NHC Group
Annual Report 2019

Norlandia Health & Care Group AS

NHC

Content

Photo: Kai Hornung

A light in the north

Life in the far north can be hard – but also beautiful. The aurora borealis is a phenomenon that could only arise in the dark, cold northern skies. This harsh environment has challenged those who make their homes here to find innovative solutions to live and thrive together. The unexpected result is a group of people which international surveys find to be the world's happiest.

CEO remarks

NHC's most valuable assets are our behavioral principles anchored by our foundational values, our dedicated employees and our committed leaders.

Yngvar Tov Herbjørnssønn
NHC Group
Group CEO

As these lines are written in the middle of April in 2020, the corona virus pandemic is still raging across the world. Our lines of business bring us right into the crucible of this horror: Some of our nursing homes have seen heartbreaking incidents of illness and death. These institutions are also the scenes of courage, discipline, compassion and competence.

In the spring of 2017, after NHC was formed during 2016, we embarked on a thorough strategy process. We came out of that process convinced that "Being the welfare innovator" should be our strategic aspiration. The phrase has stuck, and we now see initiatives in every corner of the company in which this zest for fresh thinking and novel approaches is on display. When strategy steps into the domains of culture, something powerful is afoot.

A fun and meaningful exercise we did recently was a collaboration with longtime partner Charge during which startups in the health/ welfare space were invited to pitch their ideas. Rather than the classic outright equity stake, NHC promised co-operation, involvement, and management time as the prize for the winner. After a comprehensive process, three companies were selected for inclusion: Bee Concept, Dynamisk helse, and Include. We are excited to be committed partners in their journeys, and we are anxious to see how the spirit of entrepreneurship trickles back to the NHC organization.

Our core product offering continues to evolve. Originally an initiative from our Swedish organization, the Norwegian version of Norlandia Jump saw elements added based on research-driven insights into the physical condition of children in Oslo today. With valuable inputs from external collaborators, Norlandia Jump is our program to promote physical activity and motor function development in children. Now, we are ready to implement variations of this program in all our preschool markets.

I am pleased to see one of our innovations make the leap from one country to another: The generation concept was originally Swedish and is now due to be introduced in Finland. In the Summer of 2020 we expect to open a generation facility in Tuusula outside of Helsinki. If all goes to plan, this will be the first of several such places. Building on the mutual joy and utility experienced by young and old spending time and doing activities together, we think this represents a stellar example of socially valuable innovation. And no, there are no patents, we are eager to share this model with the outside world.

NHC's most valuable assets are our behavioral principles anchored by our foundational values, our dedicated employees and our committed leaders. It all started with our owners daring to take the step from caring and service learned in the nitty gritty operation of hotels since their youth, into the world of health care through the entry point of nursing homes. An ever-opportunistic mindset started the long (now more than three decades old) and courageous journey into an increasingly wide array of people businesses which span a broad range in terms of complexity, age of users, geography, and payment models. Along the way a robust culture has emerged which will aid in our pursuit of new heights. This robust culture is grounded by the core mindset or postulates of our owners, articulated more and more explicitly over the last decades but really for the most part imbued already in childhood by their parents. The postulates are stated in the adjacent text box.

Our owners (Roger and Kristian Adolfsen) speak to a gathering of preschool employees about their childhood and the postulates they live by.

FIVE POSTULATES

1

BE INFORMAL – BUT PROFESSIONAL

2

TRUST AND BE TRUSTED

3

RESPECT FOR ALL - TREAT EVERYONE WITH DIGNITY

4

LOOK FOR SOLUTIONS RATHER THAN PROBLEMS

5

NEVER EVER GIVE UP

Roger and Kristian Adolfsen

Our resilient mode of operations, never compromising quality and our employees, is now preparing us for our important refinancing in 2021, as well as for long term value creation through numerous organic initiatives ongoing and in the pipeline. Feedback from our founders, our employees and our customers serves to provide confirmation that we are indeed headed in the right direction; our robust culture is our compass as we speed forward based on strong fundamentals.

Partly as a measure to reduce our vulnerability to sudden political shifts and the vicissitudes of consumer preferences, we have steadily sought to diversify our business. We are gradually becoming a more and more international company; right around 50% of our revenues are now earned outside of Norway.

The people and systems of NHC are being put to the test in times of crises. The corona pandemic crisis shows how NHC and other commercial companies are an integrated part of the welfare systems we serve. In preschools, elderly care, and care for children with particular challenges, society trusts the NHC companies to perform during this period of unprecedented strain.

Beyond the tragedies left in its wake, there will be some positive, enduring impacts of corona. One is a more effective use of technology. A distributed approach to work is the toothpaste that will just not go quietly go back into the tube. While there are challenges, the benefits of a distributed configuration of organizations are many: Less pollution from travel, less time spent on commutes, a greater potential to capture the insights of introverted individuals, the sheer speed of execution. Asynchronous team collaboration yields benefit in output quality and utilization of scarce, skilled labor. Microsoft Teams has turbocharged our organization and this will not stop once the pandemic fades.

The pandemic is by itself an argument for provider variety. In the face of historic challenges for which the solution is not apparent, society benefits greatly from having the greatest possible number of sources of innovation. Every society tends to prepare for the last war. The next super-challenge is unlikely to involve bats and pangolins. The threat or challenge may well be very different. It is likely, though, to find its solution based on human ingenuity. Society would be well served by having viable private entities capable of breakthrough innovation in addition to its trusted government monoliths.

In Sweden, the debate on "vinst i vården" and the role of commercial providers has died down considerably. There seems to be an appreciation across the political spectrum that the commercial providers have a role to play that is needed for a functioning and sustainable welfare sector. While there are not yet similar promising signs in Norway, one may hope that innovations from competition and resilience from provider variety will convince political decision makers that the existence of some commercial operators is good for society. The alternative is bifurcation of the care sectors by wallet size and a gradual destruction of the Nordic, collective model.

While the aftermath of corona will be challenging, we expect the fundamentals for NHC Group to stay strong. With 10.000 competent and committed colleagues, I am fortunate to be at the helm of this enterprise at this time of great need.

Regards,

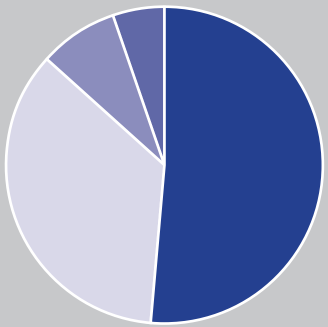
Yngvar Tov Herbjørnssønn
CEO, NHC Group

8,774
EMPLOYEES

22,606
USERS

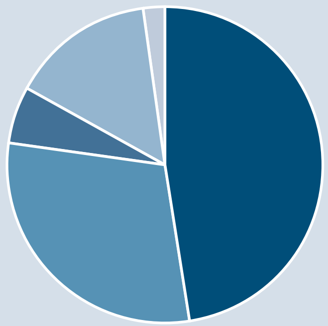
Revenue per country

- Norway 51%
- Sweden 36%
- Finland 8%
- The Netherlands 5%
- Germany <1%
- Poland <1%



Revenue per segment

- Preschools 48%
- Care 30%
- Integration services 6%
- Individual & family 15%
- Property 2%



Revenues

5,047
MNOK

550
UNITS

Segments

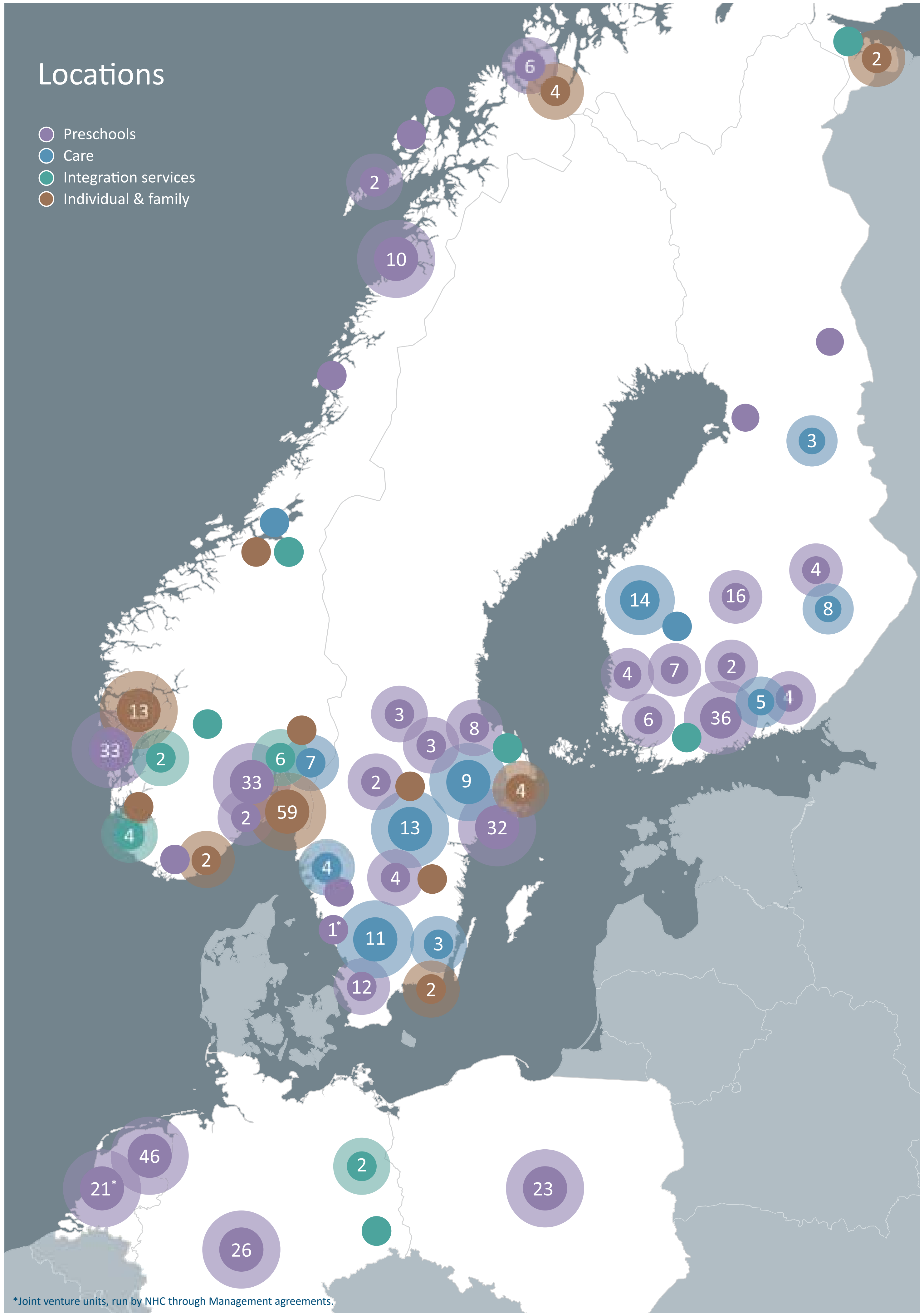
Preschools
Preschools
Out of school care
Generation concept

Care
Elderly care
Patient hotels
Home care
Occupational health
Generation concept

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 company 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 increasing cooperation between the two companies

2019

NH Europe is established as a joint venture (JV). NHC owns 49% and Hospitality Invest owns 51% of the company. NH Europe is operated by NHC and has acquired several preschool chains in the Netherlands, Finland and Sweden.

The welfare innovator

We exist for our users, and we are passionate about improving their lives. In order to constantly improve and deliver higher quality, we need to be good at innovation, which is why NHC's strategic aspiration is "Being the welfare innovator".

KEY INSIGHTS

An integral part of our strategy process are 15 key insights that promote innovation throughout our companies.

Here are three examples.

KEY INSIGHT 5

Frontline heroes

The knowledge and everyday feedback our employees get is a key asset

KEY INSIGHT 8

Smarter operations, higher dignity

We can set a new standard for quality

KEY INSIGHT 15

Technology builds competetive advantage

Using new technology helps us deliver smarter and better

Our two tracks for innovation

Manage the present
*
Strengthen our core – fine-tune the performance engine
*
Things we need to fix

Create the future
*
Leverage core competencies – add new competencies
*
Things we need to build

NHC has participated as a pilot customer in the development of Semine, an accounting robot. Using machine learning, Semine learns and understands the content and context of an invoice, thus automating a key part of accounting process. One of our first forays into the actual, practical use of Artificial Intelligence (AI), Semine provides better control and greater insight in underlying processes. Savings derive both from less human labor used and from fewer errors made.

THE INNOVATION BOARD

The NHC Innovation board searches for big or small ideas that lead to progress, solve everyday problems at the workplace, or simplify the way we get things done.
Do you have a good idea, or want to partner with us? Send us an e-mail:
innovation@nhc.com

Welfare 2.0
Our accelerator program for welfare service start-ups done in collaboration with the incubator company Charge.

Innovation exhibit
Our Swedish preschools have started Knowledge & Innovation exhibitions to share their developments with one another.

Generation Concept
We´ve developed a concept combining our expertise in Preschools and elderly care that is positive for both groups.

Food concept
The cooks at our preschools meet regularly to develop nutritious menus that are delicious and reduce food waste.

Sharing is caring
Lotta Jörgensen, an activity leader at Fäladshöjden retirement home was sponsored by the Innovation board in developing a platform for sharing ideas and inspiration.

RESPONDING TO MEGA-TRENDS

Mega-trends are game changers in society that force us to react. At the same time they are opportunities for us to develop innovative services. Here are three mega-trends and examples of programs we've initiated to take advantage of them.

The fourth industrial revolution
Digital-interconnectedness is changing the way we work. Our *Full Circle* digital initiative positions us to take advantage of the possibilities.

Social and welfare consumption
Changes in society demand new ways of common challenges. *Welfare 2.0* is our accelerator program for welfare service start-ups.

WELFARE 2.0

Sustainability
We have clear goals related to the UN Sustainability Goals. All of our preschools participated in a program this year entitled *Go Green - Global future*.

GLOBAL FUTURE

Our segments

Preschools

Preschools
Out of school care
Generation concept

Care

Elderly care
Patient hotels
Home care
Occupational health
Generation concept

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
CEO

Under the banner of what we call *Knowledge & Innovation*, which is both our work method and our identity, substantial development work was done over the course of the year to add value to children's experience with us. Our slogan "Let the discoveries begin!" captures a spirit we hope to see in both children and employees. We seek to stimulate curiosity every day. We want our practices to be grounded in the best available sources of research and evidence. This knowledge-based approach coupled with a high degree of involvement from our competent first line employees creates an excellent environment in which to thrive and develop.

Today, individuals tend to be much more sedate than before. In our preschools, we can contribute to good habits, physical activity and the delight of being in motion. In Sweden, through a collaboration with Generation Pep, we have developed Norlandia Skuttet (Norlandia Jump) to guarantee 20 minutes of organized physical activity every day which develop motor skills. Enough and varied exposure to physical activity improves cognitive skills such as math, writing and reading, confers social skills, and delivers psychological benefits.

Recognizing that preschool meals is about a lot more than nutrition, the company has developed the concept *Mat med Smak*. A key element is that our employees sit down at mealtimes to interact with the children. Food is the starting point for conversations about traditions and culture, origin of the foodstuffs consumed, sustainable agriculture, minimizing waste, pleasant taste experiences and the joy of the table. The kids participate in growing herbs and vegetables, and they often partake in food preparation.

Sustainability is important for our preschools and our initiatives are linked to the UN's sustainability goals. We are developing our own sustainability pedagogy through our initiative GoGreen. Several of our preschools have significantly reduced the use of plastic and we systematically reduce food waste.

Each year, Norlandia Quest is an event for all our preschools in all countries. In 2020, the theme was GoGreen - Global future. With curiosity as our foundation, Quest creates unity, collaboration and pride across countries.

The innovations mentioned above serve to enrich the days of children in our care and answer the broader needs of society. They would not be possible without the leadership of the many excellent managers in our organization. Our pedagogues are committed to competency development, and their skill set across such a wide array of fields is truly impressive: language, attachment theory and social skills, motor function development, to mention just a few.

The debate about private preschools is still ongoing in Norway. However, proposals for further regulations are on hold. It may seem that the government could postpone further regulations until the consequences of the national staffing norms have been seen.

There is preschool overcapacity in most municipalities. This is primarily due to a decrease in the number of newborns. With a new staffing norm, fewer preschool-aged children and more specific quality requirements, we can assume that several small, independent preschools will be shut down. This applies to small municipal preschools as well.

In Sweden, the debate around private preschools has become quiet. As in Norway, it is the municipalities that decide the preschool structure and the proportion of private preschools. In Sweden, 20% of preschools are private, compared to 50% in Norway. Several Swedish municipalities anticipate an increase in the number of children of preschool age and must secure the building of more spots in the coming years. In this situation, we may build more preschools and develop new services that parents appreciate. These services must be in accordance with the municipalities' needs and be anchored in the state learning requirements (*Läroplanen*).

Our educational offer should be rooted in both government guidelines and on the previously mentioned work method we call *Knowledge & Innovation*. As a private player we must offer a little extra something. We must ask: "What sets us apart from our competitors?" Employees working at our preschools should be inspired to develop their own ideas within this framework.

The countries, regions and preschools within the division are committed to learning from each other and creating synergies in the development of our educational offerings. All concepts that have now been developed are anchored in both Norway and Sweden, some with appropriate local adaptations.

Sweden
Currently there are 68 preschools in Sweden and there are 4833 children in our preschools. During 2019 we have opened 7 new preschools. All our new preschools implement our concepts: *Mat med Smak*, GoGreen and Norlandia Skuttet (Jump). We see that this creates excitement both when recruiting children and employees.

Norway
Currently, there are 91 preschools and 6765 children in our preschools. 28 of these are Kidsa preschools; they are all located in Bergen municipality. During 2019 we have opened 2 new preschools: Norlandia Svanevågen farm and outdoor preschool in scenic surroundings in Øygarden municipality outside of Bergen as well as a temporary preschool pending completion in fall 2020 of Norlandia Voksentoppen ski- and outdoor preschool in Oslo.

Norlandia Utkiken preschool outside Stockholm, was turned into a major knowledge exhibition in November. All employees from our preschools in the region participated. The program included workshops, lectures and social activities. In the exhibition area, each preschool presented their profile and educational focus to the other participants.

11 057 USERS

3 627 EMPLOYEES

Jump

Norlandia Jump is our activity concept. World Champion and ski legend, Marit Bjørgen, participated when Norlandia Sørhellinga preschool had their Jump kick-off.

SKI PRESCHOOLS IN FALUN

In 2019, Norlandia launched a new alpine- and ski profile in Falun. Children and parents were invited to Källviksbacken to celebrate together with Norlandia employees and our partners in the Swedish Ski Association.

Preschools international

Olli Lehtisalo
Norlandia Preschools international
CEO

Norlandia Preschools international continued to grow in 2019 both organically and through acquisitions, adding a total of about 40 new units including acquisitions made through NH Europe. However, the year 2019 was also one of consolidation, integration of acquired companies and implementation of common branding and concepts across countries. Significant property transactions were made in all markets during the year.

We encountered significant political and regulatory changes in our markets. New staffing rules were decided in the Netherlands and the political landscape in Finland was turbulent due to Parliament elections. All markets enjoyed a solid demand situation but on the other hand we have seen an increasing shortage of qualified staff in the industry.

In Finland, the private childcare market continued to grow despite an accelerating negative trend in the number of newborns. A strong economic situation and increasing investments in early education are driving the growth. However, private elderly care and childcare industries entered a heavy headwind in politics and media before the parliament elections. We will continue to face such headwinds with great service offerings to children, parents and municipalities, and a humble attitude of continuous improvement. We believe attention and debate is good as it sharpens the whole industry, and continue to view Finland as a core market for NHC going forward

We continued to grow, opening a total of nine new units and buying a chain of seven units in Jyväskylä, increasing our unit count in that region to total 16 units. Our “base” continued to perform well and occupancy levels for the units opened in 2017 and 2018 developed well. Salary increases together with the costs of newly opened units created pressure on operating margins. For 2020 we will slow down our organic growth allowing for margin improvement and also to concentrate even more on strengthening our key process. We have initiated projects to launch combined childcare & elderly care units, a so-called Generation concept, which will be the core of our growth in Finland in future.

In the Netherlands, the expansion of Norlandia preschools continued in 2019, by acquisitions in both Rotterdam and Amsterdam. We also intensified our search for organic growth opportunities, especially integrated school & childcare units. The visibility of Norlandia and the building of recognizable quality and unique concepts is the basis for our operations. This allows us to recruit good people and is the key to being able to grow organically and enter good M&A processes. There were significant actions during 2019 to strengthen the Norlandia brand both internally and externally.

Our acquisitions led to (again) a growth of our customer base of 30% and an increase in employees so that we now number around 800 colleagues in the country. Our employee satisfaction stayed on the same high level as in 2018, but we encountered a rapid drop in sick leave, ending below 4% for the year, on average. Our headquarters moved to new offices in Utrecht. In our new office building we share the space with 30 other organisations focusing on the areas of NHC services: health and care, asylum seekers and integration services and various NGO’s. This allows for interesting partnership opportunities in the future.

Going forward, we became more and more aware that integration is key for a company our size. We carefully revised systems, platforms, structures and functions in order to create synergy and integration. Meanwhile, the active M&A market in the Netherlands and the positive visibility of Norlandia creates opportunities to grow even further.

In Poland Norlandia opened several new units, reaching 23 units in 14 locations with total of 800 children by the end of 2019. During the year we also completed a major property transaction by selling our Polish property portfolio.

Our organization in Poland is fast and strong in taking advantage of Norlandia brand and concepts. For the employees, Norlandia differs from many childcare operations.
This includes for example private healthcare for employees, solid training possibilities and clarity of work agreements. For the parents Norlandia means a set of concepts where the key is Nordic lifestyle, a green approach, being outside and active. Our Go Green theme as well as the Norlandia Jump concepts are implemented in Poland. Norlandia children can be recognized by the jackets, offered to parent for free, with visible Norlandia logos. Norlandia has become a recognized operator in a very fragmented Polish childcare market.

As a joint co-operation between Finland and Poland, both countries are offering the Moomin Language School – a digital language learning solution. During 2019 this service was expanded to cover a great number of children in Norlandia Poland.

Germany: 2019 was a year of consolidation in our Wekita company after two years of very fast growth. This included a strengthening of the management staff to allow the original entrepreneurs to delegate tasks to focus on new growth activities during next couple of years. The German market continues to be attractive with lots of demand; however, the shortage of staff is a major limit for childcare companies seeking growth. Our Wekita concept is very strong in this environment as it offers a more attractive opportunity to the self-employed “day-moms” compared to the regular system.

During 2019 we intensified our efforts in exploring other opportunities in major cities in Germany, probably leading to some new growth in 2020.

RAPID GROWTH

40

new units in the past year

COTTAGE VILLAGE

At Norlandia Linnakangas preschool in Finland the daily activities are based on the concept "At home in nature". In 2020, they will open new “nature groups” by building a Kota (cottage village) on their property. Three cottages will offer even better contact with nature and give 60 more children the opportunity to take part in this wonderful nature experience.

It has been an active year of branding in all countries.

Bialystok preschool in Poland with a capacity of 220 is now our largest unit.

Go green

TEACHER OF THE YEAR

The Norlandia preschools in Rotterdam emphasize sports and exercise. They have a coaching team that organizes, among other things, toddler gymnastics in the preschools, sport workshops for preschool children and sports activities at all schools.

1267 EMPLOYEES

Care

Nathalie Boulas Nilsson
Norlandia Care
CEO

The ageing population across the Nordic markets is the underlying growth factor for our Care business. In Sweden, the number of individuals over the age of 80 is expected to increase by 47 percent over the next 10 years. By 2026, 560 new elderly care homes will need to be built. At the same time there is an increasing lack of public financial resources as well as a growing competence shortage. In this dynamic market we believe the rate of privatization in elderly care will continue to grow and our Care division works extensively to develop and innovate our business to meet the need of our current and future users.

Sweden

After years of political debate about private care providers and profit limits, this issue has diminished on the national political agenda due to an agreement between several political parties. In certain municipalities and in local media the debate is still active.

The volume of public tenders rose during the year. Norlandia Care had a successful year winning 13 elderly care units and being accepted in several framework and LOV agreements. Norlandia was trusted to continue operating our units in Norrtälje and Örebro, which shows that Norlandia's high quality focus is appreciated by many of our municipalities. We opened several new elderly care units, among them Tibblehemmet in Täby. In Boden, we opened one of northern Sweden's most modern elderly care home with 126 places. All spots were filled within just a few weeks' time. Furthermore, we opened two new units in Kristianstad.

We continued to develop our Generation concept, in close cooperation with the Preschool division. We planned for the opening of our own operations units Lilla and Stora Alsike in Knivsta, to be opened in April 2020. Being the only company in the market who can jointly operate both preschool and elderly care, we see a lot of synergies in our Generation concept, such as the sharing of support staff and certain facilities, as well as valuable experiences coming from interaction between young and old. We have several more Generation concept contracts in the pipeline, for instance in Norrtälje and Varberg.

We continue our strategy to grow organically with new own operations units in select municipalities and being active in the tender market. Food and nutrition as well as physical activity continue to be our key concepts. Implementation of our much appreciated "Mat med smak" food concept deriving from our preschool operations has continued during 2019. The objective is to ensure quality of both nutrition and the meal experience in our elderly care units.

Norway

In Norway, the political climate continued to be challenging for private operators. In several municipalities, including Oslo, the new governing parties promised to in-source care for older people and return it to public management, which has created uncertainty about the future conditions for private care operations in several Norwegian municipalities. Ullern helsehus, an elderly care unit with a contract that started already in 2013 as Tåsenhjemmet, was returned to Oslo municipality. We were trusted to continue to operate Gullhaug bo- og behandlingshjem in Bærum municipality. If the trend towards marginalization of commercial companies continues, it seems not entirely unlikely that purely private offerings will emerge. We monitor the opportunities in this space closely.

Home care services has continued to expand. A new contract in Bærum started during the year and the number of BPA users in Oslo doubled. As part of our strategy to expand our Care services into new markets we acquired Rubicon, an occupational health provider in Tønsberg, at the beginning of the year.

Finland

In Finland, the year started with intensive public discussions of elderly care, with focus on private providers, quality and staffing. This has affected the reputation of the care sector in the country. Norlandia has despite this entered the Finnish market with the aim to operate in a higher quality segment. We acquired Alina, a home care chain with an interesting franchise concept. Alina has a unique business model with high level of local knowledge, strong reputation and high customer satisfaction. Alina has proved to be a successful acquisition, with a steady growth and high profits. In 2019 they won the prestigious Franny awards as Best Franchise Chain, Best Franchise Entrepreneur and Trendsetter of the year.

During the year we have also taken our Generation Concept to Finland with two projects signed in Tuusula and Helisinki Malminkartano. Both projects include preschool and elderly care as well as service living with a lighter care service offering. In Tuusula we will even have a doggy care that we hope will bring lots of joy to the young and old. Our patient hotel in Tampere continues to deliver high quality services and added value to the hospital, as well as steady incomes.

The focus on being a welfare innovator continued to prevail across our Care business. Our innovation board has been an appreciated route for employee driven innovation among our Care staff. On a central level we have a vibrant innovation culture and several highly interesting development projects, exploring new markets and services in order to broaden our offering and be well equipped for the future that lies ahead.

In Boden, we opened one of northern Sweden's most modern elderly care home with 126 places. The unit was filled in just a few weeks' time and operations are going full steam.

NEW CARE APP

We have implemented the use of the e-Planning app. Through this digital solution we have achieved two important things. Firstly, it has contributed to better logistics, which frees up time for employees to spend more quality time with the elderly, and secondly, it has helped to improve the working environment for the staff.

Gott liv - varje dag!

GOOD LIFE - EVERY DAY

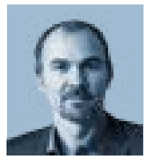
2 936 USERS

3 176 EMPLOYEES

Over the years, Alina has evolved to become a major provider of home care to the private and public sectors in Finland. Alina won the award as the best franchise chain in Finland in 2019.

AWARD WINNING ALINA

Integration services



Tor Brekke
Hero Group
CEO

Going through huge market changes the Hero Group continue activity in the three business segments Accommodation Services, Language Services and Education Services. Adapting to new circumstances, our international growth ambitions have been revised downward. We remain committed to delivering quality and serving the needs of our government customers. Contributing to the self-sufficiency of our end users is in our core.

We continue to have strong relations to customers in various European countries and maintain the ability to move fast when there is an increase in demand. During 2019 the Hero Group has made several organizational changes adapting to new market situations. A fourth strategic field of language skills has been added to the former fields of cultural competencies, empowerment and employment.

After winning frame agreements in all regions with the Norwegian UDI, Hero still holds a very strong position in the publicly tendered market for asylum accommodation centres. Winning prolongation for operating the Norwegian national arrival centre in late 2018 strengthened our position further. However, due to the present low number of asylum applications the total number of contracts in Norway is limited.

In Germany two short-term contracts came to an end during 2019. Three centres remain, and we continue to participate in tenders to win new German contracts. Quality assessments return high ratings for our centres, and we experience high trust from our customers.

Our accommodation centers continue to be in the forefront with regards to user involvement and self-determination. There are many benefits to encouraging a sense of responsibility to centre residents: Increased quality of life for both employees and residents, better problem resolution, lower conflict levels, and a sense of dignity. This approach continues and customers perceive it as one of the areas where Hero stands out.

The language services market has been strained for a long time. During 2019 it was necessary to take radical measures to accumulate volume at one location to improve profitability. Our Swedish customer centre was terminated, and we have established a new Nordic customer center in Stavanger. Our Swedish and Finnish speaking employees ensure customer service and compliance. Cost has been extensively reduced both in Stockholm and Helsinki. The Stavanger centre delivers twice the efficiency of the past Stockholm centre. The new setup also greatly reduces economic risk, it simplifies operations and makes it easier to reorganize and adapt to future market changes.

Education Services have gone through much of the same process as Language services. The loss-making Bergen unit has been terminated, and activity continues at a lower volume in Oslo. NAV or the Norwegian Labor and Welfare Administration is increasingly performing their own coaching services ("Egenregi") and we experience a strong consolidation in the tendered services. During 2019 we have seen very few tenders for our specialty of support services and education for minorities specifically.

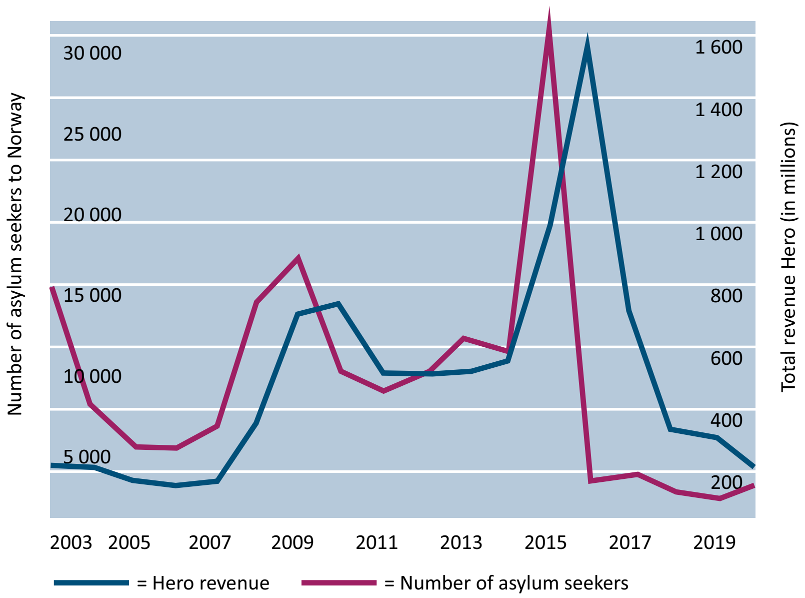
We are completing work to become quality certified in accordance with the ISO standards in accommodation services. Early in 2020 we will be the first ISO certified operator in the Norwegian market, setting a new standard there. In Germany the certificate will improve our position and potential for growth.

Asylum seekers to Norway

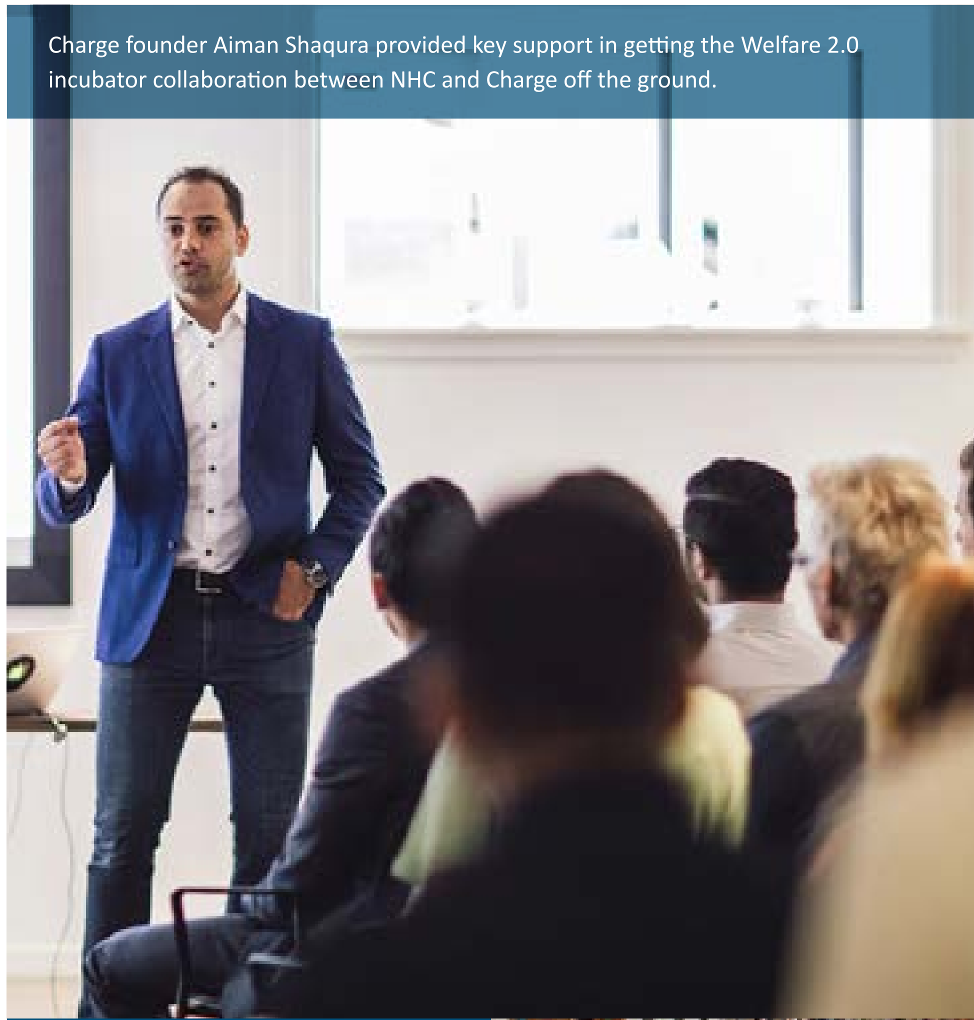
Operators of accommodation centres for asylum seekers has historically seen rather large swings in demand. We expect this pattern to continue for the next decades.

Looking back, we see that in the early 2000s there was an increase of asylum seekers especially from countries like Serbia and Montenegro. Many were refused and restrictions brought the numbers down. The peak in 2007-2008 was initially driven by a large increase of unaccompanied minor asylum seekers, i.e., children. Most came from Afghanistan, followed by Eritrea, Somalia and Iraq. In 2015 conditions in Syria deteriorated and the pressure in Jordan and Lebanon increased. Shortage of food and aid in these areas led to an increase in the number of people fleeing to more distant countries for help. As European countries mobilized to assist these people, refugees from other countries also saw an opportunity to start a new and better life in Europe.

In general, the proportion of the world population that is displaced continues to grow. In 2018, the figure was 70,8 million, up from 43,3 in 2009.



Charge founder Aiman Shaqura provided key support in getting the Welfare 2.0 incubator collaboration between NHC and Charge off the ground.



Hero is a proud partner of "Give a Job"

HERO KOMPETANSE

EXPERIENCED

We established our first reception centre in

1987

Summer party for asylum seekers in Berlin

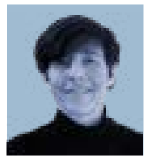
ENABLING A NEW FUTURE

HERO TOLK

FACE 2 FACE

Face 2 Face works to bridge public services, professional environments and people with minority backgrounds, focusing on culture, language and professional competence. Mostly, they provide guidance to minority families on matters such as parenthood, the role of a parent, family planning, education and working life.

Individual & family



Trine Bakkeli
Aberia
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. Our goal is to be the preferred partner to the public sector, within our service areas. Our core service offering is divided into two main categories: Child welfare and care services.

In Norway between 50 and 60.000 children and youths between 0 and 22 years are in need of some level of care services. The Norwegian state itself and a few municipalities are responsible for all childcare institutions. Around 50% of the services are provided by the public sector and 50% are provided by the private sector. Tender offerings which are both heavily regulated and demanding in terms of quality standards are steadily increasing the market. These barriers, though, make it a hard market to pursue for new entrants. The private part of the market is dominated by Aberia and three large competitors. Aberia – although not the biggest – is one of a few with a guaranteed level of contracted units.

We provide a sustainable high quality due to predictability and stability for the children in our care. The child welfare units experienced close to 100% utilization of capacity in 2019. This is achieved because of loyal and highly competent staff with predictable working schedules. Our devotion to quality also shows in the results of audit reports from different external authorities. We did experience some deviations within the segment, but all were closed satisfactorily.

The north of Norway has until now been dominated by two competitors.
In late 2019 Aberia established a growth initiative for capturing a piece of the market in this region. Although we had a slow start, as of March 2020 there have been established three units with 100% utilization and we are looking for further expansion. The name of the entrant we have launched is Aurora omsorg, and the name chosen is indeed meant to be as inspiring as the aurora borealis shining its wonderful light throughout this report.

The demand for foster care services is also rising with a 100% increase in revenue, though from a low base.
We also initiated a growth initiative within the foster care segment (also dominated by competitors). This organic growth initiative is expensive, but it represents a significant opportunity for Aberia both operationally and financially. We are expecting a 300% growth in revenue within the segment for 2020.

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. There is also an increasing demand for respite care, throughout the country. Aberia won a large respite care tender in Oslo in 2019. Under the terms of this contract it is left up to the users to make their own choice of care provider. The respite care segment is one of the most challenging both operationally and financially. We are working on improving the operations but expect that this will take time.

On a brighter note we have the personal assistance segment. Here 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. We more than doubled our revenue within the personal assistance segment in late 2019.

In 2019 we have conducted employee satisfaction surveys with satisfying results. The average score was around 85 %.
We will conduct new surveys on customer satisfaction in 2020.

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 real benefits for our users. We have great expectations for the coming year.

Our achievements and organic growth initiatives in 2019 have brought us to a point where we have expanded all of our services nationwide in Norway.

Aberia in Sweden
Aberia has operated in Sweden for several years. Personal assistance is a steady source of income with a stable growth perspective. The conditions for the other operations have been challenging due to several factors. Aberia is now consolidating the child welfare units and we are concentrating on growth in care services where we have an attractive unit portfolio. We focus on the segments sheltered housing and respite care services with 10 operating units as of 2020. We will evaluate the possibilities for future growth initiatives in Sweden within our core business but will take it slow to ensure adequate operational performance.

Aberia make important contributions to create and preserve a sustainable welfare state. We are a flexible partner to the public sector and provide appropriate solutions where a need exists. Increasing operational stability, growth and profitability in both Norway and Sweden by focusing on our core business is a key priority. We believe that we have the right balance between organic growth initiatives and improvement programs for existing operations going into 2020.

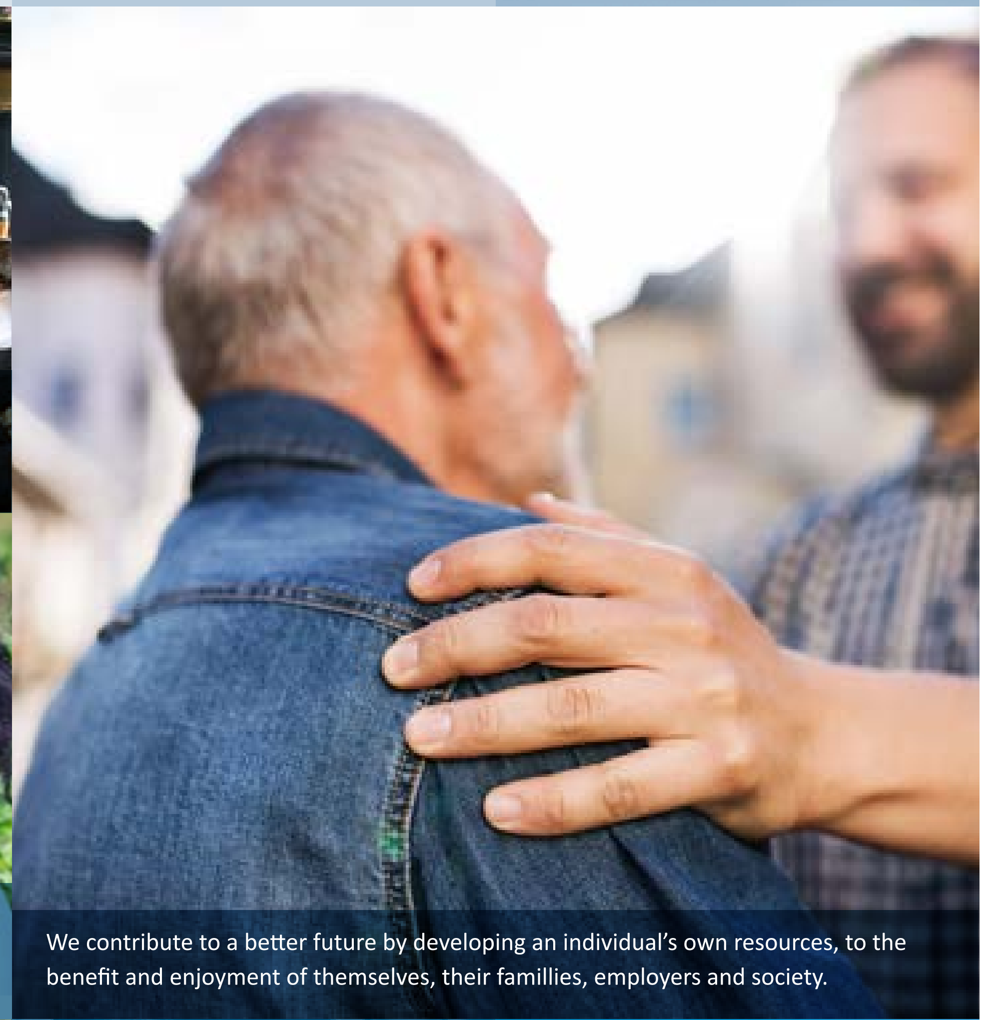
PODCAST

Aberia has launched our own podcast, called "Helt hjem" (All the way home). The podcast focuses on foster care and child care. You can find all the episodes on platforms like iTunes and Spotify.

Everyone deserves the same possibilities and rights.

The psychologists Magne Raundalen and Trygve Børve participated in an event during Arendalsuka 2019

A victim of human trafficking, today Angelica works for Aberia and is the first experience consultant in child welfare.



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

Erlend Haugseth
NHC Group
Investment Director

Property development is in the veins of any Adolfsen Group company. Our founders have 30 years of experience with property initiatives as an accelerator for business development and long-term operations. In NHC, we have built and developed our own properties almost every year since 1991. 2019 was no exception. A noteworthy project was done on one of the islands outside of Bergen. Only seven months after construction started a jewel of a preschool was opened: The Norlandia Svanevågen Farm- and Outdoor Preschool. Another new preschool of exceptional quality will be completed at Voksentoppen in Oslo in May of 2020. Project management was done by NHC in both these cases.

During our three decades of property history, we have continuously developed our competencies, and gradually moved into different property segments, volumes and complexity. During the last five to eight years, we have seen an increased interest in social infrastructure properties. This has been positive for us, but we have also observed a development where yields continuously have come down and at the same time more, if not all, risk has been transferred to the final operator. To share risk is also in our veins, this is a trait inherited from our owners. Sharing of risk will be a core focus for NHC going forward. It has become more important than ever before to ensure attractive positions on attractive property plots or properties – alone or with various partners.

As of 2020, NHC continues to have strong capabilities and prospects within property, and we operate this as a truly distinct and separate segment in our portfolio. Our competencies relate to property maintenance, development and investment.

NHC regularly considers new opportunities that complement our current business model or support our future strategic plans. Overall, this is not only about accelerating growth and development, but also a way to utilize standardized concepts driven by solid core competencies. Our aspiration of Being the Welfare Innovator, relates very much to being agile, effective and creative in delivering the right properties on time to our operational divisions. Our ability to open and offer more than 60 new refugee centers in 2015 was a telling piece of our history and a display of competencies and resources.

Our property division faces strong fundamentals going forward. A lot of public properties all over the Nordics have come to an end in their life cycle. This, together with reactionary politics in certain markets that likely will drive demand for full privatized services, will consequently increase also the demand for social infrastructure. NHC is prepared for this.

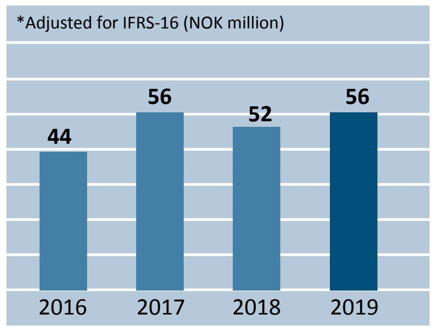
In addition, we now see an international trend of increased market demand for integrated concepts accelerated by creative property developments. We implement this today, both on the back of our self-developed initiatives and in new partnerships. Also, we collaborate with numerous real estate firms across several countries as counterparts to our rental contracts. We always welcome any new real estate related requests as a sole owner or through co-ownerships for any of our business areas or in a wider context of future business opportunities.

During 2019, several transactions were completed, including the divestment of a portfolio of 12 preschool properties in Poland, Netherlands and Sweden, to Pioneer Property Group for a total of NOK 184 million. The Real Estate segment reported an EBITDA adjusted for IFRS-16 effects, of NOK 55 million in 2019, thereby maintaining the profitability level seen since 2016.

Other sales processes are on-going and are expected to be realized during the first half of 2020. We see strong interest from various entities to partner with NHC Group on property projects. Based on its solid operations NHC will continue to gain property positions, both through own development and through other processes. We expect future transactions to generate cash flow and profitability, while they also and most importantly support NHC operating companies through access to good properties and solid long-term operations.

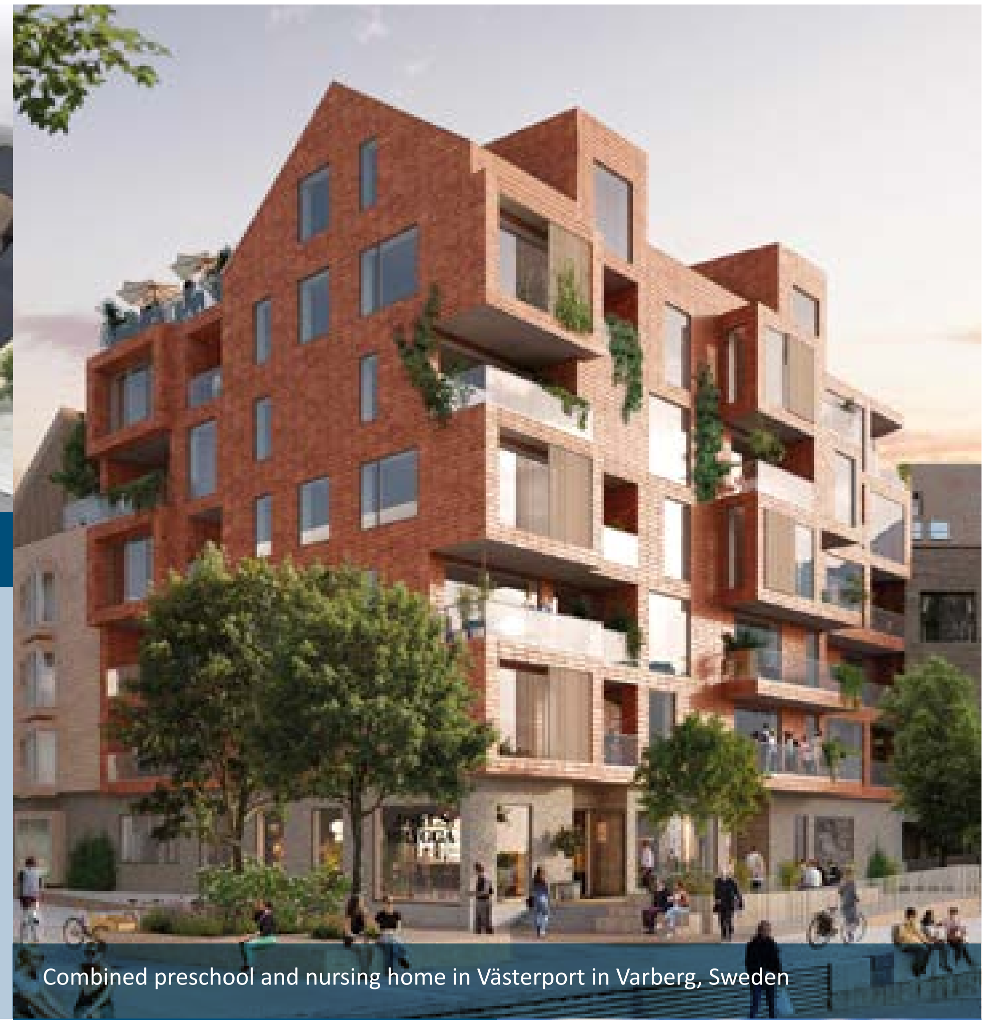
To summarize: Going into 2020 we will continue to identify future market opportunities and work with business partners, customers and public counterparties to see how and where we best can serve the public with our services. Business- and property development goes hand in hand, and we will also remain eager to innovate through evolving our ecosystem and exploring constellations and partnerships not known to us today.

Norlandia Care Properties EBITDA*



TUUSULA

We are building a facility to provide childhood, housing and care services in Tuusula in Finland.



Combined preschool and nursing home in Västerport in Varberg, Sweden

SVANEVÅGEN

Only seven months after construction started a jewel of a preschool was opened: The Norlandia Svanevågen Farm- and Outdoor Preschool.

OLSVIK / SOS

Individual and family care operations in Olsvik/SOS in Bergen, Norway.

NEW PRESCHOOL CONCEPT

Norlandia Voksentoppen Ski and Outdoor preschool is a brand new facility with a new concept located in the hills over Oslo.

Photo: Even Tryggstrand

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 (siviløkonom). 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 (siviløkonom). 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 2019

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 2019, the segment included 316 preschool units in Norway, Sweden, Finland, Netherlands and Poland, an increase of 21 units year-on-year. Additionally, 32 units are operated through management agreements and owned through NH Europe (49% owned by NHC), while Wekita (Germany, 50% owned by NHC) operates another 26 units. NH Europe and Wekita are not consolidated in the NHC accounts.

Care

Norlandia Care provides services within institutional elderly care, patient hotels and home care services in Norway, Sweden and Finland. As of year-end 2019, 40 elderly care homes were operated by Norlandia, of which 38 were in Sweden. 6 of the homes were own-management projects. Norlandia also operates 2 patient hotels in Norway, and 1 each in Sweden and Finland. Additionally, we have home care services in both Finland, Norway and Sweden. During 2020, Norlandia will open Generation Concepts (preschool and elderly care home) in both Sweden and Finland.

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 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 4,856.6 million in 2018 to NOK 5,046.6 million in 2019 primarily explained by international growth within Preschools. Net profit decreased from NOK 66.8 million in 2018 to NOK -63.8 million in 2019.

IFRS-16 was adopted on 1st January 2019, and had a net effect on profit before tax, of NOK -90.5 million. This is explained by increased depreciation charges of NOK 361.5 million, finance charges of NOK 105.1 million and a reduction of real estate gains of NOK 39.8 million, partially offset by reduced leasing expenses of NOK 415.8 million.

Profit from operations came in at NOK 122.6 million in 2019, down from NOK 137.1 million in 2018.

The Group generated cash flow from operating activities of NOK 623.9 million in 2019 up from NOK 110.6 million in 2018, reflecting a re-classification of leasing costs, totaling NOK 415.0 million, from EBITDA (operational cash flow) to amortization of lease liability (financing cash flow). Net cash used in investing activities decreased from NOK -129.4 million in 2018 to NOK -120.3 million in 2019.

As of 31.12.2019, the Group had a cash balance of NOK 169.1 million, down from NOK 231.9 million one year prior. In addition, the Group has a revolving credit facility of NOK 250 million, of which NOK 179.6 million was drawn per year-end 2019.

The Group had total assets of NOK 6,831.4 million per year-end 2018, compared to NOK 3,585.0 million in 2018, reflecting the adoption of IFRS-16, which increased non-current assets by NOK 3,326.2 million (right of use assets).

The Group's long-term debt amounted to NOK 1,904.4 million, of which NOK 1,777.3 million relates to the bond loans in Norlandia Health & Care Group.

The Group's book equity amounted to NOK 307.4 million per year-end 2019, down from NOK 437.6 million in 2018.

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 implementation of IFRS 16, effective from 01.01.19, had a material effect on the Group's financial figures (see note 18).

COMMENTS TO THE PARENT COMPANY FINANCIAL STATEMENTS

Operating profit for the parent company amounted to NOK -0.4 million in 2019, up from NOK -3.8 million in 2018. Net financials decreased from NOK 78.8 million in 2018, to NOK 65.4 million in 2019, while a positive tax effect led to an increase in net income from NOK 61.9 million in 2018, to NOK 72.6 million in 2019.

Total assets per 31.12.2019 were NOK 2,409.5 million.

Total long-term debt per 31.12.19 was NOK 1,777.3 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 257.7 million, which includes the draw-down of NOK 179.6 million on the revolving credit facility.

Total equity amounted to NOK 374.5 million, up from NOK 301.9 million in 2018.

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 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 2020 and the Group's long-term strategic forecasts. The Group's economic and financial position is sound.

Future challenges and market outlook

The Covid-19 pandemic represents the main uncertainty and risk for 2020. Since NHC's operations and markets saw the first effects of this event, in early March 2020, the situation has deteriorated with an unprecedented intensity and speed. All our operations are materially affected, although in different ways across our operating segments and geographies. The Care segment appears most vulnerable to negative consequences, due to reduced occupancy and higher personnel and procurement costs. However, the actual financial effects are uncertain and highly dependent on the developments of the pandemic, and corresponding Government support packages. Overall, while the long-term fundamentals remain strong, the financial consequences are likely to be negative in the coming quarters for the Group and the markets in which we operate.

Within Preschools Norway, the effects from the staffing norm had a negative impact since the norm was implemented in August 2019, as staffing expenses increased. As municipal grants are based on the costs of the public preschools two years prior, the private providers are effectively carrying the costs of the staffing norm during this time frame. Although we still expect positive margins and a meaningful EBITA contribution, the full year effect of this policy will have a significant negative effect on Norlandia in 2020. As we will be partially and then fully compensated for the public preschools' current cost increase, along with an expected general cost increase from a more regulated and less flexible sector, we believe we can reach materially strong profit margins in 2021 and 2022.

Other regulations and changes to the revenue model are also being discussed, including reduced municipal grants to cover actual pension costs and requiring each preschool to be established as a separate legal entity. The status of these discussions is currently unclear and represent a downside risk for Norlandia. On the other hand, a full review of the revenue model may represent an upside to Norlandia, as we strongly believe that the private sector is being under-compensated overall, due to insufficient capital allowance relative to the public sector (grants to cover rent), and because grants to cover personnel expenses are based on public preschools' expenses 2 years prior.

Although the turmoil in the Norwegian preschool sector may lead to opportunities for Norlandia in the medium and long run, we are adjusting our operations to the current situation. Further, we focus on growing profitability within our international operations to diversify our preschools operation. During 2018 and 2019, we have aggressively pursued revenue growth, mainly through greenfield initiatives in Sweden, Finland and Poland. While a total of 50 preschools were added during 2018, another

21 units were opened in 2019, in addition to several openings within our German operations (unconsolidated). New units will generally incur material losses in year 1, after which the profit margin will steadily increase to a normalized level. As mature units generate substantially higher margins than our newer units, and as we reduce the growth pace going into 2020, we expect to see higher margins overall from our international operations.

In order to further pursue the potential in our international markets, we remain focused on growing our portfolio within NH Europe, the JV with parent company Hospitality Invest. During 2019, the year of inception, a total of 32 units were acquired, in Netherlands, Finland and Sweden. To date, a total of NOK 50 million has been drawn from the non-recourse debt facility from DNB and NOK 25 million has been injected as equity by NHC.

In Care Norway, the political climate is still challenging, affecting our daily operations through less flexibility and more regulation of the private sector.
The large contract for elderly care at Ullern was re-claimed by Oslo Municipality in November 2019, affecting both revenues and profitability negatively. Our revenue base is reduced, and the growth potential through tender awards is limited. However, new concepts and service offerings are being evaluated and some of these initiatives are planned launched during the next 12-18 months.

In Sweden, a large own management contract commenced at Boden in late 2019. We expect another own management contract to commence during the first half of 2020, and others to follow in the coming 12 months. Although our pipeline of own management contracts is still limited, reflecting a cautious approach to balance risk, it reflects our strategy to diversify our service offering, on the back of margin pressure within tender contracts. We continue to build this pipeline along with also establishing new and innovative partnerships.

Our Finnish operations have shown solid performance during 2019, 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. After the balance sheet date, the contract for our patient hotel in Tampere was prolonged by another 2 years. We will open our first Generation Concept (elderly care and preschool) in Finland in Q2/Q3 2020.

Lead times within the Care segment are long, but step by step we are evidently diversifying and making our platform even more robust and settled for long-term strong fundamentals. 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.

Within Hero, 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, and keeping overhead expenses at a minimum, while still being positioned to pursue the opportunities that will arise, if and when the macro environment improves.

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.

The Education segment was loss-making during 2019 and our focus has been on scaling down our activities and cutting costs. During 2019, we closed down our operations in Sweden and Bergen, and now only remain with a very limited operation in Oslo and Stavanger.

The Interpretation segment has generated heavy losses during 2019, primarily in Sweden, but also in Finland. In Finland, we have terminated several contracts and practically the whole organization. The limited remaining operations are managed from Norway. In Sweden, we have experienced material operational challenges and loss-making contracts. Consequently, we have terminated contracts and most of the Swedish organization.

Integration Services has been challenging in 2019 with a dramatically reduced demand for our services, compared to only a few years ago. The revenue base is now only around 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. With the latest round of cost cutting measure, we expect to achieve a break-even result in 2020.

For Aberia, 2019 was a disappointing year in terms of overall profitability. While the core operations in Norway continue to perform well, the non-core operations and LSS start-up losses more than offset this, resulting in weak results overall.

Child care and family homes, along with rehabilitation and BPA, represent the core operations in Norway. Combined, these operations are generating solid profitability. Throughout 2019, we have worked to separate and isolate the non-core operations, in order to sell or terminate these in an efficient and responsible manner. This work is progressing well but as communicated, we expect to incur some costs for these operations also in the first half of 2020. After the balance sheet date, Aberia sold its 89% shareholding of Drive For Life AS for a nominal value.

In Sweden, we are terminating our child care operations (HVB) and expect to complete this process within the coming months.

The LSS operations in Sweden are still in start-up phase, with major ramp up costs in 2H 2019 and 1H 2020. We have completed two LSS property developments, one of which was completed during the fourth quarter, while two others were completed after the balance sheet date. Additionally, we are adding capacity through rental contracts, with 2 contracts commencing in 1H20, totaling our LSS portfolio at 11 units, all of which in operational ramp-up or under construction. Our main focus is now to steady increase occupancy.

Within Real Estate, we expect continued strong performance and we expect several property realizations during 2020. We see strong interest from various parties to partner with NHC group on property projects. Based on solid operations, NHC will continue both developing, and through other processes, gain property positions. We expect future transactions to generate cash flow and profitability, while they also and most importantly support NHC operating companies through access to good properties and solid long-term operations.

There are no other known events expected to have significant effect on the Group's performance in 2020.

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

In early 2020, the Covid-19 pandemic materialized, causing unprecedented shocks to all societies globally. The pandemic has impacted all our operations significantly, although the financial effects differ across the various operating segments and countries. While we operate in defensive sectors with strong counterparties, the medium-term effects of the pandemic are highly uncertain, and pose a substantial risk in 2020.

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 hedging 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.

Additionally, given the uncertainty of the financial effects of the Covid-19 pandemic, the Group may experience adverse operational and financial challenges, that could put strains on liquidity.

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 three directors, including the two largest shareholders and one independent director. 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.

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 2019.

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 2019. 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 2019. We will encourage and empower our staff to be proactive on sustainable development matters both at work and in the community. We will strive to achieve a high degree of diversity in our working environment in all areas of NHC operations. In relation to gender equality, NHC operates in segments which traditionally have been dominated by female employees. With that in mind, we seek a balanced representation of genders both in first line, middle manager, and senior leadership positions. Currently our gender balance at the senior level is as follows: Line CEOs (n=6): 50% women; country managers (n=11): 64% women; extended management group (n=32): 44% women. In sum, we are doing quite well and will keep up our attention on this important matter.

ENVIRONMENTAL REPORT

The Group's operations are not harmful to the environment and are not regulated by any licenses related to waste handling. NHC Group will meet or exceed all legal requirements and be a good steward of all resources that falls under our company's influence and ensure that all potential adverse impacts of our operations on the environment are identified and appropriately managed. As of 2019 our by far biggest divisions – Preschools and Care – as well as a part of the Integration Services division are certified on ISO 14001:2015 (and ISO 9001:2015). By 2020 the entire Integration Services is planned to be certified. See also our biennial CSR-report where we document our deep and wide range of environmental and sustainability actions and programs, together with ever evolving new initiatives. What is good for the environment, is good for NHC – we strive to do our share.

ALLOCATION OF INCOME IN THE PARENT COMPANY

Norlandia Health & Care Group AS' result for 2019 ended at NOK 72.6 million. The Board of Directors has proposed the net profit of Norlandia Health & Care Group AS to be allocated as follows: NOK 72.6 million to other equity.

Oslo, April 28th, 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

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 31.12.2019.
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 31.12.2019. 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 31.12.2019.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2019 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 31.12.2019, 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, April 28th, 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

Consolidated Statement of Comprehensive Income

Norlandia Health & Care Group - for the year ended 31 December 2019

(Amounts in NOK thousand)

	Note	2019	2018
Revenue	4	4 942 174	4 724 785
Other operating income	4,12,21	104 390	131 782
Net operating revenue		**5 046 564**	**4 856 567**
Raw materials and consumables used		157 767	142 280
Staff costs	5	3 668 335	3 540 043
Depreciation and amortisation expense	8,9,12	454 661	78 718
Other operating expenses	5,12	643 194	958 464
Total operating expenses		**4 923 957**	**4 719 504**
Profit from operations		**122 607**	**137 063**
Finance income	6	48 089	41 144
Finance expense	6,12	-234 063	-118 484
Share of post-tax profits of associates	11,12	-2 637	-1 406
Net finance		**-188 611**	**-78 746**
Profit before tax		**-66 005**	**58 317**
Tax expense	7	2 250	8 494
Profit		**-63 755**	**66 811**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligations	19	9 972	-11 060
Deferred tax on remeasurement of post employment benefit obligation	16	-2 194	2 433
Other items net of deferred tax		633	-2 416
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		-14 810	-4 593
Total other comprehensive income		**-6 399**	**-15 636**
Total comprehensive income		**-70 154**	**51 175**
Profit controlling interests		-74 931	64 076
Profit non-controlling interests		11 176	2 735
		-63 755	**66 811**
Total comprehensive income controlling interests		-80 471	48 485
Total comprehensive income non-controlling interests		10 317	2 690
		-70 154	**51 175**

Consolidated Statement of Financial Position

Norlandia Health & Care Group - for the year ended 31 December 2019

(Amounts in NOK thousand)

ASSETS

	Note	2019	2018
Non-current assets			
Property, plant and equipment	8	549 157	428 947
Right-of-use assets	12	3 326 194	-
Deferred tax asset	16	74 092	70 155
Intangible assets	9	2 210 272	2 239 888
Investment in associated companies	11	41 596	20 976
Other investments	3	33 098	21 965
Other receivables	13, 21	23 812	111 003
Total non-current assets		**6 258 221**	**2 892 934**
Current assets			
Inventories		6 769	3 931
Trade and other receivables	13, 21	397 317	456 210
Cash and cash equivalents	22	169 107	231 912
Total current assets		**573 192**	**692 053**
Total assets		**6 831 413**	**3 584 987**

Consolidated Statement of Financial Position

Norlandia Health & Care Group - for the year ended 31 December 2019

(Amounts in NOK thousand)

EQUITY AND LIABILITIES

	Note	2019	2018
Equity attributable to owners of the parent			
Share capital	14	300 000	300 000
Other equity		-42 230	98 241
Total equity attributable to owners of the parent		**257 770**	**398 241**
Non-controlling interest		49 646	39 329
Total equity		**307 416**	**437 570**
Non-current liabilities			
Pension liabilities	19	93 371	167 183
Loans and borrowings	15, 23	1 904 405	2 008 077
Lease liability	12	3 081 625	-
Deferred tax liability	16	159 737	166 809
Provisions		3 742	2 609
Total non-current liabilities		**5 242 880**	**2 344 677**
Current liabilities			
Trade and other payables	16, 17	750 960	690 084
Loans and borrowings	15, 23	204 842	112 656
Lease liability	12	324 282	-
Taxes payable	16	1 033	-
Total current liabilities		**1 281 117**	**802 740**
Total liabilities		**6 523 997**	**3 147 417**
Total equity and liabilities		**6 831 413**	**3 584 987**

Oslo, 28 April 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

Consolidated Statement of Changes in Equity

Norlandia Health & Care Group - for the year ended 31 December 2019

(Amounts in NOK thousand)

	Share capital	Share premium	Retained earnings	Translation differences	Non-controlling interests	Total equity
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)	-	-	-	-	-	-
Distribution to owners	-	-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	-	-	-	-	-456	-60 456
31-Dec-18	300 000	-	79 063	19 178	39 329	437 570
Comprehensive Income for the year						
Profit	-	-	-74 931	-	11 176	-63 755
Other comprehensive Income	-	-	8 411	-13 951	-859	-6 399
Total comprehensive Income for the year	**-**	**-**	**-66 520**	**-13 951**	**10 317**	**-70 154**
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)	-	-	-	-	-	-
Consideration for shares in subsidiaries (Note 11)	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-60 000	-	-	-60 000
31-Dec-19	**300 000**	**-**	**-47 457**	**5 227**	**49 646**	**307 416**

Consolidated Statement of Cash Flow

Norlandia Health & Care Group - for the year ended 31 December 2019

(Amounts in NOK thousand)

	Note	2019	2018
Cash flows from operating activities			
Profit for the year		-63 755	66 811
Adjustments for:		-	-
Depreciation of property, plant and equipment	8	416 616	43 320
Amortisation of intangible fixed assets	9	38 045	35 398
Share of post-tax profits of associates	11	-	-
Net of taxes paid and non-cash adjustments for real estate		39 800	-
Interest income/interest expense and financial items		188 611	90 876
Income tax expense	7	-2 208	-8 494
Changes in working capital			
Changes in accounts receivable and payables		35 696	-34 783
Increase in inventories		-2 838	2 647
Increase in trade and other payables		17 078	9 134
Increase in provisions and employee benefits		-40 909	-78 655
Cash generated from operations		**626 138**	**126 255**
Income taxes paid		-2 241	-15 663
Net cash flows from operating activities		**623 898**	**110 592**
Investing activities			
Net book value proceeds from sale of assets		115 629	132 580
Purchases of property, plant and equipment	8	-274 956	-193 357
Net investment in shares in associates and others	11, 20	-34 390	-6 674
Net investment in shares in subsidiaries	20	-33 413	-74 175
Net changes in financial receivables	6	90 094	3 229
Interest received		16 724	8 986
Net cash used in investing activities		**-120 312**	**-129 411**
Financing activities			
Payments of long-term loan to finance institutions	15, 23	-121 686	-24 857
Changes in short-term loan to finance institutions	15	88 807	92 040
Proceeds from long-term borrowings from finance institutions	15	44 860	17 944
Interest paid	6	-120 621	-99 839
Lease liability - amortisation and interest		-415 004	-
Payment to non-controlling interest		-	-
Distribution to owners	11	-45 000	-77 943
Purchase of shares from non-controlling interests	11	-	-
Net cash (used in)/from financing activities		**-568 643**	**-92 654**
Net increase in cash and cash equivalents		-65 058	-111 474
Cash and cash equivalents at beginning of year	22	231 912	351 354
Exchange (losses)/gains on cash and cash equivalents		2 252	-7 968
Cash and cash equivalents at end of year		**169 107**	**231 912**

**The group has a bank overdraft facility of NOK 300 million, of which NOK 179.6 million was drawn as of 31 December 2019.*

Independent auditor's report

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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 2019, 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 balance sheet as at 31 December 2019, the income statement, 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 2019, 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 2019, 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.

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 2019, the Group has goodwill of NOK 1 583 million and other intangible assets of NOK 627 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.

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 scepticism 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

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 2020
KPMG AS

Ole Kristian Fongaard
State Authorised Public Accountant
(This document is signed electronically)

NHC Group
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0158 Oslo
Norway

APRIL 2020