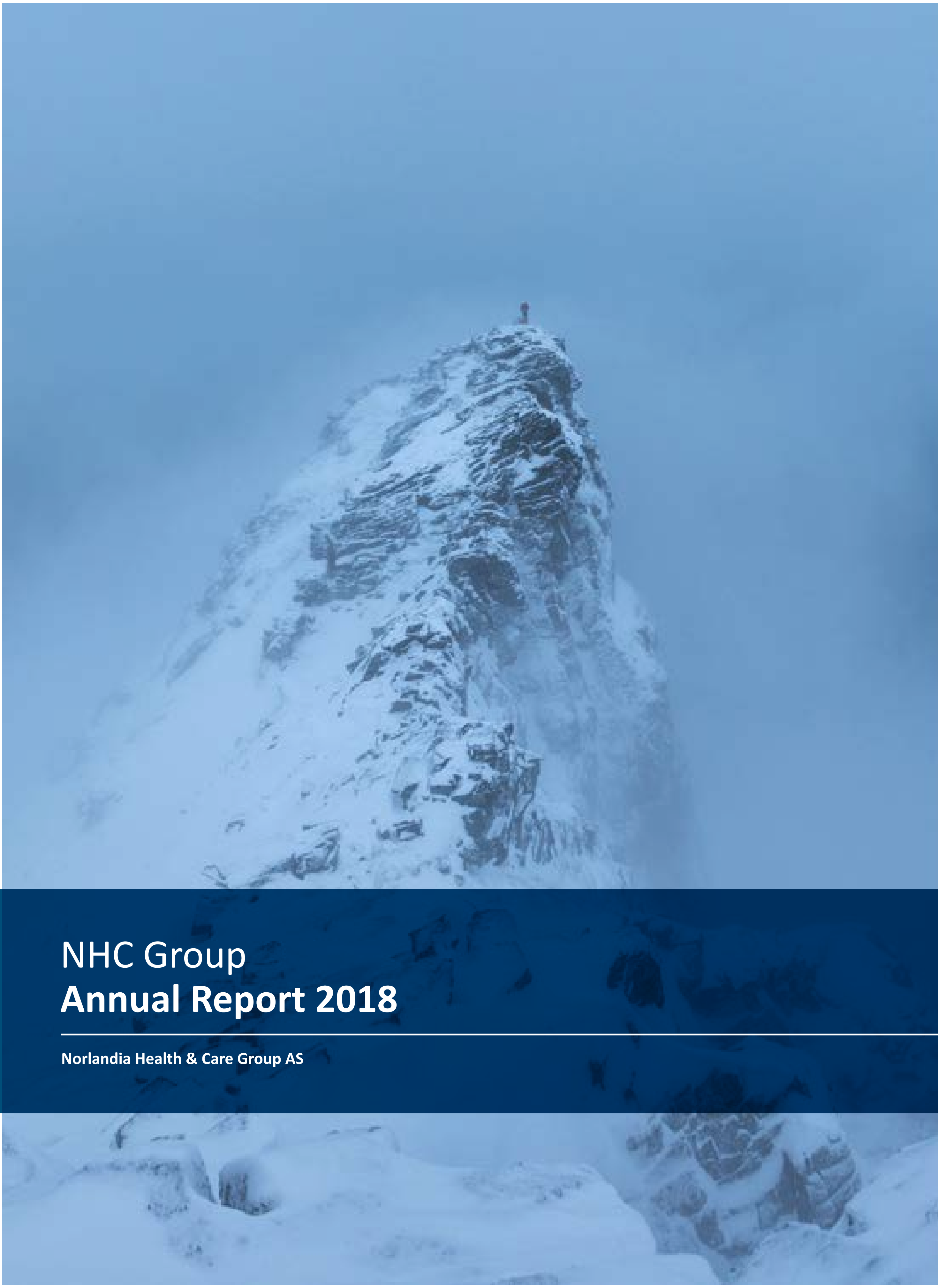
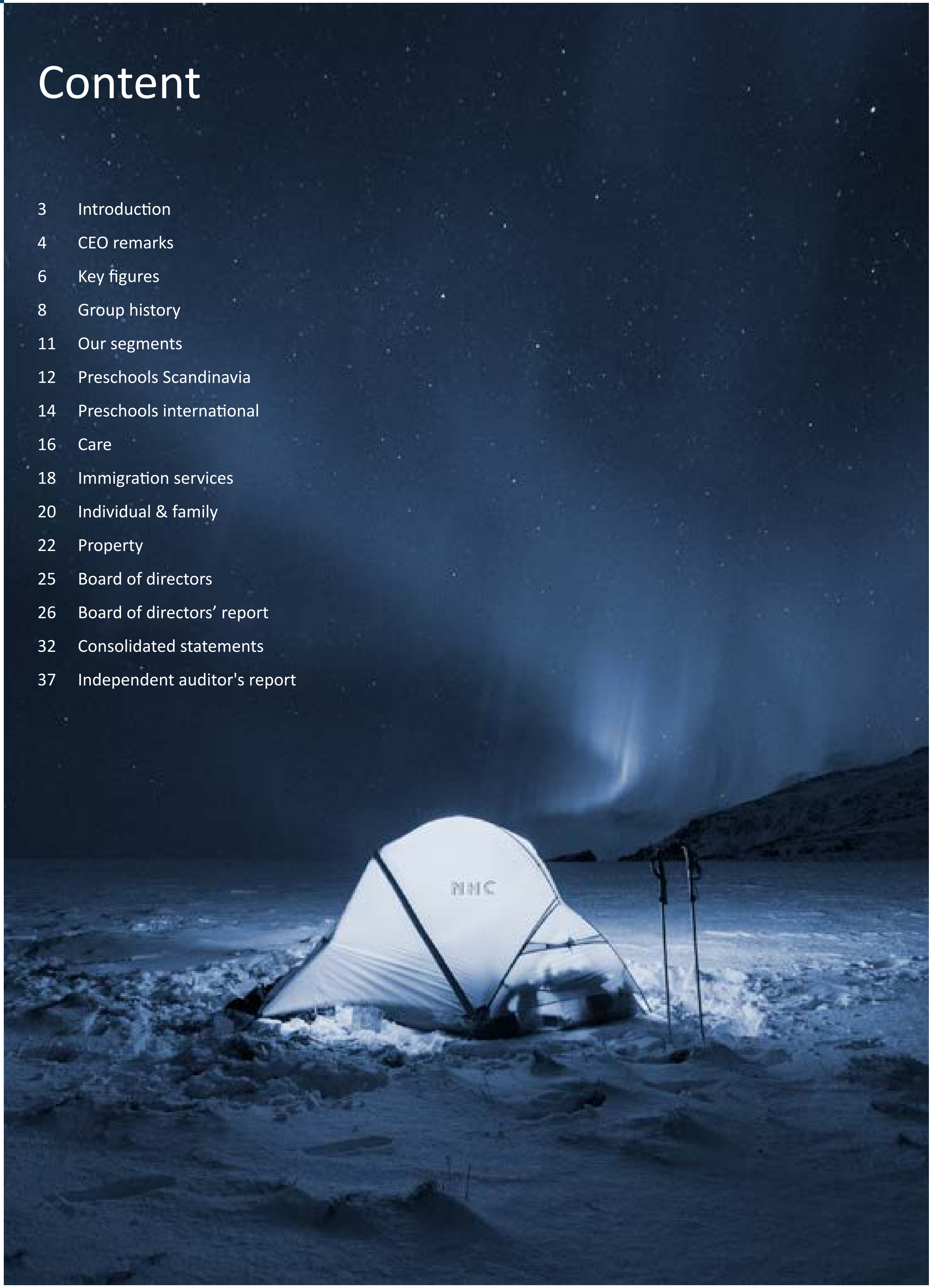


NHC Group

Annual Report 2018

Norlandia Health & Care Group AS

Content



It's in our nature

The origins of our company hail from the rugged shores of the far north.
Our heritage of simple but solid wisdom continues to provide guidance.
We have what it takes and we're in it for the long run.

CEO remarks

Through inclusion of commercial entities in the welfare mix, society has tapped the wellspring of competition, from which a steady stream of innovations will flow.

Yngvar Tov Herbjørnssønn
NHC Group
Group CEO

In the grand waves of a continually evolving society, NHC Group has proven its role as a key contributor in the mix of welfare service providers comprising of public, non-profit and commercial operators. The underlying fundamentals for our enterprise remain compelling: An aging population, social exclusion, lack of early intervention, a shortage of qualified personnel, and a need to use tax revenue efficiently. 2018 was a year of consolidation and organic growth for NHC Group, where we saw growth in some areas and contraction in others, as planned and expected.

Through inclusion of commercial entities in the welfare mix, society has tapped the wellspring of competition, from which a steady stream of innovations will flow. Our detractors claim that competition only means cuts in pensions and salaries; reality shows that with a multitude of providers and the attendant risk of not being chosen, competition stimulates innovation and discipline so that the watermark of quality rises for all entities involved for the benefit of the user and the payor.

Within NHC, we have demonstrated a commitment to service development with novel concepts based not only on technology deployment, but also a range of soft innovations. Examples include a more thoughtful approach to the last days of life in our nursing homes or methods to combat bullying and secure social inclusion in several of our other business areas. We are pleased to see that in Sweden, reason has prevailed after a period of uncertainty in the political sphere. After an unusually turbulent political situation, stability has been re-established. As part of the understanding that went into the political compromise of the current government platform, there has been a recognition of the need for predictable and sustainable conditions for commercial providers in the welfare sector.

We are excited to explore the potential of Alina, one of our newest acquisitions. This company has pioneered a franchise-based approach to home-based care operations in Finland. With new levers of accountability and incentives, they have earned the trust of a base of very satisfied users and a team of service providers who thrive under a model with unsurpassed independence.

Our owners hail from Andøya, in the far north of Norway. An upbringing close to the wonders of the wilderness has created a lifelong desire on their part to contribute to protect the environment and advance responsible enjoyment of nature. This mindset has effectively been transmitted to NHC, we now routinely report on ambitious environmental goals in all divisions.

Life in a small place with harsh weather conditions necessitates shared solutions and trust in other people. The values learned at Andøya by our owners are very much reflected throughout the NHC organization.

Why do employees and managers appreciate working in the NHC companies? One explanation we often hear is the great presence of stimulating individual responsibility and the lack of bureaucracy. Many of our employees cherish the freedom they experience in NHC compared to other places they have been.

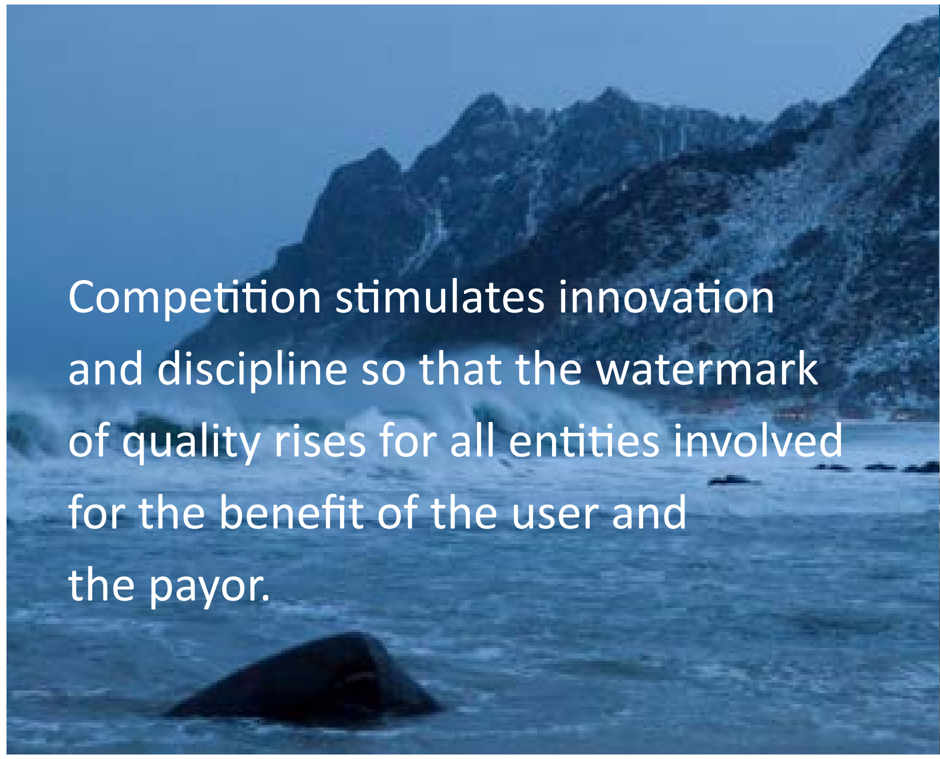
We have very consciously allowed the separate business areas of NHC to retain autonomy. They serve distinct customers and have different roles in society. At the same time, we are pleased to report that many synergies are captured. We seem to be able to transfer learning across the company, this is partly the outcome of a more tightly integrated quality management organization.

Our expressed strategic aspiration of "being the welfare innovator" has existed for a couple years and seems to have been broadly embraced by our employees. We continue to nourish and stimulate cases of fresh thinking. Innovations bring value to customers or they lighten the work of our employees.

In the following, our heads of the business areas will venture into some detail on the progress they made in 2018. Thanks for reading our report, we hope you will find it useful.

Regards,

Yngvar Tov Herbjørnssønn
NHC Group
CEO



WORDS TO LIVE BY

INFORMAL BUT PROFESSIONAL

Roger and Kristian Adolfsen

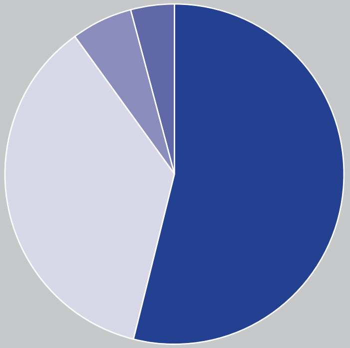
Our owners (Roger and Kristian Adolfsen) hail from Andøya, in the far north of Norway.

9,700
EMPLOYEES

21,945
NUMBER OF USERS

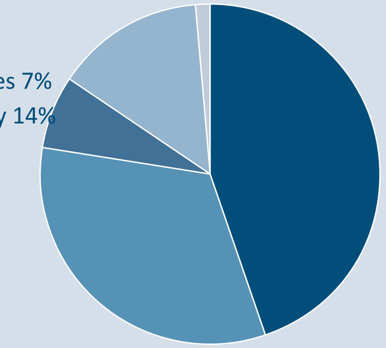
Revenue per country

- Norway 54%
- Sweden 36%
- Finland 6%
- The Netherlands 4%
- Germany <1%
- Poland <1%



Revenue per segment

- Preschools 45%
- Care 33%
- Integration services 7%
- Individual & family 14%
- Property 1%



Revenues

4,857
MNOK

458
UNITS

Segments

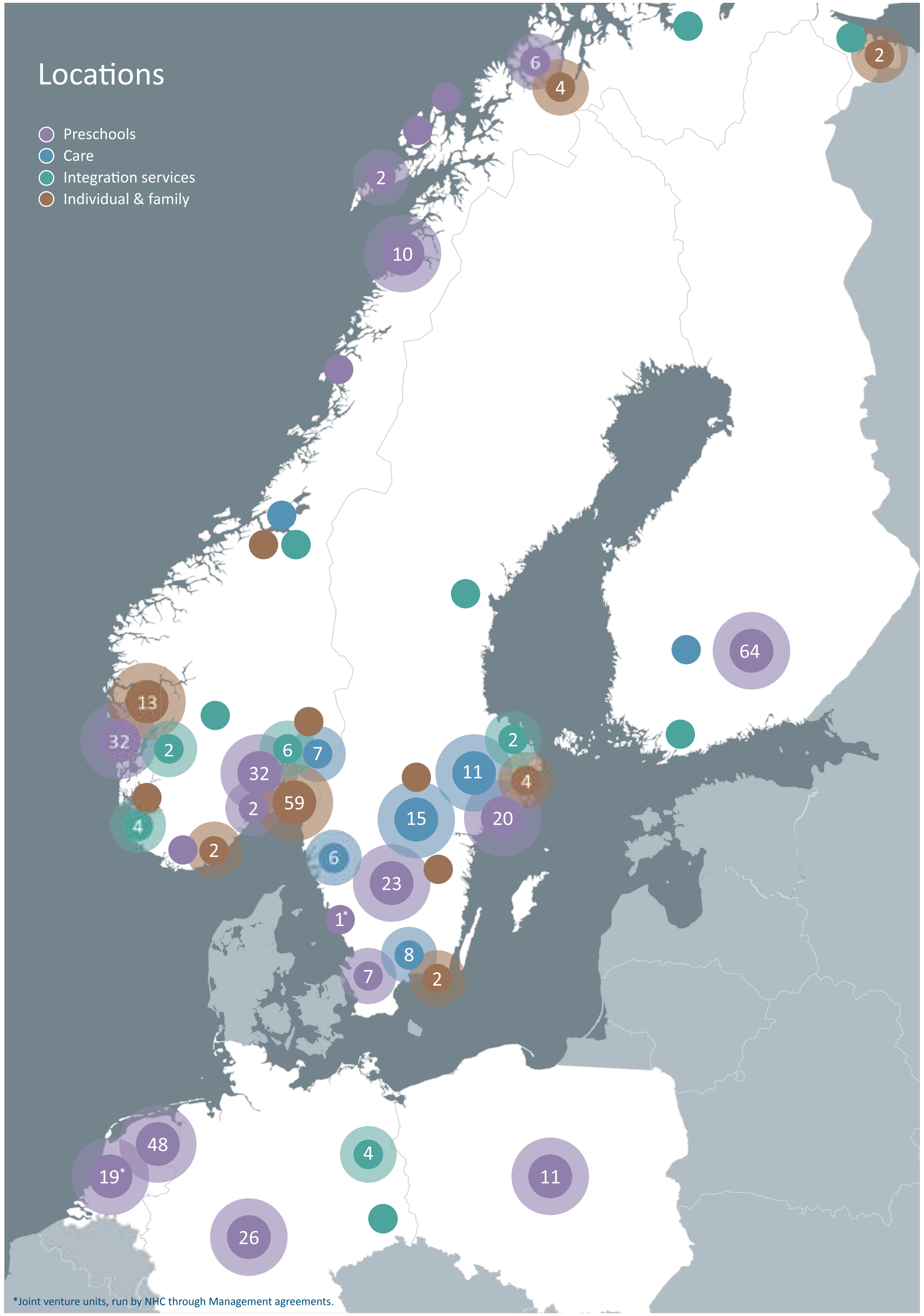
Preschools
Preschools
Out of school care

Care
Elderly care
Patient hotels
Home care
Clinic

Integration services
Reception centres/ accommodation
Education
Interpretation

Individual & family
Child care/foster homes
Assisted living
User controlled personal assistance (BPA)
Rehabilitation

Property
Development, acquisition and sale of real estate



Group history

1990

The two brothers, Kristian and Roger Adolfsen, acquire their first hotel

1995

Kristian and Roger Adolfsen acquire twelve additional hotels in the period from 1990 to 1995 and establish the Norlandia brand in 1995

1997

Norlandia Care AS was established as a spin off from Norlandia Hotels & Resorts

2007

The Nordic private equity sponsor FSN Capital acquires 45% of Norlandia Care AS

2008

Kristian and Roger Adolfsen and partners establish preschool company ACEA Holding AS

2010

Kristian and Roger Adolfsen establish Aberia Healthcare with partners

2011

FSN Capital exits Norlandia Care AS. Norlandia Care Group AS (NCG) is created as a merger between Norlandia Care AS and ACEA Holding AS

2014

The owners acquire a majority stake of integration services company Hero Group from ISS

2015

NCG acquires Kosmo, a major Swedish elderly care operator

NCG acquires 100% of preschool company Kidsa

2016/2017

Kristian and Roger Adolfsen acquire all minority stakes in NCG, Hero, Aberia and Kidsa and merge them to form the NHC Group

2018

The owners acquire Swedish health care operator Frösunda. While Frösunda is not part of NHC, there is potential for cooperation and development.

Life in a small place with harsh weather conditions necessitates shared solutions and trust in other people.

Our segments

Preschools

Preschools
Out of school care

Care

Elderly care
Patient hotels
Home care
Clinic

Integration services

Reception centres/accommodation
Education
Interpretation

Individual & family

Child care/foster homes
Assisted living
User controlled personal assistance
Rehabilitation

Property

Development, acquisition and sale of real estate

Preschools Scandinavia

Kristin Voldsnes
Preschools Scandinavia
COO

Given the size and importance of the preschool sector in Norway, it seems reasonable that it continues to be debated. It is worthwhile to pause, though, to consider the rather immense changes the field has undergone over the last 15 years or so. It used to be a sector which dramatically failed to deliver the demand of the market. Under the shackles of inadequate public policy, a severe shortage of preschool spots persisted. With legislation championed by courageous and visionary national politicians, the capacity of the private sector was brought to bear and a great expansion coupled with a broad rise in quality ensued. It is a notable case of commercial enterprise used to solve a major and persistent societal need.

Many buildings and properties in the sector are rather worn and in need of major upgrades. Using the private market, society can muster the resources needed for real estate adequate for the future.

We are continually developing our organization and our services. For us, a clear direction is given by our chosen identity and work method which we call Knowledge & Innovation. Based on this foundation, we seek to facilitate employee-driven innovation, as well initiate larger, centrally conducted projects. We have already seen the effect of this approach. In Sweden, we have been proud to enter into a partnership with the organization Generation Pep. Generation Pep works to ensure that children are more physically active. We know that children growing up today are less active. The approaches of Generation Pep in combination with food concept Mat med Smak has become NorlandiaSkuttet.

In Uppsala, the dedicated preschool managers of Uppfinnaren and Upplevelsen have developed a new future-oriented educational concept very successfully. The concept has firm foundations in the official Swedish guidelines and has the additional benefit of nudging children who have attended these Norlandia preschools to be more curious, creative and wondering. Both preschools have a very good reputation and have received attention even outside our own organization.

In Sweden we also have opened a new preschool with a ski concept. The preschool is inspired by Skistua in Norway. We have also partnered with the Swedish ski association.

As a private preschool, we need to stand out from our competitors, both private and public. We must offer a little something extra. We strive to make everyday life easier for parents who have children in a Norlandia preschool. One example is our continued focus on catering services as part of Mat med Smak, but also more broadly on development of family services.

Every year we arrange Norlandia Quest as part of our commitment to Knowledge & Innovation. The theme for 2018 was sustainability under the heading GoGreen. With this theme, we met the spirit of the times in an important effort contained in both countries' state guidelines. Providing knowledge to children on this important topic caused great involvement among both employees and parents.

Norway
Currently we care for 4 727 children in 61 Norlandia preschools, and 1 962 children in 28 Kidsa preschools in Norway. Thus, a total of 6689 children. A great opportunity and a tremendously important responsibility. We have one preschool less than a year ago: In July 2018, the contract with the city of Oslo to operate Sørenga preschool expired.

We have continued our work on implementing our food concept Mat med Smak, including a detailed and user-friendly concept description. The concept is strongly inspired by the work of our preschool organization in Sweden.

Norlandia Skistua preschool in Oslo was named the best of over 2,000 privately run preschools in Norway by preschool employer organization PBL. Skistua primarily base their educational work on outdoor activities. The preschool repeatedly receives high scores on parental satisfaction, high employee satisfaction and low sick leave.

In Norway we have a new staffing norm from August 1, 2019. This means that there must be one employee per 6 children when the children are over 3 years and one employee per 3 children when the children are under 3 years old.

Sweden
Currently we care for 3692 children in 57 preschools in Sweden. We opened five new preschools in Sweden in the past year. We also purchased 2 preschools. All of them with a future-oriented organization and all of them have implemented Mat med Smak.

Food is very high on our agenda in Sweden. We find that parents share our interest in what children eat in our preschools and they want a health-promoting diet for their children. Our food is all biodynamically produced and cooked on site. At almost all units it is possible for parents to purchase take-home dinners. Our Swedish preschools have been working on profiling the excellent educational environment we can offer. We have been represented at several fairs and been active in the local community. This work has proven to be successful: By the end of the year we had a many more children attending our preschools than in the beginning of the year. Our commitment to and investment in Knowledge & Innovation, as well as in Mat med Smak, has been important for achieving this success.

Norlandia Uncle Tomms Hytte received a visit from William and Kate, Duke and Duchess of Cambridge, and Norway's Crown Prince and Princess. They were interested in learning about life in an outdoor/sports preschool in the middle of winter.

3 627 EMPLOYEES

Norlandia Skistua preschool in Oslo was named the best of more than 2,000 privately run preschools in Norway by preschool employer organization PBL. Unit manager Annette Strand accepted the prize from Norway's Minister of Education Jan Tore Sanner.

NORWAY'S BEST PRESCHOOL

Mat med Smak is Norlandia Preschool's meal concept. We serve well-prepared and tasty meals that give children the energy and nutrition they need. As a part of our family services we also offer meals that families can purchase and take home.

NORLANDIA SKUTTET

10 381 USERS

Preschools international

Olli Lehtisalo
Norlandia Preschools International
COO

We continued our strong growth in 2018 in all four markets by adding more than 40 units to the Norlandia family. At the same time we were able to maintain focus on further development of our key processes related to quality, employee satisfaction and local implementation of Norlandia brand and concepts.

Finland
Finland continued strong growth in 2018 and the underlying economic situation entering 2019 is more robust than it was earlier. Norlandia opened eleven new preschools and acquired some new operations both in preschools and in out-of-school care. Our project pipeline is also strong despite tightening competition.

Finland got ISO certified after successfully passing the external audits in the beginning of the year. At the same time there was a lot of development regarding several quality processes and organisation. For the first time, we ran a satisfaction survey directed at children. The employee satisfaction survey Great Place to Work score was improved to a high level of 82. During the year we continued to work systematically to further enhance employee satisfaction, one example being a sport event that we organized for the whole staff.

Geographical expansion continued as new units were established in the cities of Oulu and Kuusamo. In Kuusamo, after success in a local concept competition, we built and opened our first unit constructed of wooden logs. This provides a more healthy learning environment for children. We also opened a new unit in Kankaanpää which is built with anti-microbial surfaces to reduce infections and sickness.

In line with NHC strategy, Finland took many more initiatives in both innovation and external communications. We were very active in local events and fairs. As an example of our continuous approach towards innovation and sustainability, we signed a contract with a start-up company which has developed an innovative online food waste measurement system.

The Netherlands
Norlandia childcare in Netherlands expanded in 2018 with three new acquisitions in the southern region and in the Hague. In total, we enter 2019 with about 30% more customers than last year. In the last quarter of 2018 we also negotiated an acquisition of 19 more preschools in Rotterdam, which was signed in January 2019. Fast growth required investments in people, processes and branding as well. A Norlandia congress on pedagogical training was held for the first time as an event for all employees. At the same time a branding project was started to strengthen Norlandia culture and brand visibility.

The southern region was successfully ISO certified according to the plans. There was significant attention paid to the environmental aspects of the operations, including our paper waste reduction project.

The number of employees in the Netherlands grew from 400 to reach over 500 by year-end. We also appointed a new country manager who started in June. One area of focus in 2018 was to lower the number of sick days and we were able to achieve a continuously declining trend over the year.

A major legislative change came into effect on January 1, 2019. The so-called IKK law changed the mandated ratios between staff and children and requires more training and pedagogical coaching. Norlandia prepared for the change during the year and was fully compliant with the new requirements at year end. The new law makes is tough for small entrepreneurs to cope with the regulations and this has also increased M&A activity in the market.

Poland
We started the year in Poland with four units which increased to eleven during the year. Some of these units opened during the fourth quarter of 2018 and there are ongoing projects and a pipeline to support further growth in the market. The number of children in our preschools increased by 280% during the year.

Our local organisation continued to develop during the year. Poland fully implemented Norlandia branding and started to work with the quality system, in order to be ISO certified in 2019/2020. This work has also included training sessions for unit managers regarding Norlandia's values, culture and procedures. A unique Scandinavian-Polish concept for preschool facilities was also developed.

There was a lot of co-operation between the countries in the division. In February, a workshop was arranged with pedagogues from Poland, Norway and Finland to develop the Norlandia concept in Poland. To facilitate the appreciation of a Scandinavian lifestyle with its emphasis on outdoor activities in our preschools in Poland, we decided to offer free of charge winter clothing to all our children. We also started to offer Moomin Language School service – a digital language learning tool developed in Finland. As an example of several environmental actions, we started to use electric cars in food transportation.

Germany
Our operations under the Wekita brand continued steady growth adding ten new units during the year. The concept is well developed and attracts the best employees possible, thereby allowing us to grow in a market with a severe staff shortage. Norlandia has also initiated work to establish new operations in different parts of Germany during 2019.

HEALTHY INTERIOR

Expansion to northern Finland: Our first log-built preschool offers healthier learning conditions for kids.

SUSTAINABILTY

Our green colors were clearly visible on the annual Sustainability Day where the goal was to invent the most surprising way to recycle material.

6165 USERS

We bring Scandinavian outdoor culture to Poland. Here, winter clothing is offered to all our customers free of charge.

30%
More customers than last year

902 EMPLOYEES

Care

Nathalie Boulas Nilsson
Norlandia Care
CEO

2018 was a year with continuing focus on the future needs of the growing elderly population and the political landscape in the Nordic countries.

In Norway, the political climate continued to be challenging for private operators. Several municipalities were taking back outsourced operations within the Care sector and there were very few tenders coming out. In Sweden, the general election and the subsequent inability to form a new government fuelled much speculation about the future of private welfare operators given potential limitations on profits in the sector. At the same time, a large part of the private Care tenders were put back out on tenders again. In Finland, the SOTE reform was being discussed and the future was unclear.

Regardless of the political uncertainties, an increasing part of the Nordic population is growing older and the need for an expanded elderly care sector and lack of public financial resources call for increased private options.

Norlandia Care continued to develop and increase the part of the operations that is run in own facilities. In Norway we started developing Huseby Atrium, the first senior living/elderly care operations that is entirely privately financed. In Sweden we started building an own operation in Halmstad. Furthermore, we will open a brand new elderly care home in Boden in the northern part of Sweden in November 2019.

We also developed our Norlandia Generation Concept, drawing upon the strengths of having both preschools and elderly care within the same group of companies. Two generation concepts in Sweden, in Norrtälje and Knivsta, were developed and will be opened in 2020 and 2021 respectively.
In addition, much focus was put on continuous improvements with patient safety in focus. The hard work particularly at Oppsalhjemmet in Oslo led to multiple mentions of the quality work around patient safety as noteworthy practices in the report from "Riksrevisionen" in Norway. In Sweden, novel approaches led to less restricted but also safe environments for dementia patients at Solliden. Also, multiple units implemented an electronic medication app where signatures can be done promptly at the time of dispensing the medication with reminders of when medications should be administered.

The focus on being a welfare innovator continued to prevail. A first round of employees from both Norway and Sweden participated in a much-appreciated training in the "Innovation Academy" and received inspiration and concrete tools to bring back into their own operations in order to support innovation.
The innovation board was also initiated.

Norway
In Norway, Norlandia handed back the operations at Orkerød in Moss to the municipality and also started preparing for the handover of the Skoggata operations. We did however re-win the contract for the Gullhaug nursing home in Bærum after a tender process. We also won the tender competition for the Zefyr patient hotel in Bodø and prolonged our current contract for the St. Olav patient hotel in Trondheim where we also started up a light care ward, increasing our footprint in the patient hotel segment.

We continued to grow our homecare services in Oslo as well as win a concession for home care in Bærum. In January of 2018 we acquired Kamfer AS homecare operations which were integrated into the Norlandia homecare services during the year.

At the end of 2018 Norlandia Care acquired Rubicon AS, an occupational healthcare company in Tønsberg, in order to expand and complement our specialist healthcare unit Norlandia Medisinke Klinikk.

Sweden
In Sweden, Norlandia won the tender for Tibblehemmet and also re-won the tender for Gammelgården already run by Norlandia. We took over Soltorp, Vallgården, Sannagården and Vedding elderly care units during the year.

The new regulations requiring all private actors to apply for IVO permits challenged the entire market. The changes caused delays in takeovers and prompted discussions about contracts with municipalities that are no longer in accordance with IVO requirements. The new requirements also mean that the staffing requirements specified by the municipalities are no longer always sufficient. Significant time and effort were put into these new processes.

All units participated in both crisis management training and ethics discussions during the year to further strengthen our capabilities in these areas.

The first steps to implement our much appreciated "*Mat med smak*" food concept deriving from our preschool operations were taken during 2018 and will continue to develop during 2019. The objective is to ensure quality of both nutrition and the meal experience in our elderly care units.

Finland
As a result of the strategic plan developed in 2018, Norlandia Care put extra effort into expanding our operations in Finland. In addition to the well-known patient hotel in Tampere, Norlandia started to evaluate opportunities for establishing elderly care units as well as potential for M&A in order to establish a presence in the Finnish care market. This work led to the acquisition of the Alina homecare franchise chain in the beginning of 2019 which is the first step into the care market in Finland.

Stora Alsike is an example of Norlandia's Generation Concept. The concept involves the construction of properties that house both an elderly care unit and a preschool. The goal is to create an environment where children and the elderly meet in a natural way.

QUALITY IN ELDERLY CARE

The Office of the Auditor General of Norway has published a report on the availability and quality of elderly care. Norlandia Oppsalhjemmet is mentioned many times as a good example of contiuous quality improvement.

Gott liv - varje dag!

GOOD LIFE - EVERY DAY

2 936 USERS

We established an Innovation Board to encourage new ideas from employees

3 176 EMPLOYEES

We won many tenders last year in Norway and Sweden. Here are CEO of Nordlandssykehuset Paul Martin Strand, CEO Yngvar Tov Herbjørnssønn and Country Manager Riikka Aubert at the opening of Zefyr Patient Hotel in Bodø, Norway.

Integration services

Tor Brekke
Hero Group
CEO

The Hero Group operates in three separate business segments: Accommodation Services, Language Services and Education Services. We are guided by the NHC strategic aspiration of *Being the welfare innovator*, and by the Hero aspiration "*By 2025 Hero will be a pioneer and powerhouse enabling integration and self-sufficiency throughout Europe*." We offer expertise in handling some of the most pressing challenges currently facing modern western democracies: Migration, integration, and inclusion of immigrants in the labour market. We contribute to public cost reduction and security through services, information programs and workshops that enable immigrants to take responsibility in their new surroundings and to quickly become contributors.

In 2018 the Hero Group continued its turnaround process with internationalization, innovation and growth in the language services segment. The number of asylum seekers to nations in the European Economic Community continued down 11% from 2017 to 2018. Norway saw a decline of almost 25% from the already historically low arrival numbers in 2017. Compared to the "normal" arrival situation before 2015 only Hungary has seen a larger reduction than Norway's 75% decrease. As a consequence, demand for accommodation services in Norway continues its downward trend. However, Hero is still the most important entity in the sector in Norway with eight centres in operation at the end of 2018. During 2018 we won continued operator responsibility for the arrival centre in Østfold and the emergency centre in Finnmark, ensuring a strong position the next time Norway sees an increase in arrivals of asylum seekers.

During December several tender decisions in the Berlin *Landesamt für Flüchtlingsangelegenheiten* (LAF) resulted in four new contracts. We see this as a result of patiently building trust by delivering high quality services in the Berlin market. By the end of 2018 Hero operates a larger total accommodation capacity in Germany than in Norway.

In Language Services 2018 has been a year for preparations. The market is undergoing huge technological changes with machine learning, automated translations and voice recognition transforming the field. We follow the developments closely and aim to be one of the companies which most efficiently utilize new technology to the best for current and future customers.

Given that public demand for interpretation services continues to decrease, it was important that Hero Tolk AB won the most important tender in the Nordics in 2018 – the Kammarkollegiet tender for a wide range of Swedish government agencies. Legal complaints and appeals have postponed the startup of the contract to early 2019. Due to this delay revenue increase will first be seen during the first half of 2019. Our Language services organization continues its process of building a fully integrated Nordic operation optimizing efficiency across Norway, Sweden and Finland.

The challenging political situation in Sweden has affected our Education segment there negatively. We saw a very positive development with increasing number of course participants during the first half of 2017. Then the number of participants fell dramatically from January 2018. All our competitors experienced the same. The reason was extensive use of subsidized employment called *extratjänster* as the Swedish government prepared for the September elections. The unpredictability in this market for several years led us to conclude that organic growth would be too time-consuming and costly, and by summer we decided to shut down our Swedish Education services.

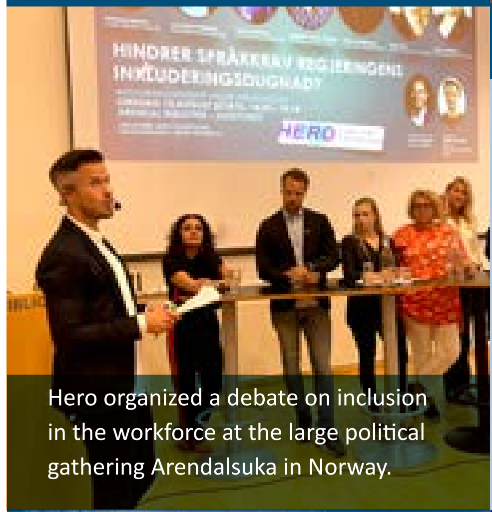
In Norway decreasing unemployment and changing political priorities have also led to fewer assignments and participants from the Norwegian Labour and Welfare Administration (NAV). At the end of 2018 however, NAV has started to tender support services for job-seekers worth several billion Norwegian kroner. This is creating one of the most interesting market opportunities for the Hero Group in 2019.

We are also proud that concepts from our Education segment in 2019 will be piloted in the Berlin district of Marzahn-Hellersdorf. More than 200 refugees will attend our interactive course on gender roles and sexual violence called *Gemeinsam für Respekt und Sicherheit*.

4

NEW CONTRACTS IN GERMANY

ENABLING A NEW FUTURE



Hero organized a debate on inclusion in the workforce at the large political gathering Arendalsuka in Norway.

NEW CONCEPTS

More than 200 refugees will attend our interactive course on gender roles and sexual violence called *Gemeinsam für Respekt und Sicherheit* in the German pilot version of the program.

Hero Language Services (left) won a major contract with key public organization Kammarkollegiet in Sweden.

We established our first reception centre in 1987.

HERO TOLK

Children grilling at one of our reception centres in Germany

Individual & family

Nina Torp Høisæter
Aberia Healthcare
CEO

Since the foundation in 2010 Aberia's philosophy has been to assist people with needs for support to live their lives with dignity. All our services are provided within the Scandinavian welfare model. This includes children, youth and adults. Our core service offering is divided into two main categories. One area is focused on child welfare, family homes, foster care and minor refugees in Norway and in Sweden. The other main area is care services and respite care services, which we offer nationwide in Norway.

The child welfare sector in Norway is complex. 54.000 children and youths between 0 and 22 years are in need of some level of care services. 40 % is taken care of outside of their homes, either in foster care or in institutions, whereas 60% is taken care of by their own families with assistance from service providers.

The Norwegian state and the municipality of Oslo are responsible for all childcare in institutions in Norway. They are operating through their own services and through tenders. This market has three types of providers: Private, non-profit and governmental. The private part of the market is driven by four major players: Aberia Healthcare and the three Swedish companies Stendi (formerly Aleris), Humana and Team Olivia.

We are able to provide a sustainable quality due to predictability and stability for the children in our care. We achieve this because of loyal and highly competent staff with predictable working schedules. Our devotion to quality also shows in the results of external supervisions from different external authorities. In 2016 we had no deviations in any of our child welfare institutions.

There are almost 63.000 people who need care around the clock in Norway. 22.000 are taken care of in their own homes and 41.000 are cared for in institutions. These numbers are expected to increase for all age groups. There is also an increasing demand for respite care, throughout the country.

Within care services and respite care services we operate as a private enterprise in the public sector. We have approximately 20 tender processes going on at all times. We provide services for people who have special needs or who are unable to take care of themselves and are dependent on practical or personal assistance in order to undertake everyday tasks. We have flexible working schedules enabling efficient operations and at the same time maintaining high quality services.

In 2016 we have conducted surveys on employee satisfaction and customer satisfaction, both with satisfying results. Average score on both surveys were around 85 % satisfaction.

We dedicate significant effort towards improvement in treatment practices, providing meaningful activities and the right care for those we are responsible for. It is rewarding to see that our work provides We have great expectations for the coming year. Two large tenders from the Health and Welfare Agency in the municipality of Oslo are scheduled for 2019. Under the terms of this contract it is left up to the users to make their own choice of care provider. This means we have to work differently and with higher intensity on marketing our services, in addition to our continuous work on improving user satisfaction.

Our achievements and new acquisitions during 2016 have brought us to a point where we are ready to expand all of our services nationwide in Norway in 2017.

Aberia in Sweden
Aberia has operated in Sweden for several years, mainly within child welfare. Aberia is now ready for growth in our core segments. We are well prepared for growth within child welfare services and family homes for 2019. Establishing sheltered housing and respite care services are also included in our scheduled plans for operations in Sweden.

In both Norway and Sweden Aberia make important contributions to create and preserve a sustainable welfare state. We are creative and innovative, and we experience that our way of working is perceived as an inspiration to the public sector. We benefit society through adoption and spreading of innovative methods and use of new technologies at our institutions. We eagerly seek digital solutions throughout our operations. Aberia has a solid reputation and we are proud to have leaders and owners who put quality and dignity first.

1.5
BNOK

DRIVE FOR LIFE

Drive For Life is an afterschool activity offering for children and teenagers having difficulties. DNV (Det norske Veritas) has calculated that they have saved society over one and a half billion Norwegian kroner by helping these young people through a difficult period of life.

We contribute to a better future by developing an individual's own resources, to the benefit and enjoyment of themselves, their famillies, employers and society.

1147 EMPLOYEES

DIGNITY FOR ALL

512 USERS

Property and business development

Henrik Gidmark
NHC Property Development AB
MD

Erlend Haugseth
NHC Group
Investment Director

Much public service in the sectors in which NHC operates has a significant property side. Given the need for renewal that exists, property-driven opportunities could to a greater extent become an entry point for NHC going forward. With the proper government regulations, NHC is ready to take part in the effort to modernize huge parts of the capacity required in the years to come. Norway appears to have significantly underinvested in capacity, and it is promising that the new government declaration signals a new level of openness for private companies.

NHC Property Development is now fully operational and we have already signed several large property projects for elderly care, care of disabled persons and preschools. We have all the know how within the NHC Property development for the different stages in a project: Business development, construction management and long-term maintenance.

In Sweden, our focus over the last year has been on growing within all segments, either by long-term tenant, realizing joint venture projects or by own constructions.

Knowing the market is obviously important for our success, including an understanding of political conditions. Thus, the election last year was very much a factor for us. We recognized early that Western Sweden could be up for a change in the political landscape which may have consequences for demand for services for all segments of NHC. In Q4 we decided to open a new office in Gothenburg and recruited a business developer to pursue opportunities in that region.

We have devoted significant time to upgrade our interior concepts both in Care and in Preschools. The focus in the upgrade for Care has been to have a homely feeling in our care homes, partly by letting the green gardens comes inside. In the Preschool segment we have divided our concepts into three that the preschool manager can select from: Forest, city, or mountain. With these concepts we have a state-of-the-art product for the future that we now use as a base in all our new construction projects and when we rebuild.

The new concept descriptions also have positive effects by shortening project-ing time and reducing recurrent building costs.

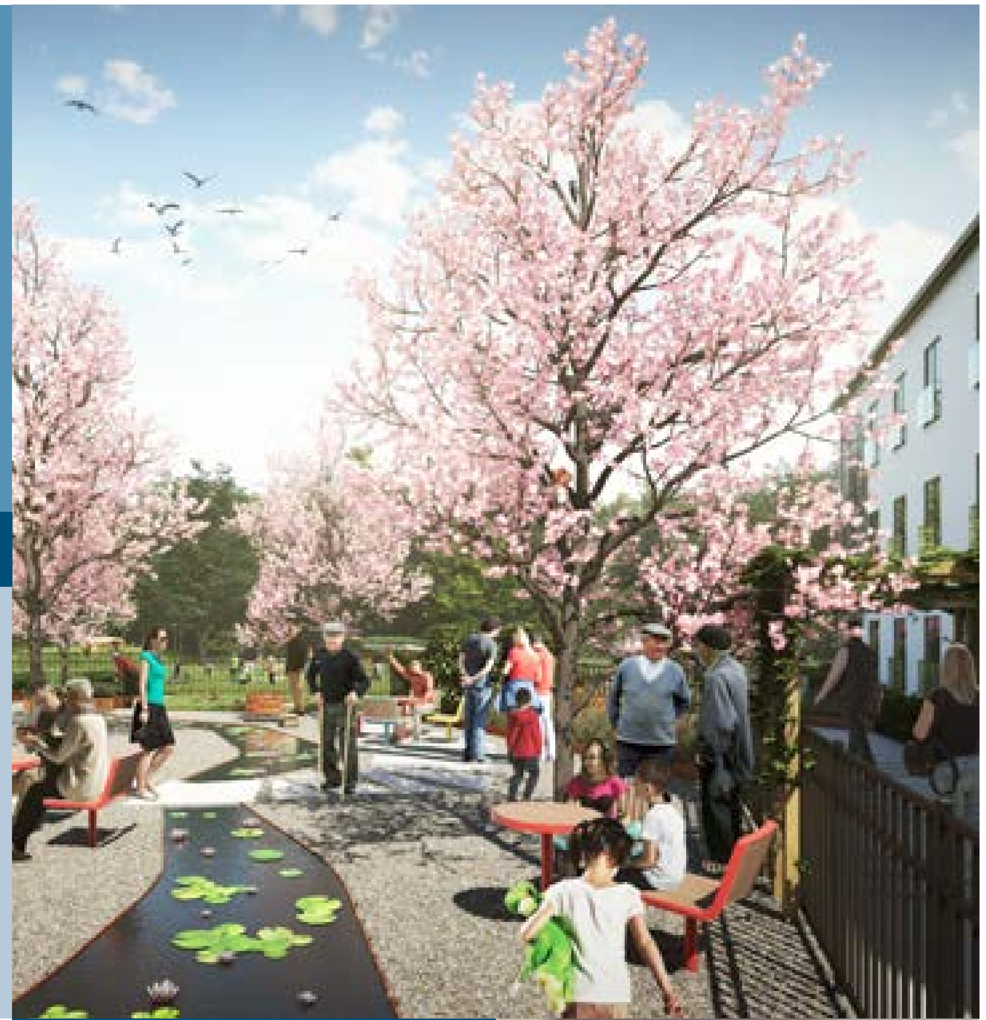
Business development
Within NHC business development we consider acquisitions and new business opportunities that complement NHC's current business model and/or our strategic plans. These growth projects are driven and facilitated through our common growth and integration methodology. Furthermore, we also support line management with strategy- and concept development projects, new country entries and through general project management methodology.

In the market for welfare services, the business development function within the NHC Group continuously works to expand our national and international network of connections for future capacity development. We look to identify future market opportunities and work with our business partners and municipalities to see how and where we best can serve the public with our services. This work is done through meetings with municipalities, collaborative companies, company owners or ownership structures, brokers and Innovation Norway.

On the real estate side, we collaborate with several real estate companies across different countries as counterparts to rental contracts, on joint venture projects and real estate development projects. We continuously look for growth through acquisitions of plots and buildings for our divisions and welcome any real estate related requests as a sole owner or through co-ownerships.

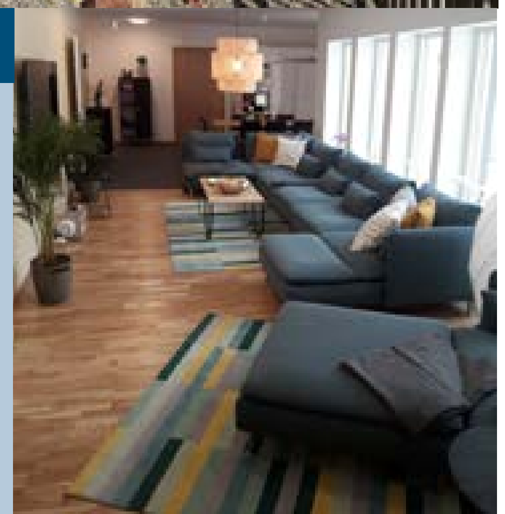
GENERATION CONCEPT

Norlandias Generation Concept involves the construction of properties that house both the elderly and preschool and have the goal of creating living environments where children and the elderly meet in a natural way. Common areas create conditions where interaction between generations takes place.



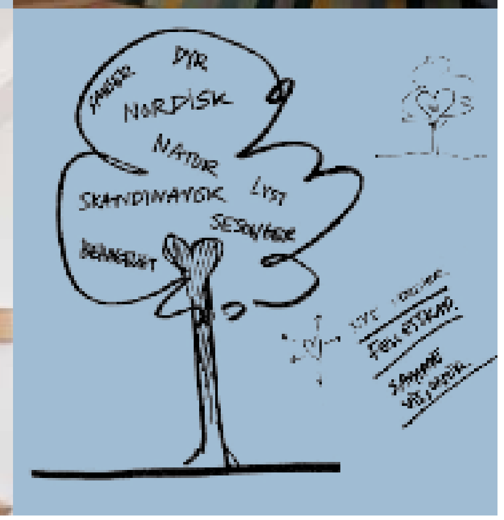
NORLANDIA GARDENS

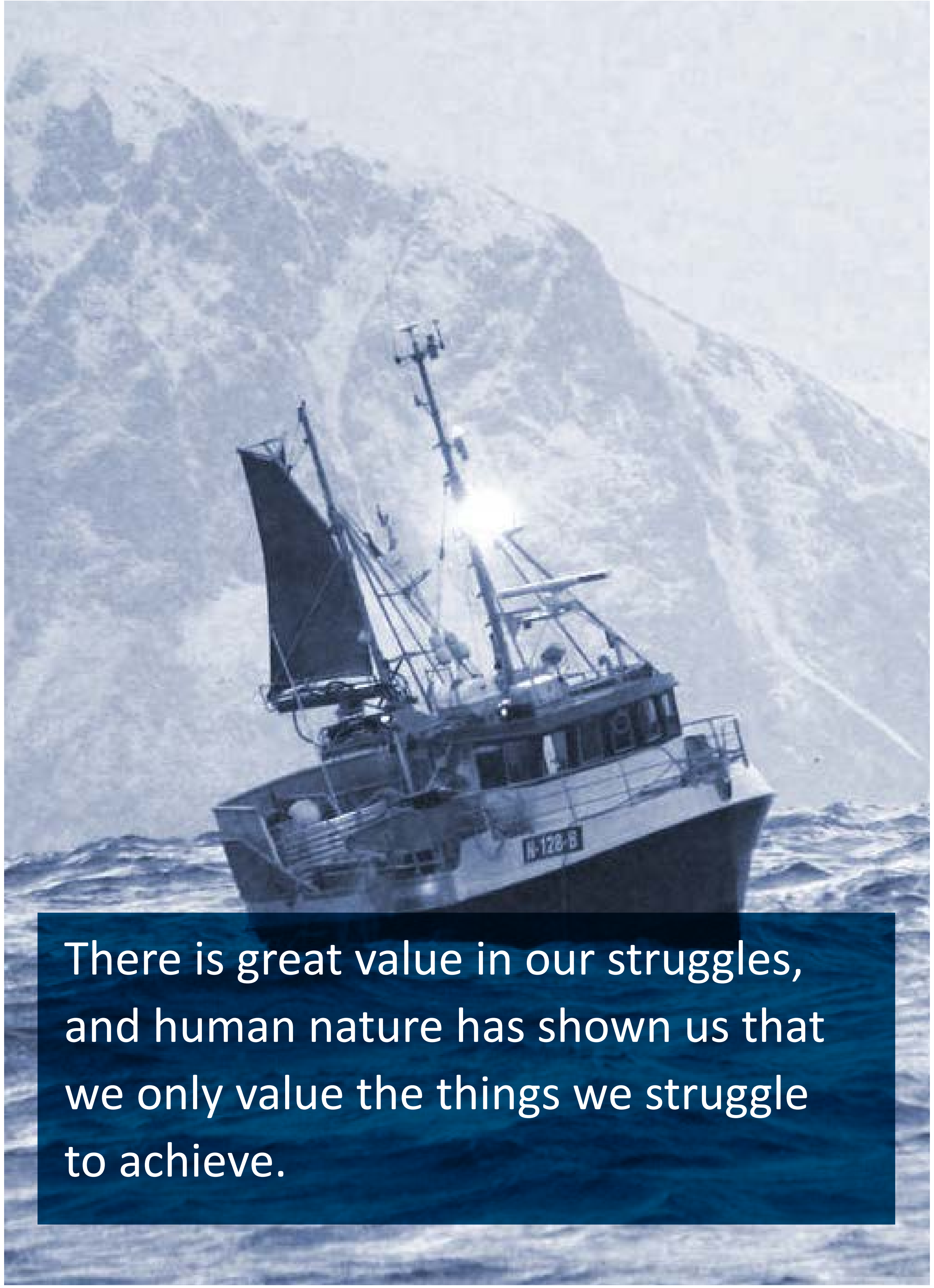
Our interior design concept for elderly care is called "Norlandia gardens, the mind's journey". Its purpose is to create a health-promoting living environment for residents as well as a stimulating and attractive place for employees and relatives. The interior supports our efforts to provide a "good life - every day" for the residents.



INTERIOR INNOVATION

Interdisciplinary groups have worked on defining criteria and guidelines for creating healthy and stimulating interior designs for our Nursing Homes and Preschools in the future.





There is great value in our struggles, and human nature has shown us that we only value the things we struggle to achieve.

Board of directors

Kristian A. Adolfsen

FOUNDER AND
CHAIRMAN OF THE BOARD OF DIRECTORS

Kristian has an MBA from the University of Wisconsin and a Master of Science in Business Administration from the Norwegian Business School, BI (sivil-økonom). He has more than 30 years of business experience. He has founded a number of companies within the Adolfsen Group and holds several directorships.

Roger Adolfsen

FOUNDER AND
MEMBER OF THE BOARD OF DIRECTORS

Roger has an MBA from the University of Wisconsin and a Master of Science in Business Administration from the Norwegian Business School, BI (sivil-økonom). He has more than 30 years of business experience. He has founded a number of companies within the Adolfsen Group and holds several directorships.

Ingvild Myhre

MEMBER OF THE BOARD OF DIRECTORS

Ingvild qualified as a Chartered Electro-Engineer at the Norwegian University of Science and Technology (NTNU). She was formerly the Managing Director of Alcatel Telecom, Telenor Mobile and Network Norway. Ingvild is currently self-employed. She has had, and continues to hold, a number of directorships in public and private enterprises.

The board of directors' report 2018

COMPANY

Norlandia Health & Care Group AS ("NHC") is a leading Nordic provider of care services operating within the five segments; Preschools, Care, Integration Services, Individual & Family and Real Estate. The parent company is headquartered in Oslo, Norway.

OPERATIONS

Preschools

The Preschools segment includes the preschool activities within Norlandia Preschools AS and Kidsa Barnehager AS. Per year-end 2018, the segment included 300 preschool units in Norway, Sweden, Finland, Netherlands and Poland, as well as Germany, which is not consolidated. This represents an increase of 50 units year on year.

Care

Norlandia Care provides services within institutional elderly care, patient hotels and home care services in Norway, Sweden and Finland. 49 elderly care homes were operated by Norlandia as of year-end 2018, of which 40 were in Sweden. Norlandia Care operates both tender contracts and, increasingly, through own management initiatives.

Integration Services

The integrations services are offered through Hero Group AS. The company was established in 1987 and has grown to become one of the largest private providers of care services related to forced migrants, refugees and asylum seekers in Norway and Sweden. The group has extensive competence and experience acquired through 30 years of operations. The service offering includes reception centers for asylum seekers, interpretation services and education services.

Individual & Family

The services within the Individual & Family segment are provided by Aberia Healthcare AS – a Nordic provider of health-, welfare- and care services for children and young as well as people with physical and mental disabilities. The group was established in 2010 and has grown to become a significant player in the Nordic market. The services are divided in three main areas: services related to childcare institutions and foster homes; care services for people within all age groups with physical and mental disabilities; and respite care and personal assistance. Most of the contracts in the group are with the government, municipalities or city district authorities.

Real Estate

Care Properties AS is a real estate developer for Norlandia Health & Care Group (NHC). As part of NHC's business model, Care Properties develops or acquires care related real estate, for NHC operations. Normally, the various properties will subsequently be divested based on a long term lease contract with NHC. The real estate projects will be financed separately and outside the ring fence structure of the Group's bond loan.

COMMENTS TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group's revenues increased from NOK 4,834.9 million in 2017 to NOK 4,856.6 million in 2018 primarily explained by international growth within Preschools, offset by a decrease within Integration Services. Net profit increased from NOK 15.6 million in 2017 to NOK 66.8 million in 2018.

Profit from operations came in at NOK 137.1 million in 2018, up from NOK 132.5 million in 2017.

The Group generated cash flow from operating activities of NOK 110.6 million in 2018 down from NOK 139.3 million in 2017. Net cash used in investing activities decreased from NOK -174.3 million in 2017 to NOK -129.4 million in 2018.

As of 31.12.2018, the Group had a cash balance of NOK 231.9 million, down from NOK 351.4 million one year prior. In addition, the Group has a revolving credit facility of NOK 300 million, of which NOK 90 million was drawn per year-end 2018.

The Group had total assets of NOK 3,585.0 million per year-end 2018, down from NOK 3,651.5 million in 2017.

The Group's long-term debt amounted to NOK 2,008.1 million, of which NOK 1,817.1 million relates to the bond loans in Norlandia Health & Care Group.

The Group's book equity of NOK 437.6 million, entails an equity ratio of 12.2%, flat on 2017.

The Group's financial position is sound and adequate to settle short-term obligations with the Group's liquid assets.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU. The new implemented standards IFRS 9 and IFRS 15 have no material effect on the Group's consolidated financial statements.

The implementation of IFRS 16, effective from 01.01.19, will have a material effect on the Group's financial figures (see note 1).

COMMENTS TO THE PARENT COMPANY FINANCIAL STATEMENTS

Operating profit for the parent company Amounted to NOK -3.8 million in 2018, up from NOK -5.0 million in 2017. Net financials increased from NOK 0.2 million in 2017, to NOK 78.8 million in 2018, on the back of financial income from subsidiaries. Profit from the year amounted to NOK 61.9 million, up from NOK 12.4 million in 2017.

Total assets per 31.12.2018 were NOK 2,517.5 million.

Total long-term debt per 31.12.18 was NOK 1,800.1 million, which consisted of the listed NOK and SEK bond issues (adjusted for issuing costs). In addition, the parent company has short-term liabilities to financial institutions of NOK 90.0 million, relating to the credit facility.

Total equity amounted to NOK 301.9 million, up from NOK 300 million in 2017, giving an equity ratio of 12.0%.

Use of Alternative Performance Measures

Alternative Performance Measures (APM) is understood as a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. Norlandia Health & Care Group reports certain alternative performance measures in its financial reports as a supplement to the financial statements reported in accordance with IFRS. The APMs are used consistently over time and accompanied by comparatives for the corresponding previous periods.

Definitions**:**

EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization

EBIT: Earnings Before Interest and Tax

Total Net Debt: As used in the incurrence test; total interest bearing debt, less back-to-back loans towards Pioneer Property Group, less cash and cash equivalents

Going concern

In accordance with the Norwegian Accounting Act §3-3a, we confirm that the financial statements have been prepared under the assumption of a going concern. This assumption is based on profit forecasts for 2019 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

Future challenges and market outlook

Within Preschools Norway, we expect to be negatively affected by the new staffing norm. An increase in staffing has commenced in order to be fully compliant as of August 2019. However, there are still material uncertainties relating to the staffing norm, namely the issue of compensation during the 2-year transition period, and whether certain staff are to be included or excluded in relation to the staffing requirements. Consequently, the extent of the negative effects from the staffing norm are still uncertain. There are however, several mitigating measures available to us, which should allow for healthy margins also going forward.

Meanwhile, we continue our strong growth in other geographies. 2018 marked strong growth in revenue and profitability in Finland, the Netherlands and Sweden, while Poland and Germany are still in a start-up phase. We expect normalized margins in these markets, to be well above those in Norway even before the implementation of the staffing norm, and as such, our international segment will be increasingly important to the Group overall.

50 new preschools were opened during 2018, bringing the total number of units to 300 as per year-end 2018. The start-up costs of a new unit, include direct operating expenses prior to opening, relating to procurement and staffing, as well as operating losses during the first months of operation. Although large variations between geographies and specific units, on average, a new preschool reaches normalized operating margins after around 10 – 12 months. With the substantial capacity added during 2018, the inherent growth costs are material and will continue to pressure margins during 2019. Going forward, focus will be on controlled and profitable growth in selected markets, while gradually reducing growth costs in exchange for higher margins.

As Norlandia Preschools will see a slow-down in the growth rate, we will seek to capture attractive M&A opportunities through NH Europe, our newly established JV with Hospitality Invest. The company, owned 49% by NHC, will acquire profitable preschool operations in select markets, 60% financed through a EUR 12.5 million non-recourse DNB credit facility.

Norlandia Care's tender portfolio within institutional elderly care continues to be challenging, with pressure on margins and rough sailing within the political landscape. However, Care delivered a solid performance for 2018 and several tenders have been won in Sweden after the balance sheet date, with decent margins. In Norway, we won a tender on an existing contract set to expire, the contract on St. Olav's Patient Hotel has been extended, and we took over operations of the new Zefyr Patient Hotel in Bodø, Norway, in December.

Within Home Care and Patient Hotels, we continue to deliver positive results.

Our long term strategy for the Care segment remains, and we continue our efforts to position ourselves to deliver high quality services for the elderly in the future and to introduce new concept developments. To do this, we aim to expand our service offering, mainly based on organic initiatives.

Post the reporting date, Norlandia Care Finland acquired Alina, a Home Care service provider. Alina operates through a franchise model and provides services to elderly and children. We expect the business to compliment well our existing operations in Finland, namely our Patient Hotel in Tampere as well as our preschools.

Within Hero, the remaining 8 reception centers in Norway continue to deliver positive results. There are currently no signals suggesting this will change going forward. Germany, being in a start-up phase, has delivered negative results during 2018, but won 2 tenders in Q3 and another 2 tenders in Q4, bringing the total to 5 centers in operation as of year-end 2018. We are now in a position to deliver break-even results in Germany, while additional volume is necessary to generate meaningful contributions to Hero's EBITA.

Within Education, we have struggled with falling demand both in Norway and Sweden, and both divisions have lost money in 2018. Consequently, Education Sweden will be terminated during Q1'19. The expected associated costs of discontinuing this division have been booked in 2018 as a provision. Education Norway is being restructured, with the aim to deliver positive results in 2019.

Interpretation won a large contract with Kammarkollegiet in Sweden, which should yield new annual revenues of around SEK 70 million. However, the contract award was appealed by a competitor, which has delayed contract commencement significantly. Consequently, we have incurred costs related to contract preparations, with as of yet, no income. The appeal was finally dismissed and the contract started in 1Q'19. We expect to see the full effects and normalized margins from this contract in late 2H19. We also expect to participate in several large contract tenders during 2019.

Aberia operates several sub-segments with large variations. The large segment directed towards Child Care deliver strong results after a successful turn-around. We are currently in the process of replicating these efforts within other troubled segments, most notably Assisted Living Norway and rehabilitation.

Going forward, Aberia will intensify its focus on the Child Care segment, Assisted Living (LSS), and Personal Assistance (BPA). The two latter segments are still in an investment phase, which will impact margins during 1H19. During the year, we expect to demonstrate healthy margins within these segments, while certain loss-making operations will have been discontinued.

Although Aberia overall has delivered weak results in 2018, the core operations adjusted for start-up costs within LSS Sweden delivered healthy profitability. We remain optimistic that we can demonstrate the intrinsic value of these operations through positive and growing margins during 2019.

Within Real Estate, we expect continued strong performance, with several property realizations during 2019. Meanwhile, we continue to develop our property portfolio in Poland, Norway and Sweden.

There are no other known events expected to have significant effect on the Group's performance in 2019.

FINANCIAL RISK

Overall view on objectives and strategy

The Group is exposed to financial risk in different areas, including exchange rate risk, market risk, credit risk and liquidity risk. The Group is continuously assessing these risks.

Market risk

The regulatory framework has a significant influence for the Group and our ability to deliver services with high quality. Political risk is therefore present as major shifts may have a significant impact on the way we deliver our services. In general, these discussions mainly relate to Norway and Sweden. In Norway this debate and possible negative outcomes are expected to intensify towards the Autumn municipal elections. While Sweden has clearly and positively culminated with the Reepalu June voting in Parliament, and now with the new Governmental platform, we see that the debate is also picking up and being intensified in Finland. This must be understood towards the Government election held 14 April 2019. However, there are also claims that the framework within various care segments are simply not solid enough, and care segments in Finland should expect to be affected by this. NHC remains mobilized and is part of a stronger Nordic initiative to address the expected rough sailing also going forward, among other meant to benefit from valuable experiences from Sweden.

To limit our exposure to unfavourable political and market shifts, we continue to diversify our operations.

Exchange rate risk

The Group has operations in Norway, Sweden, Finland, the Netherlands, Germany and Poland. Currency fluctuations may have a negative effect on the Group's financial conditions and results of operations. The Group is predominantly exposed to the SEK NOK exchange rate as the financial statements are presented in NOK and around 40% of revenues are generated in SEK. However, the Group has a corresponding share of costs in SEK and about 58% of its bond debt is denominated in SEK, both representing natural hedges to the operations. The Group has a growing exposure to the EUR NOK exchange rate as operations in the Netherlands, Finland and Germany are growing. The Group is monitoring the exposure and may consider to hedge this exposure in the future. The Group is further exposed to changes in interest rates as most long-term debt in the Group is subject to floating interest rates. The Group has not established any interest rate hedging mechanisms.

Credit risk

The risk of losses on receivables is considered very low in the Group as a considerable part of revenues is towards governmental entities and municipalities. The Group has not yet experienced significant losses on receivables.

Liquidity risk

The Group's liquidity is sound, enabling each Group company to handle short-term obligations. The Group will continue to experience large movements in working capital, which will affect the cash position on any given month.

CORPORATE GOVERNANCE

NHC is a limited liability company organized under Norwegian law with a governance structure based on Norwegian corporate law. The Company's corporate governance model is structured to provide a foundation for long-term value creation through an efficient organization with solid management. A manual covering standards and routines for relevant corporate governance matters has been prepared by the administration and approved by the Board of Directors.

The Company has a one-tier board with four directors, including the two largest shareholders and two independent directors. The governance structure is further based on the Norwegian Code of Practice for Corporate Governance and the Company is continuously seeking to adopt a larger part of the recommendations.

On 24th February, Åge Danielsen, on his own initiative due to retirement, stepped down from the position as Member of the Board of NHC AS. Åge has been a member of the Board since the inception of NHC in 2017, and before that, of other Group companies, also as Chairman, since 2008. Both the Board and the administration are grateful for the profound wisdom, insights and contribution Åge has made over the last 11 years, and wish him all the best going forward. The Annual General Meeting will elect a new Board in Q2'19.

NHC publishes four interim financial statements in addition to the ordinary annual financial statements. The financial statements shall satisfy legal and regulatory requirements and be prepared in accordance with the adopted accounting policies, and be published according to the schedule adopted by the Board. Closing of accounts, financial reporting and key risk analysis are provided monthly to the Group Management. These monthly reports also include financials per segment, which are analyzed and addressed against set budgets.

In connection with closing of accounts for the various segments, business review meetings are held to identify risk factors and measures linked to important accounting items or other factors. The management also has separate meetings with the external auditor to review such risk factors and measures.

The Group has an Audit Committee consisting of two board representatives. The committee has established routines and instructions for their work, including an annual plan for its tasks, with recurring topics to ensure continuous improvement and control. The Company's Audit Committee met four times during 2018.

The Group has risk management processes in place within each subsidiary, which are adapted to fit the size, complexity and risk profile of each entity. The routines focus on managing risks as well as identifying opportunities.

THE WORKING ENVIRONMENT AND THE EMPLOYEES

The number of employees in the Group amounted to ~9,700 in 2018. The working environment is considered to be good and efforts for improvements are made on an ongoing basis. The Group aims to be a workplace with equal opportunities and seeks to prevent gender discrimination in all aspects of our operations. Leave of absence is an important performance indicator and is measured throughout the Group's operational entities, but not on a consolidated basis. There has been no significant leave of absence in the parent company during 2018.

ENVIRONMENTAL REPORT

The Group's operations are not harmful to the environment and are not regulated by any licenses related to waste handling.

ALLOCATION OF INCOME IN THE PARENT COMPANY

Norlandia Health & Care Group AS' result for 2018 ended at NOK 61.9 million. The Board of Directors has proposed the net profit of Norlandia Health & Care Group AS to be allocated as follows:

NOK 61.9 million to other equity.

Oslo, 28 April 2019

Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen
Chairman of the Board

Roger Adolfsen
Member of the Board

Ingvild Myhre
Member of the Board

Yngvar Tov Herbjørnssønn
CEO

Statement from the Board of Directors

Norlandia Health & Care Group AS' consolidated financial statements have been prepared and presented in accordance with IFRSs and IFRICs as adopted by the EU and additional disclosure requirements in the Norwegian Accounting Act, that should be used as of 31.12.2018.
The separate financial statements for Norlandia Health & Care Group AS have been prepared in accordance with the Norwegian Accounting Act and Norwegian accounting standards as of 31.12.2018. The Board of Directors report for the group and the parent company is in accordance with the requirements of the Norwegian Accounting Act and Norwegian accounting standard, as of 31.12.2018.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2018 have been prepared in accordance with applicable accounting standards.
- The consolidated and separate annual financial statements give a true and fair view of the assets, liabilities, financial position, and result of operations as a whole as of 31.12.2018, for the Group and the Parent company.

The Board of Directors' report for the Group and the Parent company include a true and fair review of:

- The development and performance of the business and the position of the Group and the Parent company.
- The principal risks and uncertainties the Group and the Parent company face.

Oslo, 28 April 2019

Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen
Chairman of the Board

Roger Adolfsen
Member of the Board

Ingvild Myhre
Member of the Board

Yngvar Tov Herbjørnssønn
CEO

Consolidated Statement of Comprehensive Income

Norlandia Health & Care Group - for the year ended 31 December 2018

(Amounts in NOK thousand)

	Note	2018	2017
Revenue	4	4 724 785	4 704 459
Other operating income	4,21	131 782	130 480
Net operating revenue		**4 856 567**	**4 834 939**
Raw materials and consumables used		142 280	127 880
Staff costs	5	3 540 043	3 410 131
Depreciation and amortisation expense	8,9	78 718	100 448
Other operating expenses	5,18	958 464	1 064 022
Total operating expenses		**4 719 504**	**4 702 480**
Profit from operations		**137 063**	**132 459**
Finance income	6	41 144	15 009
Finance expense	6	-118 484	-167 902
Share of post-tax profits of associates	11	-1 406	7 591
Net finance		**-78 746**	**-145 303**
Profit before tax		**58 317**	**-12 844**
Tax expense	7	8 494	28 485
Profit		**66 811**	**15 641**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	19	-11 060	-89 985
Deferred tax on remeasurement of post employment benefit obligation	16	2 433	21 596
Other items net of deferred tax		-2 416	5 029
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-4 593	23 545
Total other comprehensive income		**-15 636**	**-39 815**
Total comprehensive income		**51 175**	**-24 173**
Profit controlling interests		64 076	12 553
Profit non-controlling interests		2 735	3 089
		66 811	**15 641**
Total comprehensive income controlling interests		48 485	-27 763
Total comprehensive income non-controlling interests		2 690	3 589
		51 175	**-24 173**

Consolidated Statement of Financial Position

Norlandia Health & Care Group - for the year ended 31 December 2018

(Amounts in NOK thousand)

ASSETS

	Note	2018	2017
Non-current assets			
Property, plant and equipment	8	428 947	409 525
Deferred tax asset	16	70 155	76 084
Intangible assets	9	2 239 888	2 206 829
Investment in associated companies	11	20 976	14 302
Other investments	3	21 965	29 056
Other receivables	13, 21	111 003	140 603
Total non-current assets		**2 892 934**	**2 876 399**
Current assets			
Inventories		3 931	6 695
Trade and other receivables	13, 21	456 210	417 033
Cash and cash equivalents	22	231 912	351 354
Total current assets		**692 053**	**775 081**
Total assets		**3 584 987**	**3 651 480**

Consolidated Statement of Financial Position

Norlandia Health & Care Group - for the year ended 31 December 2018

(Amounts in NOK thousand)

EQUITY AND LIABILITIES

	Note	2018	2017
Equity attributable to owners of the parent			
Share capital	14	300 000	300 000
Other equity		98 241	109 756
Total equity attributable to owners of the parent		**398 241**	**409 756**
Non-controlling interest		39 329	37 095
Total equity		**437 570**	**446 851**
Non-current liabilities			
Pension liabilities	19	167 183	153 981
Loans and borrowings	15, 23	2 008 077	2 047 104
Derivative financial liabilities	12	-	423
Deferred tax liability	16	166 809	185 457
Provisions		2 609	2 933
Total non-current liabilities		**2 344 677**	**2 389 898**
Current liabilities			
Trade and other payables	16, 17	690 084	784 693
Loans and borrowings	15, 23	112 656	23 140
Taxes payable	16	-	6 899
Total current liabilities		**802 740**	**814 731**
Total liabilities		**3 147 417**	**3 204 629**
Total equity and liabilities		**3 584 987**	**3 651 480**

Oslo, 28 April 2019

Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen
Chairman of the Board

Roger Adolfsen
Member of the Board

Ingvild Myhre
Member of the Board

Yngvar Tov Herbjørnssønn
CEO

Consolidated Statement of Changes in Equity

Norlandia Health & Care Group - for the year ended 31 December 2018

(Amounts in NOK thousand)

	Share capital	Share premium	Retained earnings	Translation differences	Non-controlling interests	Total equity
31-Dec-16	300 000	66 303	114 405	682	458	481 847
Comprehensive Income for the year						
Profit	-	-6 303	18 856	-	3 089	15 641
Other comprehensive Income	-	-	-63 359	23 044	500	-39 815
Total comprehensive Income for the year	**-**	**-6 303**	**-44 503**	**23 044**	**3 589**	**-24 173**
Contributions by and distributions to owners						
Incorporation	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-
Capitalization issue	-	-	-	-	-	-
Increased non-controlling interest from business combinations (Note 20)	-	-	-	-	33 245	33 245
Distribution to owners	-	-	-43 871	-	-205	-44 068
Acquisition of shares from non-controlling interest (note 11)	-	-	-	-	8	-
Consideration for shares in subsidiaries (Note 11)	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-43 871	-	33 048	-10 823
31-Dec-17	300 000	60 000	26 030	23 726	37 095	446 851
Comprehensive Income for the year						
Profit	-	-	64 076	-	2 735	66 811
Other comprehensive Income	-	-	-11 043	-4 548	-45	-15 636
Total comprehensive Income for the year	**-**	**-**	**53 033**	**-4 548**	**2 690**	**51 175**
Contributions by and distributions to owners						
Incorporation	-	-	-	-	-	-
Capital increase	-	-	-	-	-	-
Capitalization issue	-	-	-	-	-	-
Increased non-controlling interest from business combinations (Note 20)	-	-	-	-	-	-
Group distribution to parent company	-	-60 000	-	-	-	-60 000
Acquisition of shares from non-controlling interest (note 11)	-	-	-	-	-456	-456
Consideration for shares in subsidiaries (Note 11)	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-60 000	-	-	-456	-60 456
31-Dec-18	**300 000**	**-**	**79 063**	**19 178**	**39 329**	**437 570**

Consolidated Statement of Cash Flow

Norlandia Health & Care Group - for the year ended 31 December 2018

(Amounts in NOK thousand)

	Note	2018	2017
Cash flows from operating activities			
Profit for the year		66 811	15 641
Adjustments for:		-	-
Depreciation of property, plant and equipment	8	43 320	45 854
Amortisation of intangible fixed assets	9	35 398	34 328
Share of post-tax profits of associates	11	-	-
Changes in fair value of financial instruments	12	-	-956
Interest income/interest expense and financial items		90 876	89 369
Income tax expense	7	-8 494	-28 485
Changes in working capital			
Changes in accounts receivable and payables		-34 783	55 031
Increase in inventories		2 647	-2 237
Increase in trade and other payables		9 134	79 996
Increase in provisions and employee benefits		-78 655	-147 662
Cash generated from operations		**126 255**	**140 880**
Income taxes paid		-15 663	-1 551
Net cash flows from operating activities		**110 592**	**139 329**
Investing activities			
Net book value proceeds from sale of assets		132 580	27 704
Purchases of property, plant and equipment	8	-193 357	-117 378
Net investment in shares in associates and others	11, 20	-6 674	-18 491
Net investment in shares in subsidiaries	20	-74 175	-66 100
Net changes in financial receivables	6	3 229	-
Interest received		8 986	-
Net cash used in investing activities		**-129 411**	**-174 265**
Financing activities			
Payments of long-term loan to finance institutions	15, 23	-24 857	-528 100
Changes in short-term loan to finance institutions	15	92 040	-
Proceeds from long-term borrowings from finance institutions	15	17 944	-
Interest paid	6	-99 839	-105 400
Payment to non-controlling interest		-	-200
Distribution to owners	11	-77 943	-41 954
Purchase of shares from non-controlling interests	11	-	-
Net cash (used in)/from financing activities		**-92 654**	**-675 654**
Net increase in cash and cash equivalents		-111 474	-710 589
Cash and cash equivalents at beginning of year	22	351 354	1 060 241
Exchange (losses)/gains on cash and cash equivalents		-7 968	1 702
Cash and cash equivalents at end of year		**231 912**	**351 354**

**The group has a bank overdraft facility of NOK 300 million, of which NOK 90 million was drawn as of 31 December 2018.*

Independent auditor's report

KPMG

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To the General Meeting of Norlandia Health & Care Group AS

Independent auditor's report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norlandia Health & Care Group AS, which comprise:

- The financial statements of the parent company Norlandia Health & Care Group AS (the Company), which comprise the balance sheet as at 31 December 2018, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norlandia Health & Care Group AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Assessment of the carrying value of goodwill and intangible assets
Refer to note 9 Intangible Assets and note 10 Goodwill and Impairment

The key audit matter	*How the matter was addressed in our audit*
The Group has over several years acquired businesses resulting in significant goodwill and intangible assets such as customer contracts, licenses and trademarks. As of 31 December 2018, the Group has goodwill of NOK 1 575 million and other intangible assets of NOK [illegible] million. Management performed an impairment assessment of goodwill and intangible assets by determining the value in use of the Group's cash generating units ("CGUs"). Determining the value in use requires significant management judgement by making assumptions about future cash flows. Due to the materiality of these assets to the financial statement as a whole and the inherent uncertainty and subjectivity involved in forecasting and discounting future cash flows, this is considered to be a key audit matter.	Our audit procedures in this area included: • Assessing management's process and results for identification, consistent treatment and classification of cash generating units; • Evaluating management's assessment of impairment indicators; • Where impairment indicators were identified or where impairment testing was required, assessing if the models used to calculate value in use are appropriate and mathematically accurate; • Assessing the discount rate utilized in cash flow forecasts with reference to available market data for selected assets tested; • Evaluating the historical accuracy of management's budgets and forecasts in order to challenge management on the current year cash flow forecasts; • Evaluating and challenging management on the growth assumptions in the cash flow forecasts; • Evaluating the adequacy and appropriateness of the disclosures in the financial statements related to the carrying value of goodwill and intangible assets.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2

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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

3

KPMG *Norlandia Health & Care Group AS*

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 28 April 2019
KPMG AS

Ole Christian Fongaard
State Authorised Public Accountant

4

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MAY 2019