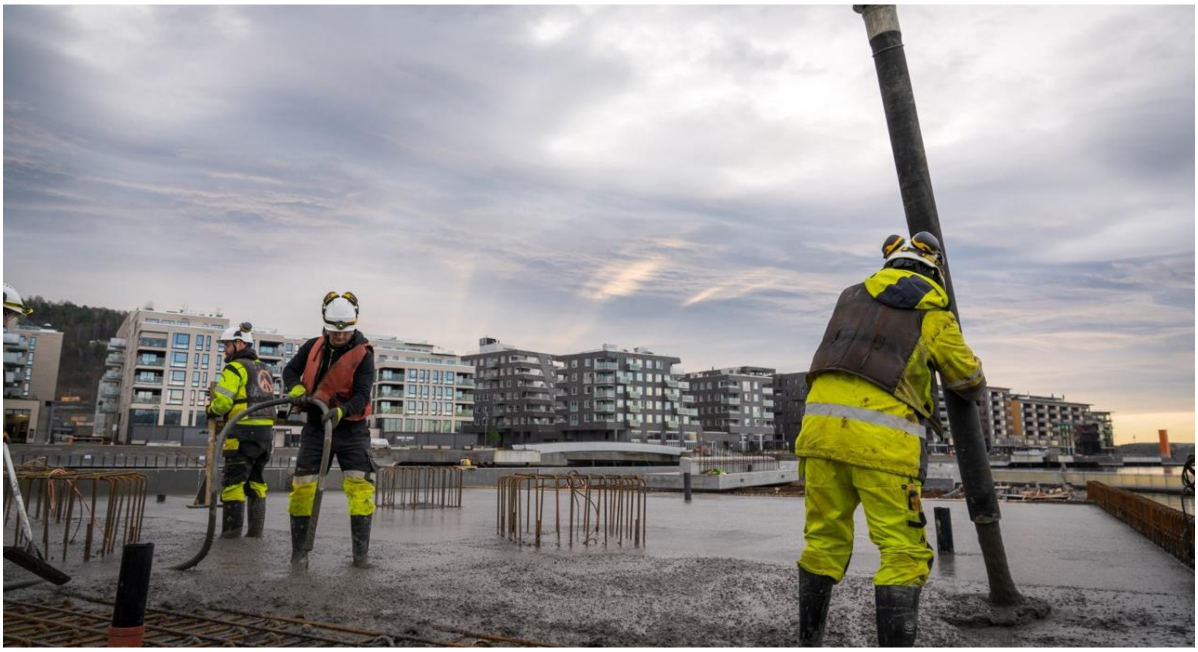
NRC Group

NRC Group is a Nordic infrastructure company, developing and supplying products and services for sustainable transport solutions including the entire value chain for rail construction and maintenance, harbours and roads. The service offering includes groundwork, specialised trackwork, safety, electro, telecom, signalling systems and environmental solutions.

Key figures

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Revenue	1 254	1 130	6 193
EBITDA*	-1	-3	267
EBITA*	-54	-54	55
EBIT*	-69	-72	-15
EBITA* (%)	-4,3 %	-4,8 %	0,9 %
Other income and expenses	-7	-48	-91
EBITDA	-8	-51	176
EBITA	-61	-102	-36
EBIT	-77	-120	-105
Employees	1 986	2 069	2 070
Investments	12	1 045	1 186
Order backlog	8 048	5 961	7 151

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



Comments on first quarter 2020 results

Operational improvements in focus

First quarter revenue was NOK 1,254 million, an increase of 11% from NOK 1,130 million reported for the same period of 2019. The revenue increase is mainly driven by strong growth in Finland which included one large sale transaction of materials of approximately NOK 110 million. The organic growth was 7% adjusted for currency translation effects in the quarter. Group EBITA* was NOK -54 million compared to NOK -54 million for the same period last year. The EBITA* margin was -4.3% (-4.8%), reflecting the seasonally low activity levels and partly execution of zero margin projects following project margin adjustments in the fourth quarter of 2019. The weakening of NOK vs EUR and SEK in the quarter had a small negative impact on the results.

Implementation of improvement measures aimed at professionalising the organisation and strengthening tendering, risk assessment and project execution continued as planned in the quarter. The NOK 55 million overhead cost reduction program is on track.

Revenue in Norway was NOK 407 million compared to NOK 470 million in first quarter of 2019. The organic growth was -13%. EBITA* was NOK -14 million, compared to NOK -5 million in the same period of 2019. The operation in Civil and Environment has been slightly affected by the Covid-19 situation leading to lower efficiency and somewhat higher costs in a few projects. The result in Environment was weaker than the same quarter last year. The improvement program in Rail is going as planned. The activity level is lower compared to 2019, but financial results are improving due to the measures implemented.

Revenue from the Swedish operation amounted to NOK 311 million for the quarter compared to NOK 299 million in the same period of 2019. The organic growth was -2%. EBITA* was NOK -27 million compared to NOK -20 million in 2019. The EBITA* was affected by execution of zero margin projects following project margin adjustments in 2019. The improvement program in Sweden is going as planned.

Finland had revenue of NOK 540 million, compared to NOK 361 million in the first quarter of 2019. The organic growth was 40% in the quarter, significantly impacted by one large sale transaction of materials to FTIA amounting to approximately NOK 110 million, in addition to high activity in the alliance projects, Tampere Light Rail and Jokeri Light Rail. The EBITA* was NOK -3 million compared to NOK -13 million in the first quarter of 2019. The improvement in EBITA was driven by the alliance projects. In Maintenance the result was weaker than anticipated due to higher costs related to closure of maintenance area 1.

Group operating profit (EBIT) for the quarter amounted to NOK -77 million compared to NOK -120 million last year. EBIT for the first quarter of 2019 included M&A expenses (other income and expenses) of NOK 48 million related to the VR Track acquisition.

Net financial items for the continuing operations amounted to NOK -22 million for the quarter, compared to NOK -16 million for the same period last year. The increase mainly relates to currency losses of NOK 4 million due to significant exchange rate fluctuations in March 2020. The interest expense increased due to higher interest rates on the bond compared to the bank financing.

The order backlog amounted to NOK 8,048 million at 31 March. First-quarter order intake was NOK 1,417 million, split on announced contracts of NOK 593 million and unannounced order intake of NOK 824 million, in addition to NOK 734 million of currency adjustments due to NOK weakening vs. SEK and EUR.

In Norway, new orders included a NOK 75 million contract for ground and railway technical works for Bane NOR on the railway connection between Oslo and Ski. In Sweden, The Swedish Transport Administration (Trafikverket) awarded NRC Group a SEK 149 million catenary contract and a SEK 100 million track renewal project. In addition, a SEK 75 million contract for ground, foundation and construction work at Almnäs was awarded by Consto AB. The Finnish Transportation Infrastructure Agency (FTIA) appointed NRC Group to two maintenance contracts with a combined value of EUR 9.3 million.

Subsequent to the quarter, the Group was appointed to a NOK 199 million contract in Norway by Bane NOR, for preparatory works in connection with the new ERTMS signalling system on Bergensbanen, Flåmsbanen and Randsfjordbanen. In Sweden, NRC Group was awarded a SEK 65 million contract for track, electro and signal/telecom work on the railway connection between Lund and Arlöv.

Tendering activity remains high across NRC Group's markets and the company has identified an addressable tender pipeline of approximately NOK 18 billion for the next nine months. This compares to an approximately NOK 16 billion tender pipeline three months ago.

The Norwegian market remains active with several tenders ongoing even as the Covid-19 situation creates uncertainty. While delays to some project awards have been announced, Bane NOR has received Parliament approval for a NOK 200 million increase to maintenance and renewal spending in 2020. The revised national budget also included approximately net NOK 550 million of extra allocations to existing investment projects in 2020. There is broad political support for improving the national railway system with NOK 27 billion allocated to the railway sector in 2020, up close to 5% from the revised 2019 budget. The maintenance backlog is expected to increase further to NOK 21 billion at the end of 2020 as renewal investments of NOK 3.5 billion yearly are required to offset actual wear on existing infrastructure. These factors indicate continued growth in railway infrastructure investments and activity in Norway.

Tendering activity in Sweden continued to improve in the first quarter, as expected. At the end of the first quarter, the Swedish Government approved construction start for seven railway projects in the 2020-2022 period and to start preparations for further construction projects scheduled to commence in 2023-2025. The projects are all part of the current National Transport Plan.

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

In Finland, the expectation in the beginning of the year was that the addressable market would grow to EUR 0.89 billion in 2020. The main drivers for the growth was expected to be by light rail projects and an expected increase in renewal and reinvestment, based on Governmental decisions in 2019. NRC Group is already taking part in the ongoing light rail projects in the market. In addition, there will be a permanent increase of EUR 300 million allocated to basic transport infrastructure to reduce the maintenance backlog. This will be on top of the existing budget. NRC Group is estimating that EUR 100 million of the permanent increase will be allocated to rail yearly in 2020-2022. Maintenance is expected to be quite stable in 2020, with 1% growth. The updated tender pipeline in Finland does not reflect the market growth for 2020 to be in line with the estimated market growth in the beginning of the year.

In February, NRC Group presented its strategy update: creating a Nordic leader in sustainable infrastructure. The company raised NOK 700 million gross in new equity capital to support the Group's plan to restore profitability and long-term growth.

NRC Group has built a leading Nordic position covering the entire value chain in rail construction and maintenance and complementary positions in civil construction and environmental services. The Group is positioned to benefit from large and growing infrastructure markets that are supported by strong macro trends such as sustainability, population growth and urbanisation, and political consensus for increased investments in Norway, Sweden and Finland.

After a period of strong organic and M&A driven growth and weak results in 2018 and 2019, the company has shifted its strategic focus to operational improvements to restore profitability and to lay the groundwork for continued organic growth and expansion into complementary services.

NRC Group has established a clear strategic roadmap with the ambition of NOK 10 billion in revenues and 7% EBITA margin in 2024. This implies a return to the 2016-2017 average margins, with the main uplift to come from internal improvements. For the full year 2020, NRC Group targets an EBITA margin exceeding 2.8%. For 2021, the Group targets an EBITA margin up towards 5%, before gradually realising additional improvements towards the ambition level of 7% for 2024. The NOK 10 billion revenue ambition reflects an extensive group-wide process built on expected annual growth of 9% for the Nordic rail services market, organic growth and expansion opportunities in complementary services, and bolt-on M&As in existing segments and services.

Update on Covid-19

NRC Group continuously monitors the development of the pandemic caused by the coronavirus and its potential effect on the industry and the Group's business.

NRC Group's main priority is to safeguard its employees while maintaining operations with as little disturbance as possible. The Group complies with restrictions and recommendations from the relevant authorities, including guidelines on remote work, social distancing, travel and stricter sanitation standards.

Currently, most of the Group's projects are fully operational and the Covid-19 impact remains limited. However, operations may be affected if the outbreak intensifies and the measures escalate or if the quarantine restrictions will last for a long period. Operations also depend on customers, predominantly the public transport agencies of Norway, Sweden and Finland, continuing to announce and award tenders as scheduled to enable efficient planning and execution of projects during the 2020 construction season. Currently, tender processes are progressing as normal.

Part of NRC Group's activities are related to keeping the railway infrastructure operational through maintenance and upgrades of existing infrastructure. These operations are defined as critical to the society, and the Company will prioritise these activities in case of situations where certain resources become scarce.

NRC Group is well positioned to ensure business continuity. As at 31 March, the order backlog amounted to NOK 8 billion, an increase of 35% from the prior year. Public customers represent approximately 95% of the Group's order backlog. Approximately 40% and 27% of the backlog is estimated for production in 2020 and 2021, respectively.

As at end of March, the Group's cash position amounted NOK 821 million, and the Group had NOK 200 million of undrawn debt facilities. The equity ratio was 45%.

Cash flow

Net cash flow from continuing operating activities for the first quarter of 2020 was NOK 43 million compared to NOK -88 million in 2019, an increase of NOK 131 million. The main reasons are the increase in pre-tax result of NOK 37 million and improved changes in working capital and other accruals of NOK 102 million reduced by increased taxes paid of NOK 11 million. The change in working capital is related to reduced level of inventory due to the NOK 110 million sale transaction to FTIA as well as reduced accounts receivables, offset by reduced current liabilities. Cash flow from discontinued operations relate to accounts receivable payments for the Design business sold in 2019 amounting to NOK 14 million.

Net cash flow from investing activities for the first quarter in 2020 was NOK -8 million and relates to ordinary purchase and sale of fixed assets. The comparable cash flow in 2019 was significantly impacted by the acquisition of VR Track Oy in Finland. The payments for the contingent consideration and final purchase price for Norsk Saneringsservice and Gunnar Knutsen are expected to take place in the second quarter.

Net cash flow from financing activities includes the NOK 700 million capital increase net of expenses. Payment of lease liability amounted to NOK 47 million and payment of interest amounted to NOK 17 million. No loan repayments were made in the first quarter due to accelerated payments in 2019. The ordinary repayment plan will continue from the second quarter in 2020. Cash from sale of treasury shares relates to the employee share program for 2019.

Net cash increased by NOK 659 million in the quarter. The cash position at 31 March was NOK 821 million.

Financial position

The balance sheet at 31 March 2020 is significantly impacted by the weakening of the NOK to EUR and SEK, impacting all balance sheet items for Group investments in Finland and Sweden. The net positive currency translation difference reported as other comprehensive income for the first quarter amounted to NOK 182 million.

Intangible assets increased by NOK 269 million to NOK 3,068 million during the quarter. Goodwill increased by NOK 265 million due to currency changes. Other intangible assets increased with NOK 4 million for the quarter due to currency changes net of amortisation.

Tangible assets increased by NOK 31 million to NOK 307 million in the quarter, mainly related to currency adjustments considering investments of NOK 12 million and depreciations of NOK 12 million. Right-of-use assets increased by NOK 17 million to NOK 539 million. The number of new agreements were limited, but the currency adjustments levelled out the depreciation of NOK 41 million.

Inventory is related to operation in Finland and decreased by NOK 70 million in the quarter despite the currency effect. The gross reduction is related to additional sales initiatives to reduce the level of inventory to improve the working capital, including one large transaction to FTIA of approximately NOK 110 million.

Total receivables decreased by NOK 193 million to NOK 1,318 million during the quarter net of currency adjustments. The gross decrease is mainly due to seasonal working capital changes linked to normal seasonality with lower activity in first quarter.

Total assets increased by NOK 724 million to NOK 6,147 million, mainly explained by an increased cash position due to the net capital increase of NOK 672 million executed in the quarter and by currency adjustments net of working capital reductions. The equity ratio increased from 37% to 45% during the quarter.

Interest-bearing liabilities consist of bank loans, a bond and discounted cash flow related to lease agreements, including operating lease agreements (mainly real estate rents) under IFRS 16. Total interest-bearing liabilities amounted to NOK 1,919 million on 31 March which included an increase due to currency adjustments of NOK 147 million. Short- and long-term lease liabilities have in total increased by NOK 17 million, manly related to currency adjustments as the volume of new contracts were lower than the lease payment of NOK 45 million. Other interest-bearing liabilities consist of a NOK 600 million bond and a EUR bank loan financing the acquisition in Finland. No repayments were made during the quarter and, hence, the total increase of NOK 115 million to NOK 1,377 million is related to currency adjustment to the EUR loan.

Net interest-bearing debt amount to NOK 1,098 million and is reduced by NOK 535 million during the quarter, mainly due to the net capital increase of NOK 672 million net of currency adjustments of NOK 139 million.

Employees

NRC Group employees have a high level of competence. They represent the foundation for growth and are recognized as the Group's most important resource. As of 31 March 2020, 1,986 people were employed in the Group. Providing a safe and nurturing working environment offering equal opportunities regardless of gender, ethnicity and religion is a Group priority. Ethical behaviour and well-developed governance frameworks are in place to enable NRC Group to become a Nordic leader in sustainable infrastructure.

Health, safety and environmental considerations are highly prioritised. 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.

Construction and infrastructure development are associated with major climate and environmental responsibility. Expectations from authorities, customers, employees and other stakeholders related to sustainability and the environment are increasing and there is a trend of stricter regulations and a higher weighting of environmental and safety considerations in tendering processes. NRC Group has continuous focus on development of its framework for ensuring that its operations minimise the impact on the external environment and contributes to sustainable infrastructure development.

Risks

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

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

Financial risks include financial market risk, credit risk and liquidity risk. Financial market risks most relevant for the Group are currency risk and interest rate risk. A Group risk management policy for hedging is implemented to manage this risk. By having operational units in different functional currencies, NRC Group is exposed to currency translation risks related to subsidiaries in Sweden (SEK) and Finland (EUR). The Group uses currency loans to hedge the net investments in Finland. Most transactions in the Group are in local functional currencies. Significant transactions in other than functional currencies are assessed, and hedging instruments are considered to limit the risks associated with foreign exchange. The bond issued in September carries an interest of three months NIBOR + 4% until maturity 13 September 2024. The three months NIBOR has been hedged to a fixed rate of 1.838% for the full period. For the first quarter of 2020 the fair market value adjustment of the hedge had a NOK -29 million impact in other comprehensive income.

Liquidity risk is the risk that the Group will be unable to meet its financial obligations when they are due. The Group has total current assets of NOK 2,205 at the end of the quarter, NOK 460 million higher than short-term liabilities. Total cash amounts to NOK 821 million in addition to a multi-currency credit facility of NOK 200 million. The central management team and the local managers of the subsidiaries monitor the Group's liquid resources and credit facilities through revolving forecast based on expected cash flow. The cash flow is impacted by seasonal fluctuations. The current cash position and the multi-currency cash pool provides significant flexibility for managing cash flows and reserves within the Group.

Work in progress and trade receivables are set out contractually, which means that the amount of capital committed is determined by the credit terms of the contracts. NRC Group's liquidity reserves will normally be at its lowest in the spring and summer due to the seasonality in the business.

NRC Group's customers are primarily municipalities or government agencies, or companies or institutions where municipalities or government agencies have a dominant influence. NRC Group considers the risk of potential future bad debt losses from this type of customer to be low.

The coronavirus outbreak may significantly impact markets and operations in 2020 as the situation affects both operational, financial and market risks. The extent will depend on how the virus infection spreads and the measures that are implemented by the authorities. The Group follows public recommendations closely and continuously update internal policies accordingly. NRC Group project workers are active on a large number of projects in various locations, which reduces the risk. However, in a scenario with wide-spread virus infection, a significant impact on operations may occur. A substantial part of Group revenue comes from public customers with a low credit risk. Private sector clients will be closely followed up to minimise credit risk related to the coronavirus. The current orderbook limits the short-term impact on revenue. However, project execution and revenue will depend on the availability of project people including sub-contractors considering Covid-19 impact and restrictions and measures implemented by the authorities. It is likely that the situation may lead to delays in projects and additional expenses. Financial impact will depend on the contract terms on a project by project basis. Long-term, NRC Group sees limited impact on infrastructure investments.

Outlook

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

Lysaker, 19 May 2020

The Board of Directors and CEO of NRC Group ASA

Helge Midttun	**Brita Eilertsen**
Chairman of the BoD	Board member
Mats Williamson	**Rolf Jansson**
Board member	Board member
Eva Nygren	**Tove Elisabeth Pettersen**
Board member	Board member
David Montgomery	**Henning Olsen**
Board member	CEO NRC Group ASA

Interim condensed consolidated statement of profit or loss

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Revenue	1 254	1 130	6 193
Operating expenses	1 255	1 132	5 927
EBITDA before other income and expenses	**-1**	**-3**	**267**
Other income and expenses	-7	-48	-91
EBITDA	**-8**	**-51**	**176**
Depreciation	53	51	212
Operating profit/loss before amortisation (EBITA)	**-61**	**-102**	**-36**
Amortisation	15	18	70
Operating profit/loss (EBIT)	**-77**	**-120**	**-105**
Net financial items	-22	-16	-73
Profit/loss before tax (EBT)	**-99**	**-136**	**-178**
Taxes	21	18	26
Net profit/loss from continuing operations	**-78**	**-119**	**-152**
Net profit from discontinued operations	0	5	80
Net profit/loss	**-78**	**-113**	**-72**
Profit/loss attributable to:			
Shareholders of the parent	-78	-113	-73
Non-controlling interests	0	0	1
Net profit / loss	**-78**	**-113**	**-72**
EARNINGS PER SHARE IN NOK (ordinary)			
From continuing operations	-1,28	-2,23	-2,83
From discontinued operations	0,00	0,10	1,48
EARNINGS PER SHARE IN NOK (diluted)			
From continuing operations	-1,28	-2,23	-2,83
From discontinued operations	0,00	0,10	1,47

Interim condensed consolidated statement of comprehensive income

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Net profit / loss	**-78**	**-113**	**-72**
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):			
Translation differences	182	-20	14
Net gain on hedging instruments	-29	-18	-17
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):			
Net actuarial gain/loss on pension expense	0	0	4
Total comprehensive profit/loss	**74**	**-151**	**-72**
Total comprehensive profit/loss attributable to:			
Shareholders of the parent	74	-151	-73
Non-controlling interests	0	0	1
Total comprehensive profit/loss	**74**	**-151**	**-72**

Interim condensed consolidated statement of financial position

(Amounts in NOK million) ASSETS	31.03.2020	30.03.2019	31.12.2019
Deferred tax assets	70	43	69
Goodwill	2 876	2 743	2 611
Customer contracts and other intangible assets	123	183	119
Intangible assets	**3 068**	**2 969**	**2 799**
Tangible assets	307	309	276
Right-of-use assets	539	573	522
Other non-current assets	28	10	24
Total non-current assets	**3 942**	**3 860**	**3 621**
Total inventories	66	191	136
Total receivables	1 318	1 293	1 511
Cash and cash equivalents	821	439	154
Other current financial assets	0	0	1
Total current assets	**2 205**	**1 923**	**1 802**
Total assets	**6 147**	**5 783**	**5 423**

(Amounts in NOK million) EQUITY AND LIABILITIES	31.03.2020	30.03.2019	31.12.2019
Equity			
Paid-in-capital	2 386	1 697	1 716
Other equity	389	236	314
Total equity attributable to owners of the parent	**2 774**	**1 932**	**2 030**
Non-controlling interests	2	2	3
Total equity	**2 777**	**1 935**	**2 033**
Liabilities			
Pension obligations	14	0	11
Long-term leasing liabilities	350	408	339
Other non-current interest-bearing liabilities	1 210	995	1 161
Deferred taxes	22	41	23
Other non-current liabilities	29	26	0
Total non-current liabilities	**1 625**	**1 471**	**1 534**
Short-term leasing liabilities	191	166	186
Other interest-bearing current liabilities	168	758	101
Other current liabilities	1 386	1 453	1 569
Total current liabilities	**1 745**	**2 377**	**1 857**
Total equity and liabilities	**6 147**	**5 783**	**5 423**

Interim condensed consolidated statement of cash flows

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Profit/loss before tax	-99	-136	-178
Depreciation and amortisation	69	69	281
Taxes paid	-12	-1	-58
Net interest expenses	19	17	73
Change in working capital and other accruals	66	-36	-155
Net cash flow from operating activities - cont. oper.	**43**	**-88**	**-37**
Net cash flow from operating activities - disc. oper.	**14**	**56**	**109**
Net cash flow from operating activities	**57**	**-32**	**71**
Purchase of property, plant and equipment	-12	-5	-40
Acquisition of companies, net of cash acquired	0	-1 040	-1 146
Net proceeds from sale of property, plant and equipment	5	9	41
Net cash flow from investing activities - cont. oper.	**-8**	**-1 036**	**-1 145**
Net cash flow from investing activities - disc. oper.	**0**	**-218**	**214**
Net cash flow from investing activities	**-8**	**-1 253**	**-931**
Net proceeds from issue of shares	672	0	4
Proceeds from borrowings	0	1 422	2 022
Repayments of borrowings	0	-22	-1 128
Payments of lease liabilities	-47	-30	-165
Interest paid	-17	-16	-84
Net proceeds from acquisition/sale of treasury shares	2	-12	-5
Dividend paid	0	0	-1
Net cash flow from financing activities - cont. oper.	**610**	**1 343**	**642**
Net cash flow from financing activities - disc. oper.	**0**	**-3**	**-14**
Net cash flow from financing activities	**610**	**1 339**	**628**
Net change in cash and cash equivalents	**659**	**54**	**-232**
Cash and cash equivalents at the start of the period	**154**	**396**	**396**
Translation differences	8	-10	-9
Cash and cash equivalents at the end of the period	**821**	**439**	**154**
Hereof presented as:			
Free cash	821	438	153
Restricted cash	0	2	1
Cash and cash equivalents - continuing operations	821	439	154
Cash and cash equivalents - discontinued operations	0	0	0

Interim condensed consolidated statement of changes in equity

(Amounts in NOK million)	Share capital	Treasury shares	Other paid-in capital	Hedge reserve	Translation differences	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2019	**44**	**0**	**1 009**	**18**	**-6**	**375**	**1 440**	**2**	**1 442**
Profit/loss for the period						-113	-113	0	-113
Other comprehensive income				-18	-20		-38		-38
Increase share capital	10		649				659		659
Costs related to capital increase			-3				-3		-3
Share-based payments			1				1		1
Acquisition of treasury shares		0	-12				-12		-12
Total changes in equity	**10**	**0**	**634**	**-18**	**-20**	**-113**	**493**	**0**	**493**
Equity at 31 March 2019	**54**	**0**	**1 643**	**0**	**-26**	**262**	**1 932**	**2**	**1 935**
Equity at 1 January 2020	**54**	**0**	**1 662**	**1**	**8**	**305**	**2 030**	**3**	**2 033**
Profit/loss for the period						-78	-78	0	-78
Other comprehensive income				-29	182		152		152
Increase share capital	19		681				700		700
Costs related to capital increase			-28				-28		-28
Share-based payments			0				0		0
Acquisition of treasury shares		0	-1				-1		-1
Total changes in equity	**19**	**0**	**651**	**-29**	**182**	**-78**	**744**	**0**	**744**
Equity at 31 March 2020	**73**	**0**	**2 313**	**-29**	**190**	**228**	**2 774**	**2**	**2 777**

Notes to the interim condensed consolidated financial statement

General information

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

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

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

Accounting policies and basis for preparation

The condensed consolidated financial statements as per 31 March 2020 are prepared in accordance with IFRS as approved by the EU and comprise NRC Group ASA and its subsidiaries. The interim financial report is presented in accordance with IAS 34, Interim Financial Reporting. The accounting principles applied in the interim report are the same as those described in the consolidated accounts for 2019 except for what further described regarding the classification of interests paid in the cash flow statement. Upon the new acquisition financing in 2019 and the bond issue in September, the financing activities of the Group increased significantly. Based on the change, it was decided in the third quarter 2019 to reclassify interests paid from operating to financing activities to better reflect the underlying activities in the cash flow statement.

The interim accounts do not contain all the information that is required in complete annual accounts and they should be read in connection with the consolidated accounts for 2019. The report has not been audited.

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

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

Change in accounting principles

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

Cash flow statement

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

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Net interest expenses	19	17	77
Change in working capital and other accruals	-2	-1	7
Changes in net cash flow from operating activities - cont. oper.	**17**	**16**	**84**
Changes in net cash flow from operating activities - disc. oper.	**0**	**0**	**7**
Total changes in net cash flow from operating activities	**17**	**16**	**91**
Interest paid	-17	-16	-84
Changes in net cash flow from financing activities - cont. oper.	**-17**	**-16**	**-84**
Changes in net cash flow from financing activities - disc. oper.	**0**	**0**	**-7**
Total changes in net cash flow from financing activities	**-17**	**-16**	**-91**
Net change in cash and cash equivalents	**0**	**0**	**0**

Significant estimates and judgements

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

Revenue from contracts with customers

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

Goodwill and other intangible assets

The Group performs annual tests to assess the impairment of goodwill, or more frequently if there is an indication of impairment. In the impairment test the carrying amount is measured against the recoverable amount of the cash generating unit to which the asset is allocated. The recoverable amount of cash generating units is determined by calculating its value in use. These calculations require the use of assumptions and estimates related to future cash flows and discount rate. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future net cash inflows and the growth rate used for extrapolation purposes.

Purchase price allocation and accounting for contingent consideration in business combinations

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

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

Segments

Q1 2020 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Other**	**Consolidated**
External	404	311	539	0	1 254
Inter-segment	3	1	1	-4	0
Total revenue	**407**	**311**	**540**	**-4**	**1 254**
EBITDA*	**7**	**-15**	**16**	**-9**	**-1**
Depreciation	22	12	19	0	53
EBITA*	**-14**	**-27**	**-3**	**-9**	**-54**
Amortisation and impairment	4	0	11	0	15
EBIT*	**-18**	**-28**	**-14**	**-10**	**-69**
Other income and expenses	4	0	0	3	7
EBIT	**-23**	**-28**	**-14**	**-12**	**-77**
Order backlog	1 953	2 738	3 357		8 048

Q1 2019 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Other**	**Consolidated**
External	470	298	361	0	1 130
Inter-segment	0	0	0	0	0
Total revenue	**470**	**299**	**361**	**0**	**1 130**
EBITDA*	**14**	**-7**	**4**	**-14**	**-3**
Depreciation	20	13	18	0	51
EBITA*	**-5**	**-20**	**-13**	**-15**	**-54**
Amortisation and impairment	7	0	10	0	18
EBIT*	**-13**	**-20**	**-24**	**-15**	**-72**
Other income and expenses	2	0	46	0	49
EBIT	**-15**	**-20**	**-70**	**-15**	**-120**
Order backlog	1 490	2 674	1 797		5 961

FY 2019 (in NOK million)	**Norway**	**Sweden**	**Finland**	**Other**	**Consolidated**
External	2 272	1 538	2 383	0	6 193
Inter-segment	9	2	4	-15	0
Total revenue	**2 281**	**1 539**	**2 388**	**-15**	**6 193**
EBITDA*	**186**	**-77**	**191**	**-33**	**267**
Depreciation	88	48	75	1	212
EBITA*	**97**	**-125**	**116**	**-34**	**55**
Amortisation and impairment	28	0	41	1	70
EBIT*	**70**	**-125**	**75**	**-35**	**-15**
Other income and expenses	45	0	37	8	91
EBIT	**24**	**-125**	**38**	**-43**	**-105**
Order backlog	1 969	2 277	2 905		7 151

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

Business combinations

VR Track Oy

In the first quarter 2019, NRC Group completed the transaction to acquire VR Track Oy, the Finnish operations of the Group. For further information about the business combination and the purchase price accounting, see note 2 in the annual accounts for 2019.

NSS Holding AS and Gunnar Knutsen AS

The transactions to acquire NSS and Gunnar Knutsen were completed in 2018. For further information about the business combination and the purchase price accounting including the contingent consideration, see note 2 and 20 in the annual accounts for 2019.

Discontinued operations and assets held for sale

On 12 August 2019, the Group announced the decision of its Board of Directors to sell the Design segment. Following this decision, Design was classified as a disposal group held for sale and as a discontinued operation. The transaction was closed on 1 November 2019.

The Group classifies disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use.

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

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

The major classes of assets and liabilities of the Design segment classified as held for sale were de-recognized upon the sale 1 November 2019. For further information, see note 25 in the annual accounts for 2019.

Corporate events during the quarter

On 12 February, NRC Group held a Capital Markets Update presentation. The Capital Markets Update presented the Group's strategic development, ambitions and outlook after completion of the strategy process initiated in the second half of 2019. The strategy process resulted in clear priorities to restore profitability and drive growth with a 2024 ambition of NOK 10 billion of revenue and 7% EBITA margin.

On 12 February, a private placement of new shares in the Company was contemplated and successfully completed. The Company raised NOK 700 million in gross proceeds through the private placement of 18,918,919 new shares, at a price per share of NOK 37. The Private Placement took place through an accelerated book building process after close of markets on 12 February 2020 and was carried out in in two separate tranches; 10,675,719 new shares in tranche 1 and 8,243,200 new shares in tranche 2. Following the share capital increases, the Company's share capital per 31 March 2020 was NOK 72,954,549.00 divided into 72,954,549 shares, each with a par value of NOK 1.00. The net proceeds from the Private Placement enhanced the financial strength and flexibility of the Company and will also be used for general corporate purposes.

On 11 March, The Financial Supervisory Authority of Norway approved the prospectus prepared by the Company for listing of the Tranche 2 Shares on Oslo Stock Exchange.

On 30 March, a share buy-back program was initiated for up to NOK 3 million in the market, conducted in accordance with the authorization provided by the Annual General Meeting to the Board of Directors on 8 May 2019. The shares purchased in the buy-back program will be used in connection with the Company's employee share program. Subsequently, the Company acquired shares 30 and 31 March, leaving the Company's total holding of treasury shares at 31 March at 67,058 shares.

Transactions between related parties

NRC Group ASA had no significant related party transactions other than ordinary cause of business in the first quarter 2020. Note 6 and 7 to the Group accounts in the annual report for 2019 provide further disclosures on the size and types of related party transactions during the previous years.

NRC Group ASA has had agreements with Board members for consultancy services related to certain internal projects, including such as acquisitions and management recruitment. The agreements are based on hourly rates and are carried out on arm's length terms. Currently, there exists one agreement with Mats Williamson.

Contract announcements

The table presented below provides an overview of the Stock Exchange announced contracts during first quarter 2020.

(Amounts in NOK million)

Client	Estimated value	Country
The Swedish Transport Administration	44	Sweden
The Swedish Transport Administration	140	Sweden
Bane NOR	75	Norway
Kristiansand Havn KF	47	Norway
Consto AB	78	Sweden
The Swedish Transport Administration	104	Sweden
Finnish Transportation Infrastructure Agency	58	Finland
Finnish Transportation Infrastructure Agency	47	Finland
Total	**593**	

Events after the end of the period

On 3 April, the Company was appointed to a NOK 199 million contract for preparatory works in connection with the new ERTMS signalling system on Bergensbanen, Flåmsbanen and Randsfjordbanen by Bane NOR in Norway.

On 7 April, the Company was appointed to a SEK 65 million contract by NCC and OHL for track related work on the railway connection between Lund and Arlöv in Sweden.

On 23 April, a new share buy-back program was initiated for up to NOK 2 million in the market, following a share buy-back program which was initiated 30 March and completed 7 April. Subsequently, the Company acquired shares 23 April, leaving the Company's total holding of treasury shares after this transaction at 163,684 shares.

On 6 May, the Company was appointed to a NOK 39 million power supply system contract by Bane NOR for work on the railway connection between Alna and Etterstad in Norway.

On 6 May, the Annual General Meeting approved all items in accordance with the Notice to the general Meeting. The Annual General Meeting appointed David Christopher Montgomery and Tove Elisabeth Pettersen as new Board members, replacing Harald Arnet and Kjersti Kanne.

IR Policy

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

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

Dividend Policy

The company expects to create value for its shareholders by combining increased share value in a long-term perspective and distribution of dividends. The company aims to have a dividend policy comparable with peer Groups in the industry and to give its shareholders a competitive return on invested capital relative to the underlying risks. The Board of Directors at NRC Group has introduced a dividend policy whereby, subject to a satisfactory underlying financial performance, it is NRC Group's ambition over time to distribute as dividend a minimum of 30% of the profit for the year. The target level will be subject to adjustment depending on possible other uses of funds. The Annual General Meeting (AGM) resolves the annual dividend, based on the proposal by the Board of Directors.

Alternative performance measures and definitions

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

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

EBT
Profit before tax.

EBIT
Operating profit.

EBIT%
Operating profit in relation to operating revenues.

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

EQUITY RATIO
Total equity in relation to total assets.

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

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

EBITA %
EBITA in relation to operating revenues.

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

EBITDA %
EBITDA in relation to operating revenues.

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

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

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

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

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

ORDER INTAKE
Total nominal value of orders received.

BOOK-TO-BILL ratio
The nominal value of orders received divided by external revenue for the corresponding period.

BOOK-TO-BILL ratio LTM
The nominal value of orders received last twelve months divided by external revenue for last twelve months.

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

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

(Amounts in NOK million)	Q1 2020	Q1 2019	FY 2019
Operating profit/loss (EBIT)	-77	-120	-105
Other income and expenses	7	48	91
EBIT*	**-69**	**-72**	**-15**
Amortisation	15	18	70
EBITA*	**-54**	**-54**	**55**
Depreciation	53	51	212
EBITDA*	**-1**	**-3**	**267**

NRC Group ASA

Company information

Visting address
Lysaker Torg 25
1366 Lysaker
Norway

Postal address
P.O. Box 18
1324 Lysaker
Norway

Board of Directors

Helge Midttun	Chairman
Brita Eilertsen	Board member
Mats Williamson	Board member
Rolf Jansson	Board member
Eva Nygren	Board member
Tove Elisabeth Pettersen	Board member
David Montgomery	Board member

Management

Henning Olsen	CEO
Dag Fladby	CFO
Hans Olav Storkås	MD NRC Norway
Harri Lukkarinen	MD NRC Finland
Robert Röder	MD NRC Sweden
Lene Engebretsen	Head of communications
Mirka Nevala	EVP strategy and corporate development

Financial calendar 2020:

19.08
Half-yearly 2020 results

10.11
3rd quarter 2020 results

NRC Group

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