NHC Group
Report Q2 2020

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Key figures

(All figures in NOK million)

	Q2 20	Q1 20	YTD 20	Q2 19	Q1 19	FY 19
Total revenues	1 314,7	1 320,3	2 635,0	1 235,6	1 265,2	5 046,6
EBITDA	179,2	151,9	331,2	131,3	150,7	577,3
EBITDA (%)	13,6 %	11,5 %	12,6 %	10,6 %	11,9 %	11,4 %
EBITA	71,1	46,5	117,7	28,1	49,3	160,7
EBITA (%)	5,4 %	3,5 %	4,5 %	2,3 %	3,9 %	3,2 %
EBIT	60,9	36,6	97,5	18,8	40,1	122,6
EBIT (%)	4,6 %	2,8 %	3,7 %	1,5 %	3,2 %	2,4 %
EBT	(2,4)	(90,3)	(92,7)	(23,3)	31,3	(66,0)
EBT (%)	-0,2 %	-6,8 %	-3,5 %	-1,9 %	2,5 %	-1,3 %
EBITDA - adjusted for IFRS 16	67.3	45.7	112.9	28.5	47.5	202.1
EBITA - adjusted for IFRS 16	55.7	33.6	89.4	14.4	36.3	146.9

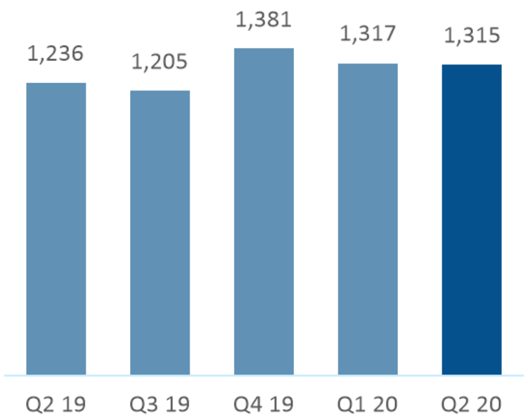
Figures for 2019 and onwards are reported including effects from IFRS 16, whereas all figures from previous periods are reported according to previous standard, IAS 17. The effects for IFRS 16 have not been allocated to the operating segments but are included under "Other" in the following tables.

Adjusted EBITDA, EBITA, EBIT and profit before tax, adjusts for the effects from IFRS 16.

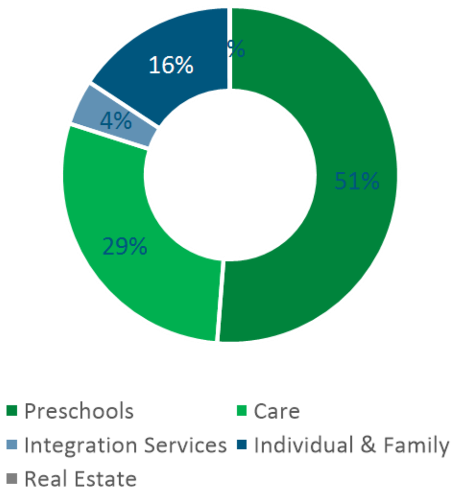
Q2 20 Highlights

- Q2'20 revenues of NOK 1,315 million, EBITDA of NOK 179 million and EBITA of NOK 71 million
- EBITDA adjusted for IFRS 16 effects, of NOK 67 million, and adjusted EBITA of NOK 56 million
- Another strong quarter from Preschools with an adjusted EBITDA and EBITA of NOK 68 / 61 million respectively
- Individual & Family and Integration Services progressing as planned, with both segments showing positive profitability for the quarter and stronger underlying fundamentals. Material improvement year on year
- Care segment hit hard by Covid-19, both in Sweden and Norway. Negative adjusted EBITA of NOK 6 million for the quarter
- Financially, large variation in Covid-19 effects across the segments and geographies, with Care segment most negatively affected, and Preschools International with some positive effects through Government support packages
- Still large uncertainty around longer term effects of Covid-19. Care segment will see continued negative effects during 2020 while Preschools could see lower occupancy on the back of increased unemployment. Total effects largely dependent on Covid-19 development and on the extent and structure of the various state support programs
- A significant pipeline of property portfolios being made available for sale during the coming quarters
- After the balance sheet date; Aberia LSS operations in Sweden sold to Frøsunda Omsorg AB for a total expected consideration of SEK 35 million, based on purchase price on closing and an earn-out mechanism

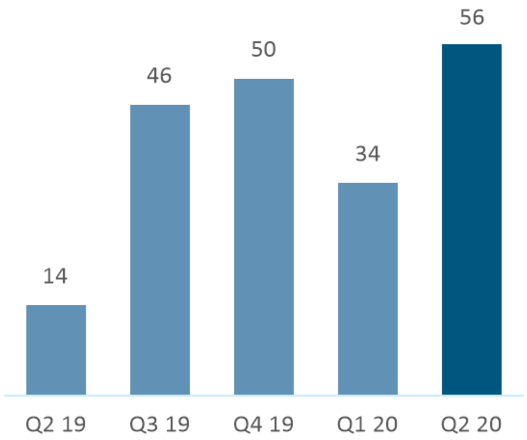
ADJ. REVENUE PER QUARTER (MNOK)



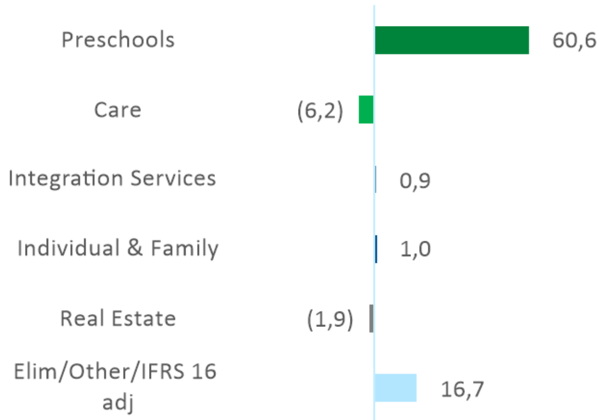
SEGMENT DISTRIBUTION Q2 20 (%)



ADJ. EBITA PER QUARTER (MNOK)

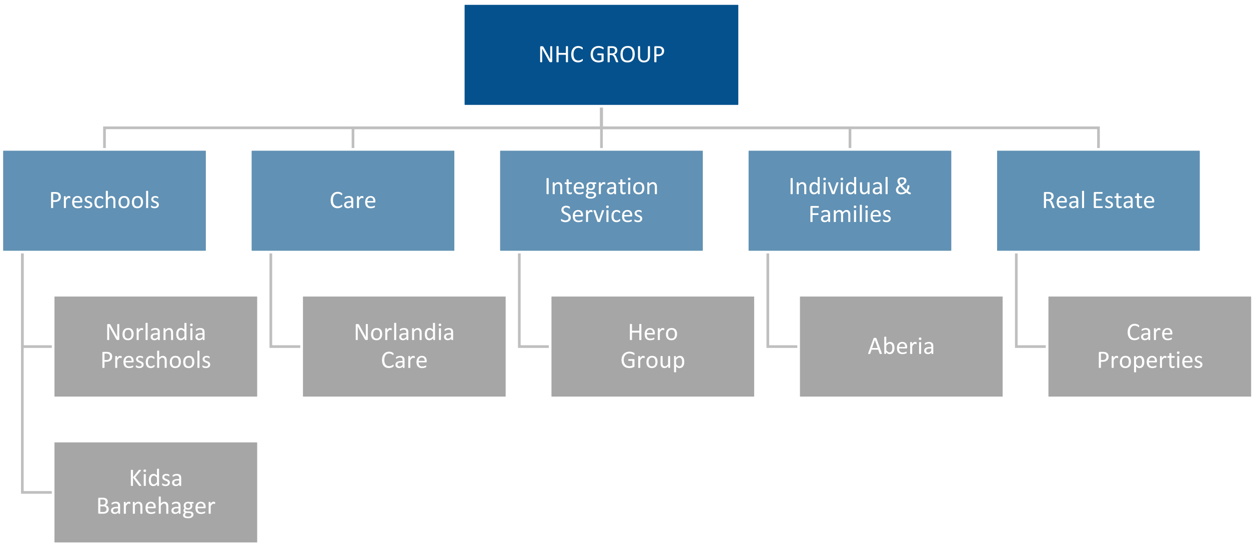


EBITA DISTRIBUTION Q2 20 (MNOK)



Norlandia Health & Care Group AS

NHC is a leading Nordic provider of care services operating within the following segments; Preschools, Care, Integration Services, Individual & Family and Real Estate. The Group has operations in Norway, Sweden, Finland, Poland, the Netherlands and Germany. Below is a simplified overview of the Group's reporting structure and the operating companies within each segment. This should not be regarded as a legal structure for the Group. For further information on each segment, we refer to the 2019 Annual Report and the respective subsidiaries' web pages.



Financials

CONSOLIDATED INCOME STATEMENT AND CASH FLOWS (UNAUDITED)

The Group reported a consolidated EBITA of NOK 71.1 million and revenues of NOK 1,314.7 million in Q2'20, flat on the prior quarter.

EBITA, adjusted for leasing effects from IFRS 16, amounted to NOK 55.7 million, significantly up from NOK 33.6 million in the prior quarter, and NOK 14.4 million in 2Q'19. The increase in profitability reflects stronger performance from Preschools, as well as within Integration Services and Individual & Family.

Net finance amounted to NOK -69.3 million for the quarter, due to net interest costs of NOK -51.6 million, of which interest related to capitalized leasing amounted to NOK -24.1 million. In addition, net finance was negatively affected by net unrealized currency losses of NOK -11.8 million.

Profit before tax amounted to NOK -2.4 million for the quarter. Adjusted for IFRS 16 effects, profit before tax came in at NOK 6.3 million.

Thus, the net effect of IFRS 16 amounted to NOK -8.7 million for the quarter, reflecting increased depreciation charges of NOK 96.6 million and finance charges of 24.1 million. This was partly offset by reduced leasing expenses of NOK 112.0 million. See note 9 for more details.

The Group generated operating cash flows of NOK 442.3 million for the quarter, positively affected by a re-classification of leasing costs, totaling NOK 112.0 million, from EBITDA (operational cash flow) to amortization of lease liability (financing cash flows). In addition, a significant reduction in working capital had a positive effect of NOK 244.8 million, mainly reflecting early payments by several municipalities within Preschools Norway.

Cash flows from investing activities amounted to NOK -47.1 million, reflecting investments in properties and maintenance capex of NOK 46.6 million. The vast majority of the capex in Q2 relates to new preschools constructions in Finland, Poland and Norway.

Financing cash flows amounted to NOK -300.7 million, due to a NOK 161.3 million repayment of interest-bearing debt, thereby bringing the amount drawn on the RCF to zero. In addition, amortization of lease liability amounted to NOK 112.0 million. The Group generated total cash flows of NOK 94.6 million for the quarter.

CONSOLIDATED BALANCE SHEET STATEMENT PER 30 JUNE 2020 (UNAUDITED)

As of 30 June 2020, the Group had total non-current assets of NOK 6,191.4 million, of which NOK 3,174.8 million relates to the implementation of IFRS 16 and is classified as "Right-of-use assets".

Cash and cash equivalents amounted to NOK 269.4 million, up from NOK 173.6 million at the end of the prior quarter. The Group has a revolving credit facility of NOK 250 million with Danske Bank which is temporarily drawn upon in the various divisions as cash pooling is and will not be fully optimized towards all markets and borders at all hours. The amount drawn on the facility will generally be highest at the end of each quarter as the majority of the income for preschools in Norway is received at the beginning of each quarter. As per Q2'20, the facility was un-drawn, as several municipalities made early payments towards Preschools Norway.

Total assets amounted to NOK 6,919.5 million at the end of the quarter.

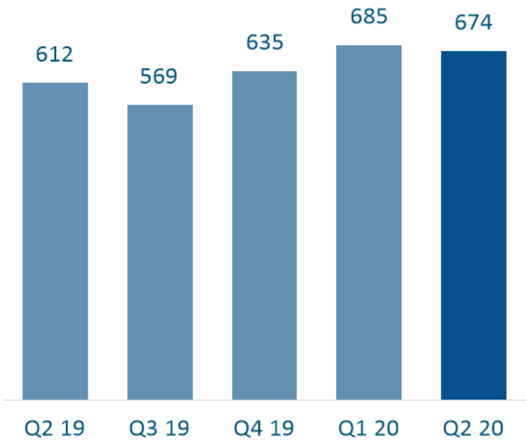
Total non-current liabilities amounted to 5,290.8 million, including NOK 2,948.9 million classified as "Lease liability" under IFRS 16. Total loans and borrowings amounted to NOK 2,068.7 million, mainly consisting of the NOK- and SEK-denominated bond loan, as well as property debt of NOK 174.2 million. Total current liabilities increased from NOK 1,281.6 million at prior quarter-end, to NOK 1,360.1 million per Q2'20.

Per 30 June 2020, the Group's total equity amounted to NOK 268.6 million.

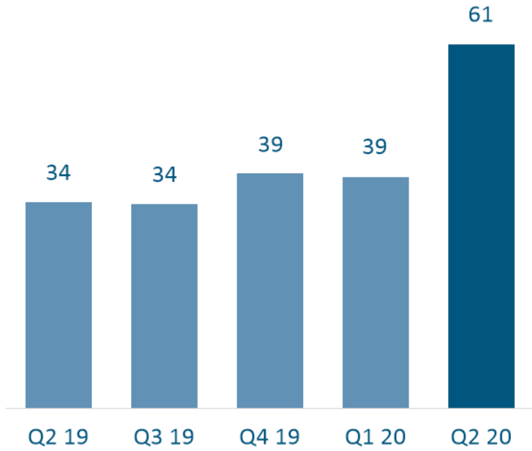
BUSINESS SEGMENTS

Preschools

Revenue per quarter (MNOK)



Adj. EBITA per quarter (MNOK)



The second quarter of 2020 generated revenues of NOK 674 million, down from NOK 685 million in Q1'20, but up 10% year on year. The revenue reduction during the quarter is explained by lower parent pay during preschool closures. Adjusted for this, the Preschool segment is showing strong underlying revenue growth, driven by Sweden, Finland and Poland.

The segment reported a record high adjusted EBITA of NOK 61 million for the quarter, significantly up on prior quarters. The strong profitability was driven by strong performance in all markets, particularly Sweden and Finland on the back of strong growth in recent years now maturing.

In Norway, all preschools were closed from the 12th March until the 20th of April, except for children with parents in professions critical for society. During this period, all revenues were maintained through continued payments of grants from municipalities, and full compensation for lost parent payments. Meanwhile, staffing expenses were kept constant while other operating costs were also mainly unchanged. While we currently do not see negative effects from Covid-19, we may experience weaker utilization in 2H20, as a consequence of higher unemployment.

Although Preschools Norway is currently generating healthy profitability on the back of several intense actions to compensate regulatory changes, the profit margin has still seen a material drop following the implementation of the staffing norm in August 2019. Norlandia, and the rest of the Norwegian private preschool sector, will receive compensation for the associated cost increase, in 2021 (half-year effects) and 2022 (full-year effects). For Norlandia, the estimated staffing norm compensation is estimated to be in the region of NOK 30 million per year. Additionally, we believe that the preschool sector, becoming less flexible and more regulated, will lead to a general cost increase among the public preschools, which could result in increased compensation.

The international segment continues to deliver strong results, with strong growth in profitability. Revenues from the Preschool segment has increased by more than NOK 1 billion since 2016, primarily through growth in Sweden, Finland, Netherlands and Poland. While growth costs continue to be material, all markets are showing solid profitability, with the exception of Poland, which is still in a ramp-up case.

Our operations in Netherlands are performing well, with stable and strong profitability. Finland is steadily improving its profitability, but still experiencing growth costs that depress margins, following 9 new openings in 2H 2019. The mature units show strong profitability, while the newer units are improving as they are filled. Poland is still in a start-up phase and while the mature units are profitable, the new units will cause overall losses in Poland in 2020. Additionally, Sweden is now delivering strong profitability and is becoming increasingly important to the Group as volumes on both top- and bottom-line are picking up, following strong growth in recent years and the opening of 7 new units in 2019.

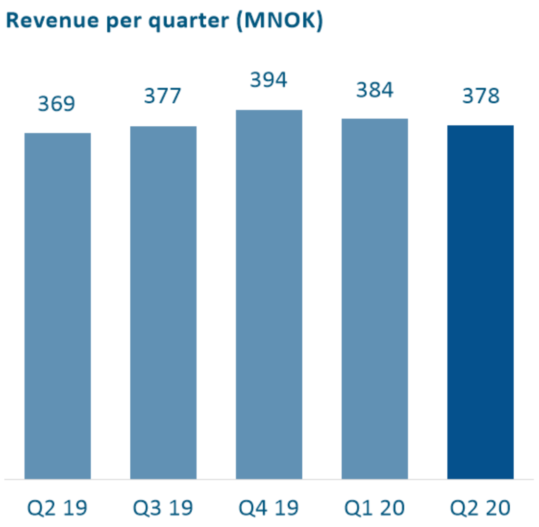
For the International segment in total, we experienced roughly neutral effects from Covid-19 during the first quarter. In Sweden, preschools have been kept open, but with lower attendance and with state support for compensation of sick leave and lower employer' taxes. This had a positive effect during the quarter. This was offset by negative effects in Netherlands and Poland, where parent pay was reduced, and only partially compensated by reduced costs. For the remainder of 2020, we anticipate negative effects overall, as higher unemployment may lead to lower occupancy.

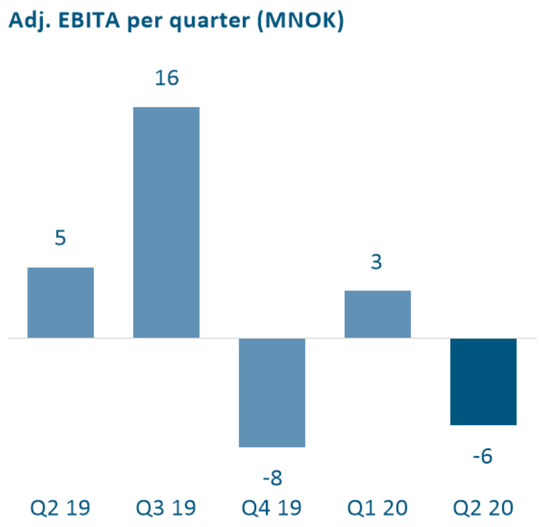
NH Europe, the JV with parent company Hospitality Invest, is the acquisition vehicle for Norlandia Preschools. Two units in Sweden were acquired during the quarter, giving a total of 34 operated units as per 30th June 2020. After the balance sheet date, 2 additional units in Sweden were acquired.

Additionally, Wekita, owned 50% by NHC, had 30 units (and an additional 12 units as franchisor) at quarter-end. For the second quarter, combined for NH Europe and Wekita, adjusted EBITDA and EBITA amounted to NOK 6 and 5 million respectively. While these companies are currently not consolidated in the NHC financial accounts, we expect to assume 100% ownership and hence consolidate the operations within the next 2 years.

As of 30th June 2020, Norlandia Preschools operates 357 units. Of these, 34 units are operated through management agreements and owned through NH Europe, while 30 units are 50% owned by Wekita (Germany).

Care





The Care segment reported revenues of NOK 378 million in Q2'20, slightly down quarter on quarter. Year on year, revenues are slightly up, reflecting new contract wins in Sweden, offset by reduced activity in Norway.

The Care segment is heavily affected by Covid-19 and reported an adjusted EBITA for the quarter of NOK -6 million. Elderly Care in Sweden was negatively affected through lower occupancy due to a temporary slow-down in new placements, and increased costs related to personnel and virus-related procurement, as well as losses on own management start-ups. Although Government support programs, such as reduced employment taxes and compensation for sick leave, were helpful, the overall losses from the pandemic far exceed these.

The Norwegian operations were also negatively affected by Covid-19 and were loss-making during the quarter. Even here we saw a negative impact on revenues as well as increased costs.

We have actively participated in the debate to secure cost coverage for our pandemic-related expenses. Although we see certain positive signals, we do not know the final outcome of these processes. We have not assumed any additional financial aid in our reported figures for the quarter, so any positive outcome represents an upside.

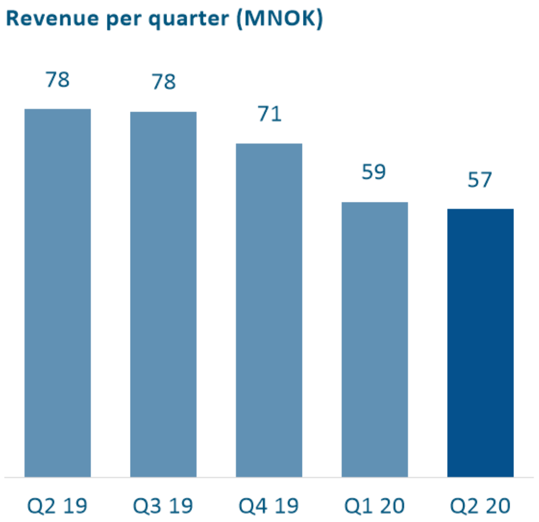
Our Finnish operations continued its solid performance during the quarter, and we are looking to grow both our revenues and profits in Finland going forward. We are actively working with the Finnish elderly care market, where we see a window of opportunity for our current and potentially expanded service offering.

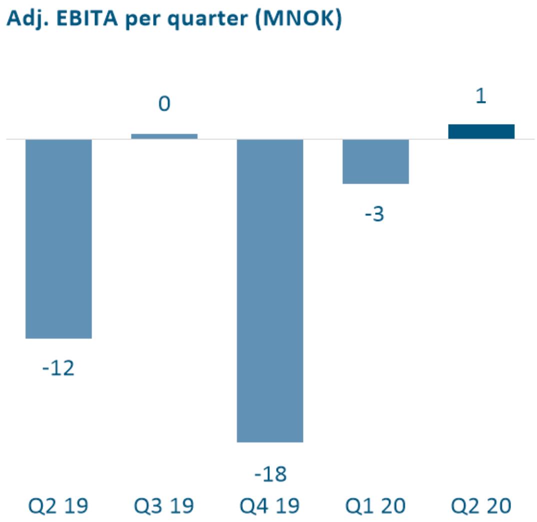
While Finland is progressing well, and the long-term fundamentals for Care remains strong, the short-term outlook is challenging. Norway is politically challenging, with limited growth potential through tender awards. Although new and exciting concepts and service offerings are being evaluated and planned, these initiatives will not have a meaningful impact on profitability until 2021 onwards. In Sweden, competition is intense and profit margins are thin. Although efficient operations and high occupancy will enable positive profitability, a shift towards own management operations are required and ongoing in order to generate solid profit margins. 3 new own management units are due to open during 2020, which are expected to continue to be loss-making during a 12-month ramp-up period. We cautiously continue to build this pipeline, through a balanced risk approach.

The short-term outlook is further challenged by Covid-19, which we expect will have a material negative effect on profitability in 2020.

Lead times within the Care segment are long and the Covid-19 situation could pro-long these further. However, we remain positive on the long-term merits of Care, as we continue to create long term values through new concept developments, aimed at meeting future demands with respect to quality and volume within the sector.

Integration services





Integration Services generated revenues of NOK 57 million and an EBITA of NOK 1 million in Q2'20. Revenues are down both QoQ and YoY, reflecting reduced activity across all segments, while profitability is up, on the back of significant cost cuts and operational restructuring processes.

After several years of heavy losses, we now believe all three segments within Integration Services are positioned to deliver a break-even result in 2020.

Within Accommodation Services, we have 7 reception centers in Norway, all generating decent profitability. The activity within the asylum market is still at a very low level, hence our objective remains to keep each reception center operating profitably, while keeping overhead expenses at a minimum.

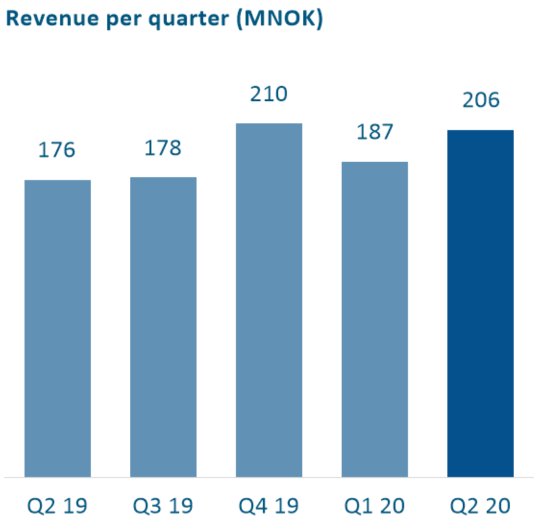
In Germany, we currently operate 3 reception centers and provide integration courses in various cities. The operations are running at close to break-even, but represent a potential upside if we are able to capture additional volume. We are actively pursuing various tender opportunities.

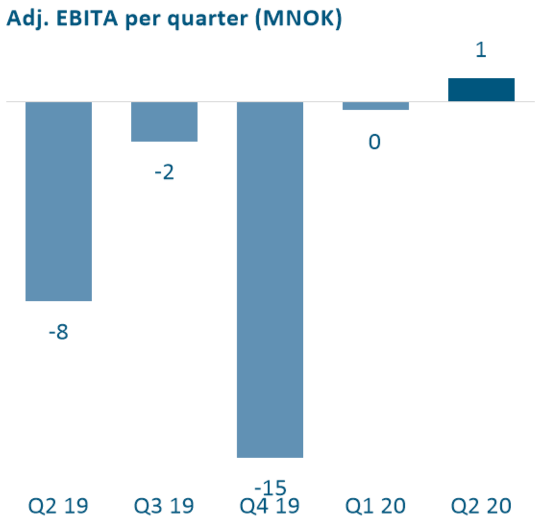
The Education segment has been scaled down, and the loss-making Bergen department has been closed down. We register an increase in demand for employment services due to the Covid-19 related increase in unemployment. There is future potential in this business segment to grow from the current level.

The turnaround of the Interpretation segment is completed. Most importantly, a centralized Nordic customer center has been established, and we have exited unprofitable contracts sin Sweden. Based on the new tender win for the Norwegian Police, we currently see an increase in demand that more than compensates for the Covid-19 related reduction on other contracts.

Integration Services has been challenging in recent years with a dramatically reduced demand for our services, compared to only a few years ago. The revenue base is now less than 15% of the 2016 level and around 1,200 employees have been laid-off. Due to this rapid decline, the corresponding cost cuts and restructuring initiatives have to date been insufficient to prevent losses within the segment. Although there is uncertainty around the financial impact from Covid-19 for the remained of the year, we expect to achieve a break-even or positive result in 2020.

Individual & family





Aberia generated revenues of NOK 206 million in Q2'20, up both quarter on quarter and year on year, reflecting growth in the core operations in Norway as well as within LSS in Sweden. The adj. EBITA was NOK 1 million, a significant improvement year on year.

Child care and family homes, along with rehabilitation and BPA, represent the core operations in Norway. Combined, these operations are generating healthy profitability. An extensive restructuring has now been completed and all non-core operations are eliminated. Family homes and a newly established child care operation in Northern Norway are still in a ramp-up phase, but already delivering close to break-even results as we move into the second half of 2020.

In Sweden, Aberia has incurred heavy losses from its child care (Swedish: HVB) and LSS operations. The child care operation has been steadily down-scaled and is now in the process of being terminated. The LSS operation is in a ramp-up phase and after heavy losses during the last 18 months, the operations are now delivering roughly break-even results, before overhead. After the balance sheet date, the LSS operations have been divested.

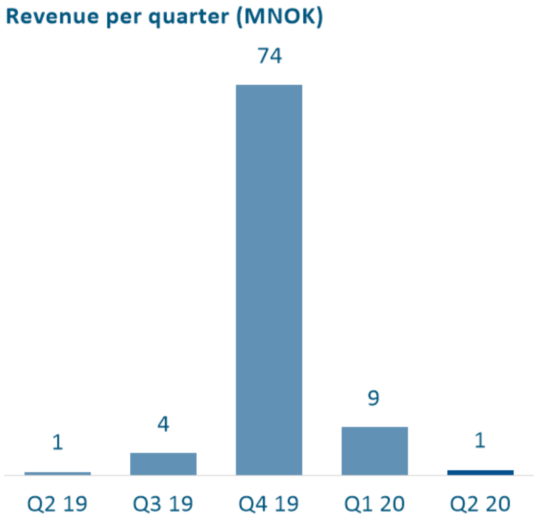
Although we are positive to the long-term merits of the 12 LSS units previously operated by Aberia, we acknowledge that we lacked the necessary volume to run an efficient and solid LSS operation. On August 1st 2020, Aberia therefore entered into an agreement to sell the LSS operations to Frøsunda Omsorg AB, a company indirectly owned by the owners of NHC Group. Frøsunda operates a significant and profitable LSS operation and should be better positioned to operate the 12 LSS units, and with a more efficient overhead allocation.

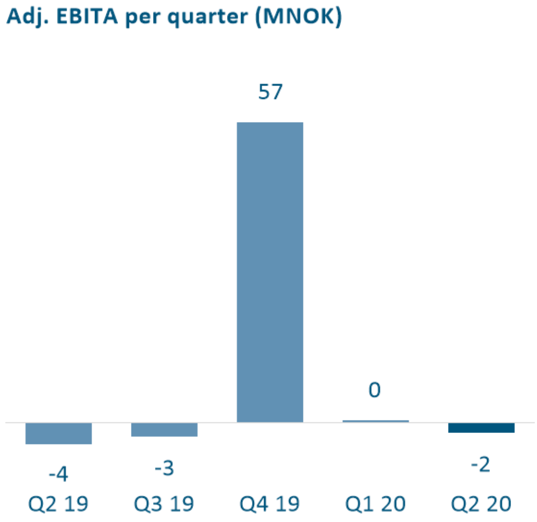
1st August 2020 was the effective date of the transaction and we expect closing to occur on 1st September 2020. On closing, Frøsunda will pay SEK 10 million for the LSS operations, on a cash- and debt-free basis. In addition, there is an earn-out mechanism in place, based on the financial results of the 12 LSS units in 2021, 2022 and 2023. Based on, in our opinion, conservative profitability forecasts for these years, we estimate a total purchase price of SEK 35 million, all included. The book value of the business sold is around SEK 20 million. In addition, Aberia will likely book a provision for future short term commitments related to Aberia Sweden. The full financial reporting of this transaction will be made available in our 3Q accounts.

After the sale of the LSS business and the termination of child care, Aberia Sweden will consist of the profitable Personal Assistance operations, through the two entities Marcus Assistans AB and Østgøteland Assistans AB. After the balance sheet date, Aberia increased its shareholding in these companies from c. 50% to 75%.

Aberia has been through a major restructuring in order to stream-line operations and focus its portfolio. Loss-making operations have been terminated or divested, the core operations are strong on quality and reputation, profitable and growing, and the segment as a whole is clearly moving in the right direction. Although Covid-19 will have temporary negative effects on profitability in 2020, we still expect to show a material profit for the full year, and solid margins from 2021 onwards.

Real Estate





Care Properties recorded revenues of NOK 1 million, with an adjusted EBITA of NOK -2 million in Q2'20.

No transactions were recorded during the quarter.

Material sales processes are on-going as planned and are expected to be completed in the coming months. We see strong interest from various parties to partner with NHC group on property projects and together with own initiated projects, NHC is already building the pipeline for 2021 and onwards. Based on solid operations, NHC will continue both developing, and through other processes, gain property positions. Care Properties has generated an adjusted EBITDA of around NOK 50 million per year since 2016, and we expect to maintain or exceed this level going forward. Besides cash flow and profitability, most importantly, we expect future transactions to support NHC operating companies through access to good properties and solid long-term operations.

OUTLOOK AND MAIN RISK FACTORS

Although the Covid-19 pandemic continues to have a major impact on our operations, the situation has stabilized in recent months. We know that there are challenges ahead and we are planning and preparing for negative developments through our contingency procedures. The Covid-19 pandemic continues to represent the main uncertainty and risk for 2020.

Financially, the Care segment is clearly most affected, reflected in the operating losses during the quarter. While we expect 2020 to be a challenging year for Care, the actual financial effects are uncertain and highly dependent on the developments of the pandemic, and corresponding Government support packages, including the issue of cost coverage for Covid-19-related expenses. However, we expect these effects to be temporary, and that the long-term fundamentals remain strong.

Additionally, 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 in the way we deliver our services. In Norway, these risks are clearly most evident at time being, affecting both our Preschools and Care operations.

To limit our exposure to unfavorable political and market shifts, we continue to diversify our operations. Our international operations are growing, and margins are healthy. Through the JV established with Hospitality Invest, we intensify our focus on growing the international preschool segment and will strive to grow also other segments cleverly calibrated towards political and regulatory prospects.

The Preschool segment continues to deliver strong results and Q2 marked a record-high profitability. We believe we have attractive portfolio of preschools and strong positions in the markets in which we operate. As our newer units continue to mature, we expect operating margins to continue to increase. We acknowledge however, despite the strong underlying fundamentals, that Covid-19 could have negative effects on occupancy, as a result of higher unemployment.

For the Care segment overall, we remain positive on its long-term merits. We believe there is clearly a need for the services we provide, as well as an extension of these services to meet a new and growing demand. This new demand will require higher quality services, provided in a more efficient manner. These relate to both institutional elderly care, home care services and personal assistance. It is our ambition to be at the forefront in the supply of these services. We see our pipeline of own management projects increase, which it also will continue to do for the coming quarters. We are on or ahead of our plan on rebalancing our portfolio from tenders to own management/concession-based operations.

Within Individual & family and Integration Services, we have undergone a full restructuring of the operations and several businesses and sub-segments have been terminated. With the sale of the LSS business, as well as the termination of the child care operations in Sweden, Aberia is now well positioned to generate strong profitability going forward. For Hero, we have managed to reduce costs to a sustainable level, to reflect the much reduced revenues base. We expect Hero to break even or deliver slightly positive results for 2020.

The Group has pursued rapid growth during recent years to compensate for the collapse within Integration Services. This growth has been achieved mainly through Preschools International, incurring material growth costs along the way. While selected organic opportunities will continue to be pursued and overall continue to grow NHC, we aim to materially reduce our growth costs going forward.

The market fundamentals within all of NHC`s operating areas remain strong, and so do our motivation to be a progressive part of our growing markets. After recent rapid growth, we continue to consolidate and steady execute actions on efficiency and profitability. This will evolve into higher operating margins as also growth initiatives taken in recent years continue to mature on the back of slimmer and more focused divisions.

USE OF ALTERNATIVE PERFORMANCE MEASURES (APM)

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 the financial measure “EBITDA”, “EBITA” and “EBIT” in its quarterly reports, which are not financial measures as defined in IFRS. The reported numbers are included in the financial statements and can be directly reconciled with official IFRS line items. The APMs are used consistently over time and accompanied by comparatives for the corresponding previous periods.

On January 1 2019, Norlandia Health & Care Group adopted the new leasing standard which had a material impact on the financial statements. Consolidated figures for the Group is presented according the new leasing standard. For the presentation of the business segments “EBITA-adjusted” is used, which exclude the IFRS 16 effects.

STATEMENT FROM THE BOARD OF DIRECTORS

The interim financial statements are, to the best of our knowledge and based on our best opinion, presented in accordance with International Financial Reporting Standards and the information provided in the financial statements give a true and fair view of the Company's and Group's assets, liabilities, financial position and result for the period. The financial report provides an accurate view of the development, performance and financial position of the Company and the Group, and includes a description of the key risks and uncertainties the Group is faced with.

Oslo, 20 August 2020

Board of Directors of Norlandia Health & Care Group AS

Kristian A. Adolfsen	Roger Adolfsen	Ingvild Myhre
Chairman of the Board	Member of the Board	Member of the Board

Yngvar Tov Herbjørnssønn
CEO

For more information:

Erik Nicolay Sandøy
CFO
erik.nicolay.sandoy@norlandia.com

Ticker codes:

Norlandia Health & Care Group AS has issued two bond loans listed on Oslo Stock Exchange (www.oslobors.no) with the following names and ticker codes:
Norlandia Health & Care Group AS 16/21 FRN C
Ticker: NHC01

Norlandia Health & Care Group AS 16/21 FRN SEK C
Ticker: NHC02

This report was released for publication on 21 August 2020. The report is available on www.oslobors.no.

Consolidated Income Statement (unaudited)

(All figures in NOK million)

	Notes	Q2 20	YTD 20	Q2 19	FY 19
Operating income					
Revenue		1 308,1	2 617,0	1 211,0	4 942,2
Other operating revenue		6,6	18,0	24,7	104,4
Total operating revenue	3	**1 314,7**	**2 635,0**	**1 235,6**	**5 046,6**
Operating expenses					
Cost of goods sold		15,4	59,2	38,0	157,8
Personnel expenses		963,7	1 935,8	915,0	3 668,3
Other operating expenses	9	156,5	308,8	151,3	643,2
EBITDA		**179,2**	**331,2**	**131,3**	**577,3**
Depreciation	9	108,1	213,5	103,3	416,6
EBITA	3	**71,1**	**117,7**	**28,1**	**160,7**
Amortisation	4	10,2	20,1	9,3	38,0
EBIT		**60,9**	**97,5**	**18,8**	**122,6**
Finance					
Net finance	5, 9	-69,3	-197,6	-42,4	-187,2
Share of post-tax profits of associates		6,0	7,5	0,2	-1,4
Profit before income tax		**-2,4**	**-92,7**	**-23,3**	**-66,0**
Income tax	6	2,2	4,0	-2,7	2,2
Profit for the period		**-0,2**	**-88,7**	**-26,1**	**-63,8**

Consolidated Statement of Comprehensive Income

(All figures in NOK million)

	Notes	Q2 20	YTD 20	Q2 19	FY19
Other comprehensive income					
Profit for the period		-0,2	-88,7	-26,1	-63,8
Changes in pension liabilities		-	-	-	10,0
Deferred tax related to these items		-	-	-	-2,2
Changes in other items net of tax		-	-	-	0,6
Total items not reclassified		**-0,2**	**-88,7**	**-26,1**	**-55,3**
Currency translation differences		-8,6	49,9	-6,3	-14,8
Items that will be reclassified		-	-	-	-
Other comprehensive income, net of tax		**-8,6**	**49,9**	**-6,3**	**-6,4**
Total comprehensive income for the period		**-8,8**	**-38,8**	**-32,4**	**-70,2**
Attributable to					
Equity holders of the parent company		-9,4	-45,9	-32,6	-80,5
Non-controlling interest		0,6	7,1	0,2	10,3
Total comprehensive income for the period		**-8,8**	**-38,8**	**-32,4**	**-70,2**
Attributable to equity holders arising from					
Continuing operations		-8,8	-38,8	-32,4	-70,2
Total comprehensive income for continuing operations		**-8,8**	**-38,8**	**-32,4**	**-70,2**

Consolidated Balance Sheet Statement (unaudited)

(All figures in NOK million)

ASSETS

	Notes	30.06.2020	30.06.2019	31.12.2019
Non-current assets				
Deferred tax assets		69,1	69,7	74,1
Intangible assets	7	2 256,5	2 221,0	2 210,3
Property, plant & equipment		571,5	490,8	550,0
Right-of-use assets		3 174,8	3 175,9	3 325,4
Investment in associated companies		53,0	56,1	41,6
Other investments		33,1	14,5	33,1
Other long term receivables		33,5	116,4	23,8
Total non-current assets		**6 191,4**	**6 144,4**	**6 258,2**
Current assets				
Inventories		5,1	2,7	6,8
Accounts receivables		223,0	254,8	207,2
Other short-term receivables		230,5	250,0	190,1
Cash and cash equivalents		269,4	173,5	169,1
Total current assets		**728,0**	**681,0**	**573,2**
Total assets		**6 919,5**	**6 825,4**	**6 831,4**

Consolidated Balance Sheet Statement (unaudited)

(All figures in NOK million)

EQUITY AND LIABILITIES

	Notes	30.06.2020	30.06.2019	31.12.2019
Equity				
Share capital		300,0	300,0	300,0
Other equity		-88,2	16,9	-42,2
Equity attributable to owners of the parent		**211,8**	**316,9**	**257,8**
Non-controlling interest		56,8	37,3	49,6
Total equity		**268,6**	**354,2**	**307,4**
Liabilities				
Pension liabilities		113,6	166,5	93,4
Deferred tax liability		156,3	162,0	159,7
Loans and borrowings	8	2 068,7	1 968,1	1 904,4
Lease liability		2 948,9	2 889,4	3 081,6
Other non-current liabilities		3,2	3,7	3,7
Total non-current liabilities		**5 290,8**	**5 189,7**	**5 242,9**
Accounts payable		88,3	92,2	112,0
Loans and borrowings		25,1	200,9	204,8
Lease liability		337,9	310,3	324,3
Taxes payable		0,1	3,8	1,0
Other current liabilities		908,6	674,3	638,9
Total current liabilities		**1 360,1**	**1 281,6**	**1 281,1**
Total liabilities		**6 650,8**	**6 471,2**	**6 524,0**
Total equity and liabilities		**6 919,5**	**6 825,4**	**6 831,4**

Consolidated Statement of Cash Flows (unaudited)

(All figures in NOK million)

	Notes	Q2 20	FY 20	Q2 19	FY 19
Cash flow from operating activities					
EBITDA		179,2	331,2	150,7	577,3
Net of taxes paid and non-cash adjustments in EBITDA		18,3	12,1	-2,9	37,6
Change in net working capital		244,8	206,5	-59,3	9,0
Net cash flow from operating activities		**442,3**	**549,7**	**88,5**	**623,9**
Cash flow from investing activities					
Net investment in property, plant and equipment		-46,6	-68,6	-34,6	-275,0
Investment in shares in business		0,4	0,0	-39,2	-67,8
Net book value proceeds from sale of assets		0,0	33,8	5,8	115,6
Net change in financial receivables		-0,9	-4,6	-0,6	90,1
Net cash flow from investing activities		**-47,1**	**-39,3**	**-68,6**	**-137,0**
Cash flow from financing activities					
Issuance of interest-bearing debt		0,0	62,5	106,3	133,7
Repayment of interest-bearing debt		-161,3	-185,0	-0,2	-121,7
Lease liability - amortisation and interest		-112,0	-221,3	-103,2	-415,0
Payment to non-controlling interest		-	-	-	-
Net interest paid and other financial items		-27,4	-54,8	-24,2	-103,9
Distributions to owners		-	-	-	-45,0
Net cash flow from financing activities		**-300,7**	**-398,5**	**-21,3**	**-551,9**
Changes in cash and cash equivalents					
Net change in cash and cash equivalents		94,6	111,9	-1,4	-65,1
Effects of changes in exchange rates on cash		1,3	-11,6	-2,7	2,3
Cash and cash equivalents at the beginning of period		173,6	169,1	231,9	231,9
Cash and cash equivalents at end of period		**269,4**	**269,4**	**227,8**	**169,1**

Consolidated Statement of Changes in Equity (unaudited)

(All figures in NOK million)

	Notes	Share capital	Share premium	Retained earnings	Translation differences	Total equity to holders of the parent	Non-controlling interests	Total equity
Balance as of 31-December-18		300,0	-	79,1	19,2	398,2	39,3	437,6
Profit		-	-	-74,9	-	-74,9	11,2	-63,8
Other comprehensive Income		-	-	8,4	-14,0	-5,5	-0,9	-6,4
Total comprehensive Income		**-**	**-**	**-66,5**	**-14,0**	**-80,5**	**10,3**	**-70,2**
Incorporation		-	-	-	-	-	-	-
Capital increase		-	-	-	-	-	-	-
Capitalization issue		-	-	-	-	-	-	-
Increased non-controlling interest from business combination		-	-	-	-	-	-	-
Distribution to owners		-	-	-60,0	-	-60,0	-	-60,0
Acquisition of shares from non-controlling interest		-	-	-	-	-	-	-
Consideration for shares in subsidiaries		-	-	-	-	-	-	-
Total contributions and distributions		-	-	-60,0	-	-60,0	-	-60,0
Balance as of 31-December-19		300,0	-	-47,5	5,2	257,8	49,6	307,4
Balance as of 31-December-19								
Profit		-	-	-91,3	-	-91,3	2,6	-88,7
Other comprehensive Income		-	-	-	45,4	45,4	4,5	49,9
Total comprehensive Income		**-**	**-**	**-91,3**	**45,4**	**-45,9**	**7,1**	**-38,8**
Contributions by and distributions to owners								
Distribution to owners		-	- -		-	-	-	-
Non-controlling interest acquired from business combination		-	-	-	-	-	-	-
Acquisition of shares from non-controlling interest		-	-	-	-	-	-	-
Own shares		-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-
Total contributions and distributions		**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance as of 30-June-20		**300,0**	**-**	**-138,8**	**50,6**	**211,8**	**56,8**	**268,6**

Oslo, 20 August 2020

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

Notes to the consolidated statements

1. GENERAL

The consolidated financial statements of Norlandia Health & Care Group AS comprise the company and its subsidiaries, collectively referred to as the Group. The Group operates within markets that involve certain operational risk factors. The Group is further exposed to risk that arise from its use of financial instruments. The various companies within the Group are systematically working to mitigate and manage risk on all levels. The annual report for 2019 offers additional description of the Group's objectives, policies and processes for managing those risk elements and the methods used to measure them.

2. BASIS FOR PREPARATION

The interim financial statements for the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the European Union and their interpretations adopted by the International Accounting Standards Board (IASB). The interim report does not include all the information required for complete annual consolidated financial statements and should be read in conjunction with the financial statements of the Group for 2019. The accounting policies are the same as those described in the annual report for 2019. The interim financial report has been prepared based on the principles of IAS 34 Interim Financial Reporting. The interim financial statements are unaudited.

3. REVENUE, EBITDA, EBITA AND EBIT BY SEGMENT

The Group has identified operation segments in accordance with the reporting requirement in IFRS 8. Based on the legal structure and the internal reporting the reportable segments are; "Preschool", "Care", "Integration Services", "Individual & Family" and "Real Estate". The segment "Other" includes both Group eliminations as well as Other operating revenue not related to the identified segments. As per end of Q2'20, LTM pro-forma EBITDA was NOK 184.2 million (excludes Real Estate.)

NOK million	**Q2 20**	**Q1 20**	**2020 YTD**	**Q2 19**	**Q1 19**	**2019**
Revenue by segment						
Preschools	673,8	685,2	1 359,0	612,4	612,9	2 429,2
Care	377,5	384,0	761,5	368,5	381,9	1 520,8
Integration services	57,2	58,7	115,9	78,5	81,9	309,5
Individual & Family	205,7	186,9	392,5	176,0	179,1	742,7
Real Estate	1,1	9,3	10,3	0,7	9,3	88,3
Other/Elim./IFRS 16 adj	-0,5	-3,8	-4,3	-0,5	0,0	-44,0
Total	**1 314,7**	**1 320,3**	**2 635,0**	**1 235,6**	**1 265,2**	**5 046,6**

NOK million	**Q2 20**	**Q1 20**	**2020 YTD**	**Q2 19**	**Q1 19**	**2019**
EBITDA by segment						
Preschools	68,0	44,6	112,7	43,9	33,2	165,2
Care	-4,7	6,7	2,0	6,5	10,8	29,0
Integration services	1,9	-1,7	0,2	-9,9	-2,1	-21,5
Individual & Family	2,1	0,5	2,6	-7,8	2,5	-19,8
Real Estate	-1,6	0,7	-0,9	-3,8	4,7	55,7
Other/Elim./IFRS 16 adj	113,6	101,1	214,7	102,5	101,6	368,6
Total	**179,2**	**151,9**	**331,2**	**131,3**	**150,7**	**577,3**

NOK million	**Q2 20**	**Q1 20**	**2020 YTD**	**Q2 19**	**Q1 19**	**2019**
EBITA by segment						
Preschools	60,6	38,5	99,1	34,3	26,7	134,0
Care	-6,2	3,4	-2,7	5,1	9,3	23,1
Integration services	0,9	-2,6	-1,7	-11,8	-4,0	-33,4
Individual & Family	1,0	-0,4	0,6	-8,5	1,8	-23,5
Real Estate	-1,9	0,5	-1,5	-4,0	4,6	54,9
Other/Elim./IFRS 16 adj	16,7	7,1	23,8	13,0	11,0	5,6
Total	**71,1**	**46,5**	**117,6**	**28,1**	**49,3**	**160,6**

NOK million	Q2 20	Q1 20	2020 YTD	Q2 19	Q1 19	2019
EBIT by segment						
Preschools	56,0	34,1	90,1	29,2	21,6	113,8
Care	-9,8	-0,0	-9,8	1,5	5,8	9,0
Integration services	0,7	-2,7	-2,0	-11,8	-4,1	-33,8
Individual & Family	0,3	-1,0	-0,7	-9,1	1,2	-25,9
Real Estate	-1,9	0,4	-1,5	-4,0	4,6	54,8
Other/Elim./IFRS 16 adj	15,5	5,8	21,3	13,0	11,0	4,8
Total	**60,9**	**36,6**	**97,5**	**18,8**	**40,1**	**122,6**

4. AMORTIZATION

Primarily relates to amortization of excess values in Norlandia Care Group AS and investments in subsidiaries within the Care segment.

5. NET FINANCE

The finance income and loss is presented as a net amount as Net Finance in the profit and loss statement whereas the split is shown in the table below. The Non-realized currency effect mainly relates to the bond issued in SEK, and has a direct impact on the P&L. As the Group has net investments in SEK, this P&L effect is partially offset by a corresponding opposite effect through Currency translation differences in the Statement of Comprehensive income.

NOK million	Q2 20	Q1 20	YTD 20	Q2 19	Q1 19	2019
Net Finance						
Interest income	0,1	0,3	0,4	-	-	16,7
Interest expenses	-51,6	-51,9	-103,5	-51,1	-47,7	-223,0
Non-realized currency effects	-11,8	-78,7	-90,4	11,4	38,2	27,0
Other finance income	0,0	-0,2	-0,2	-0,0	2,0	4,3
Other finance expenses	-6,1	2,1	-4,0	-2,7	-2,1	-11,0
Total	**-69,3**	**-128,3**	**-197,6**	**-42,4**	**-9,6**	**-186,0**

6. TAX CALCULATIONS

Calculation of income tax is calculated yearly and presented in the annual statements. Tax expense recognized in the quarterly reports relates to tax effects from the amortization of intangible assets.

7. INTANGIBLE ASSETS

Intangible assets were NOK 2,256.5 million at 30 June 2020 compared to NOK 2,221.0 million at 30 June 2019. This primarily relates to goodwill, excess value on customer contracts and trademark, generated through the various acquisitions within the Group.

8. LONG TERM LOANS IN THE GROUP

The long term debt financing for the Group is made up of bond loans and property debt. The bonds are listed and split into two tranches. The Property debt is either debt raised prior to the bond financing, within the ringfence structure as defined in the bond agreement, and new issued property debt outside the ringfence structure.

Bond Loans	Maturity	Currency	Amount (million)
Norlandia Health & Care Group AS	12/2021	NOK	750
Norlandia Health & Care Group AS	12/2021	SEK	1,100

Property debt	Amount (million)
Within ringfence structure	71.5
Outside ringfence structure	102.7

As defined by the bond loan agreement, the total net debt as per Q2’20, amounted to NOK 1,803.3 million. NHC has a revolving credit facility of NOK 250 million with Danske Bank, of which zero million was drawn, as per end of Q2’20 (included in net debt calculation).

9. IFRS 16 - LEASING

The table below illustrate the effects for profit and loss when implementing the new IFRS 16 standard as of January 2019.

(All figures in NOK million)	Q2 20	IFRS 16	Q2 20 - Adjusted	YTD 20	IFRS 16	YTD 20 - Adjusted
Operating income						
Revenue	1 308,1		1 308,1	2 617,0		2 617,0
Other operating revenue	6,6	-	6,6	18,0	3,0	21,0
Total operating revenue	**1 314,7**	**-**	**1 314,7**	**2 635,0**	**3,0**	**2 638,0**
Operating expenses						
Cost of goods sold	15,4		15,4	59,2		59,2
Personnel expenses	963,7		963,7	1 935,8		1 935,8
Other operating expenses	156,5	112,0	268,4	308,8	221,3	530,1
EBITDA	**179,2**	**-112,0**	**67,3**	**331,2**	**-218,3**	**112,9**
Depreciation	108,1	-96,6	11,5	213,5	-190,0	23,5
EBITA	**71,1**	**-15,4**	**55,7**	**117,7**	**-28,3**	**89,4**
Amortisation	10,2		10,2	20,1		20,1
EBIT	**60,9**	**-15,4**	**45,5**	**97,5**	**-28,3**	**69,3**
Finance						
Net finance	-69,3	24,1	-45,3	-197,6	48,3	-149,4
Share of post-tax profits of associates	6,0	-	6,0	7,5	-	7,5
Profit before income tax	**-2,4**	**8,7**	**6,3**	**-92,7**	**20,0**	**-72,7**

10. EVENTS AFTER BALANCE SHEET DATE

The Aberia LSS operation was sold to Frøsunda Omsorg AB, on July 1st 2020.

Financial statement for the parent company

INCOME STATEMENT (Unaudited)

(Amounts in NOK thousand)

	Note	Q2 20	YTD 20	Q2 19	FY 19
Operating income					
Revenue		-	-	-	-
Other operating revenue		**482**	**964**	**986**	**3 943**
Total operating revenue		**482**	**964**	**986**	**3 943**
Operating expenses					
Costs of goods sold		-	-	-	-
Personnel expenses		-198	-524	-363	-2 030
Other operating expenses		**-787**	**-2 280**	**-228**	**-2 316**
EBITDA		**-503**	**-1 839**	**395**	**-403**
Depreciation		-	-	-	-
Amortization		-	-	-	-
Operating profit (EBIT)		**-503**	**-1 839**	**395**	**-403**
Finance					
Net Finance	1	-17 967	-152 384	-1 439	65 447
Profit before income tax		**-18 471**	**-154 224**	**-1 045**	**65 044**
Income tax		-	-	-	7 553
Profit for the period		**-18 471**	**-154 224**	**-1 045**	**72 598**

BALANCE SHEET STATEMENT (Unaudited)

(Amounts in NOK thousand)

ASSETS

	Note	30.06.2020	30.06.2019	31.12.2019
Non-current assets				
Deferred tax assets		17 679	10 056	17 679
Shares in subsidiaries/associates		1 626 670	1 622 750	1 622 750
Loans to group companies		683 795	646 046	665 728
Total non-current assets		**2 328 144**	**2 278 852**	**2 306 157**
Current assets				
Other short-term receivables		99 325	41 584	100 141
Cash and cash equivalents		-	98	3 151
Total current assets		**99 325**	**41 682**	**103 292**
Total assets		**2 427 469**	**2 320 535**	**2 409 450**

BALANCE SHEET STATEMENT (Unaudited)

(Amounts in NOK thousand)

EQUITY AND LIABILITIES

	Note	30.06.2020	30.06.2019	31.12.2019
Equity				
Share capital		300 000	300 000	300 000
Other paid-in capital		-	-	-
Retained earnings		-79 722	33 594	74 502
Total equity		**220 278**	**333 594**	**374 502**
Liabilities				
Non-current liabilities				
Group liabilities		-	-	-
Bond loans	1	1 885 281	1 745 306	1 777 289
Total non-current liabilities		**1 885 281**	**1 745 306**	**1 777 289**
Current liabilities				
Accounts payable		18	19	2
Short term interest bearing debt	1	24 310	199 502	204 337
Other current liabilities		297 581	42 114	53 320
Total current liabilities		**321 910**	**241 635**	**257 660**
Total liabilities		**2 207 191**	**1 986 941**	**2 034 948**
Total equity and liabilities		**2 427 469**	**2 320 535**	**2 409 450**

Notes

1. FINANCE COSTS

Finance Costs in Q2’20 includes NOK 24.8 million in interest expense related to the bond loan. Net currency movement for the period was NOK 1.4 million for the first quarter.

Group web pages

NORLANDIA CARE GROUP AS
www.norlandia.no

HERO GROUP AS
www.hero.no

KIDSA DRIFT AS
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