Steady progress
Annual Report 2015

NORLANDIA CARE GROUP
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Steady growth
The past year has been one of significant growth. We continued to build on our solid base of competency, values, and performance standards. Norlandia has evolved as we have complemented our capacities and added to our skill sets. Dedicated colleagues have repeatedly unearthed value from operational synergies. We are on a steady course to attain the targets we established for ourselves.

At the end of 2015, we had 5,735 employees, compared to 3,415 at the end of 2014. Our revenues increased with 61% for the year, totaling 3.0 billion Norwegian kroner (NOK) in 2015, compared to 1.9 billion in 2014.

“\nIn the midst of a highly analytical systems approach, our CARE values provide the foundational base to attend to our users’ needs with love and compassion.\n”
HILDE BRITT MELLBYE, CEO

As we integrate new operations into the fold, we bring the benefits of useful ICT systems, professional management approaches, advanced controlling mechanisms, thoughtful educational initiatives, extensively tested quality systems, and rigorous HR-procedures. In short, we ensure that the units become part of a systematically managed enterprise. In the midst of a highly analytical systems approach, our CARE values provide the foundational base to attend to our users’ needs with love and compassion.

We made two major acquisitions in Sweden in 2015: Kosmo in the elderly care market and Kids2Home in the preschool sector.

An exciting market for us is the Netherlands. We made two new acquisitions there in the past year, and continue to grow our capacity in the country. As of January 2016, the identity of our main operations in the Netherlands changed from Kindex to Norlandia. Mark Peschier, who runs our operations in the Netherlands, is a steady hand at the wheel with years of experience from Kindex.

Ahead of schedule, we increased our ownership of major Finnish preschool chain Tenava to 100%. Olli Lehtisalo, an experienced executive from Finland, assumed leadership of the Finnish operations as of September.

In August, Hulda Gunnlaugsdottir joined Norlandia and our Board of management as COO and head of the Care division. The formerly separate divisions of elderly care and patient hotels were merged at that time into the Care division. She is a well recognized figure in the health care sector in Norway, having served as CEO of several major hospitals, most recently the important Akershus University Hospital.
The headquarters of our Swedish operations has moved into a new office outside Stockholm.

Our twenty-two preschools in the Netherlands have begun the process of rebranding their units to Norlandia.

Norlandia won the “fittest company” award for the third year in a row for our participation in Oslo’s Sentrumsløpet 10K run.

Biodynamic produce, cooked on site; the opportunity of purchasing take-home dinners; fresh coffee on the run for parents are all part of the extra service offered by our Kids2Home preschools.

Our elderly care units in Norway celebrated the completion of their activity competition by crossing the finish line together in Frognerparken, Oslo.
Throughout 2015, we have pursued a program of making our operations even more lean and effective. Every stone has been turned and we have realized gains of several million Norwegian kroner. One major initiative has been to explore alternative solutions for our accounting and salary function which currently has three different offices in Norway (Andøya, Bodø, and Gardermoen) and two in Sweden (Skene and Skövde). The end result, communicated in early 2016, is that the Norwegian offices will be spun off from Norlandia and will merge with Bodø-based accounting specialist Intu Økonomi. We will keep the function internal in Sweden. We will, however, concentrate the functions at one office.

**Growth in many markets**
The past year has seen major additions to our existing business:
- Acquisition of preschool chain SKW in Wassenaar, which will be an exciting addition to our business in the Netherlands
- Acquisition of Solstua preschool in Farsund, Norway, our first foray into that part of the country
- Acquisition of Swedish elderly care organization Kosmo with 28 units
- Acquisition of Swedish preschool chain Kids2Home
- Acquisition of two new preschools and opening of three newly built preschools in Finland
- In early 2016 our Swedish elderly care operations won two tender bids in Västerås and one in Gotland

**Responding to the challenges of our time**
A consistent challenge for us, across markets, is that municipalities and other purchasers tend to compensate us at a decreasing price level, putting pressure on the quality of our service delivery. A key success factor is a sophisticated understanding on our part of what is “good enough”, which means finding the appropriate level of quality delivery at a sustainable cost level. In other words, the ability to deliver more quality with less resources.

In Norway, the year 2015 brought something of a wake-up call to the nation: A major drop in the price of oil and what was perceived as a massive wave of asylum seekers made evident that the existing welfare model and its generous social benefits might be under significant strain in the years to come.

At the global scale, the Paris climate meeting ushered in a new era of more ambitious carbon emission levels. The same sentiment fueled the historic election performance of the Environmental Green Party in Oslo and in other major cities in Norway. Norlandia is sensitive to the growing concerns about climate change and undertook in 2015 to obtain an environmental ISO certificate in 2016 with carbon emissions a key area.

The local elections in Norway in the fall of 2015 brought disappointments in terms of attitudes towards private providers, both in elderly care and in preschools. Our task obviously will be to demonstrate the value to society a private alternative can provide: While a cost advantage should be a compelling argument, society gains even more in the realm of user benefit and quality innovations.

These setbacks have served to energize our organization; there has indeed been enhanced strength from adversity. We embrace the positive side of discontentment: We find motivation in discovering aspects of our operations that may still be fine-tuned. A challenging political environment galvanizes the organization’s ambition to demonstrate quality.
Our very existence as a company depends on our long-term ability to provide solutions valuable to society. By necessity, we push ourselves to continuously search for more effective ways of delivering end-user satisfaction. In the never-ending jostle that constitute a marketplace, whether it is a tender competition or a regular customer choice, we live or die by providing value to customers. We often capture the demand of the marketplace by meeting or exceeding customer expectations that have only vaguely been expressed. We contribute to making the solutions of the future a reality.

**Dedication to the customer**

Every day, our dedicated employees seek the best solutions for the individual user. In all markets where we operate, we deliver a good life, every day for children, our guests and the elderly. We monitor user perceptions of our performance relentlessly, and we are quick to adjust when customer satisfaction surveys uncover suboptimal service delivery.

**Employees flourish**

Our employees are our most valuable resource. Surveys show that employees thrive at Norlandia. Our employees are covered by collective agreements negotiated with our employer associations in each market. We pride ourselves on orderly working conditions, and frequently conduct courses for our unit managers on the relevant laws and regulations.

The other day Hulda Gunnlaugsdottir, our COO for the Care Division, told me about an encounter she just had at Oppsalhjemmet in Oslo. She had met Kim Bonite, a nurse and team leader originally from the Philippines.

He told Hulda: “I am so proud to be part of Norlandia. This is a company where management truly sees and appreciates everyone at all levels of the organization. One proof that we are appreciated is the company’s nurse authorization initiative. I think it is excellent.”

The possible initiative Kim talked about seeks to identify non-Norwegian employees who have a nurse certification from their home countries, but who currently lack the proper authorization in Norway. The program, which is still under development, will provide the training and examinations necessary to secure authorization for this group of employees. It will be conducted in cooperation with VID Diakonhjemmet, part of the newly established VID Specialized University. We believe it will benefit many individual employees, Norlandia as a company, and society as a whole. Kim has been instrumental in the success of the whiteboard quality project described later in this report, and we are thankful to have such a committed and enthusiastic colleague in our organization.

**Ownership**

Norlandia Care Group AS is privately owned. The company continues to be controlled by its founders from Northern Norway: Kristian Adolfsen, Roger Adolfsen, Benn Eidissen and Even Carlsen each control 32, 32, 18, and 18 percent, respectively.

The owners started the operations which grew to become Norlandia Care Group AS in the early 1990s and continue to have a long-term, socially responsible perspective. The owners are actively engaged in the company.

**Growth**

Norlandia will continue to seek growth. Sustained profitable growth provides dynamism in the organization and fresh resources to attack big challenges. Growth enables us to leverage core competencies across ever-wider fields of operation and derive economies of scale. Increased size benefits our customers through investments in
infrastructure and quality systems. Expanded organizational breadth yields enhanced opportunities for competency development.

We posit that stagnation is currently not a viable alternative: We anticipate continued growth in the foreseeable future.

**Innovation**

In both our divisions, innovation is key to sustained leadership. Innovation will boost service quality experienced by users and provide cost advantages. We nurture and stimulate innovative thinking at each operational unit and in our central, divisional development processes.

Important areas for innovation are organization, technology and communication. Most innovations are minor and incremental. In the aggregate, they are what enables a private enterprise to play a role as a reference point to society. A multitude of innovations will provide the efficiency improvements needed to allow for a sustainable welfare sector. For Norlandia, innovation strengthens our ability to grow.

**An integral part of the modern welfare state**

The success of Norlandia is closely linked to the choices of the decision makers in the public sector who actively challenge the private sector to provide services for the broad population. Their motivation is both cost savings and a desire to benefit from innovations from outside the walls of the public sector. Over time, Norlandia is comprehensively controlled by the public sector. Increasingly rigorous requirements and specifications continue to advance quality. We are indeed a part of the welfare model in the societies where we operate.

**The year ahead**

We enter 2016 absorbed in the twin challenges of simultaneous growth and consolidation. A relentless search for greater operational efficiency and a pragmatic willingness to repeatedly tweak our organizational setup yields documented savings. An openness to new partners, new ideas, and new approaches provides growth opportunities in existing markets and beyond.

Our main HR initiative for 2016 is to build an even healthier corporate culture according to our values and leadership philosophy. New employees will be immersed in the Norlandia way. These are exciting times at Norlandia.

Sincerely,

HILDE BRITT MELLBYE
CEO, Norlandia Care Group AS
Growth in employees

Revenue growth (MNOK)

Growth in units

Employees

Markets

Our locations

Growth

Sustained profitable growth provides dynamism in the organization, fresh resources to attack big challenges, and opportunities to leverage core competencies across ever wider fields of operations.
Our locations

- **Preschools**: 33
- **Elderly care**: 15
- **Patient hotels**: 6

**Growth in employees**

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**Revenue growth**

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Sustained profitable growth provides dynamism in the organization, fresh resources to address big challenges, and opportunities to leverage core competencies across ever wider fields of operations.
Building a resilient, agile, and compassionate organization is our most important task. Through the organization we accomplish our goals: Providing value to individual users and creating benefit to society. Our leaders hold the keys to achieving these objectives. Through their determination, they affect change, both big and small, at all levels of the company. We strive to imbue our leaders with a set of mental codes that will serve as a compass for their choices, in the many situations where they independently and with scarce information must make rapid and decisive judgment calls.

We develop leaders who are self-driven and have a deep sense of personal responsibility; people who seize the initiative when confronted with adversity and do not give up. We foster a communication style that is very open and direct. We prefer the unpleasant truth to the comforting lie. We profoundly believe in the personal dignity of employees at all levels in the organization and listen carefully to suggestions from every corner of our operations. Rank and seniority do not win arguments at Norlandia; facts, evidence, and performance do.

Our entire business is centered around taking care of people. Our employees interact with users numerous times every day. Their behavior must be guided by some common codes to ensure a consistent customer experience. At Norlandia, our values CARE (Competent – Ambitious – Respectful – Energetic), seem to stand the test of time and have become ever more ingrained in our collective psyche.

The fact that the CARE values are deeply embedded in the organization is due to targeted, consistent, and systematic communication over time. We do training for new employees, and we do follow-up activities throughout the organization. Moreover, employees see that the values are alive and are not just empty phrases.

Ours is very much a high-touch, person-intensive business. Our employees need to possess an abundance of empathy. In our preschools, there is a wide range of needs. From the very confident to the very vulnerable child. The same goes for our Care division: Our customers are a very diverse group indeed and we need to see the unique needs of everyone. In this environment, a well internalized set of values provides useful guidance every day.

All great companies somehow build a distinct culture. We want our culture to be permeated by a devotion to individual users that is unsurpassed in our industries. Our leaders work systematically to stimulate the right attitudes among employees. With the right attitudes, the right behavior follows.

A stated goal of Norlandia is that we want to create workplaces filled with joy and laughter. Creating coherent teams with a high degree of mutual trust and appreciation is part of that. Shared sorrows and concerns gives room for shared laughter. Performing well as a team creates the conditions for fun, joy, and heartfelt smiles.

We continue to professionalize our business plan process with a comprehensive analysis of the markets in which we operate. Greater personal accountability is now expressed in these sets of goals.

We were very pleased with the assessment of the lead auditor of our external audit ISO agency Intertek, who rated Norlandia 5 on a 1-5 scale in the domains of
management systems and operational control. This score is rarely given, and we are proud to see our extensive work thus appreciated.

Keeping employees energetic and present at work is fundamental to Norlandia. We have lower absence rates than comparable publicly run organizations, but we always strive to improve in this area. Recognizing the benefit of fresh external thinking in these efforts, we are engaging with outside consultants in the spring of 2016 to take our work to a new level. Particular emphasis is placed on trust: Building a culture of trust between employees and managers is fundamental to our operational conduct.

The Norlandia Academy has been relaunched as an important venue for competency building and developing strong internal ties. Investing in the skill sets of our regional managers has been an explicit strategic choice.

We have given greater clarity to the concept of shared services (finance, IT, HR, marketing, etc). Given the commonality of legal and regulatory framework for our operating units within a country, these functions are indeed shared across divisions. Line management crosses borders within divisions.

Our external environment is continuously in motion; our organization must be dynamic to cope with the challenges and opportunities of an ever-changing world. We alter the organization – in terms of structure, competencies and people - to the tasks with which we are confronted, rather than the other way around.

The object of the HR-function is likely to evolve going forward. In all markets, we are committed to strengthening the line manager, especially at the regional management level. We observe significant differences between country organizations in terms of skills at HR-processes. This must be reflected in the solutions and the resources applied to the area within Norlandia. Our final goal is to have the most competent management in the industry. This means a management able to nimbly lead in our complex and international environment. And it means a management able to unite and mobilize organizations which have the speed and flexibility to successfully handle both future regulations and competition.
Preschool division

Overall, we see that there are many similarities between the four markets where we operate. We recognize that there are different standards of educational staffing and basic staff levels, but no clear correlation to quality. All markets experience tighter operating margins.

Our ability to make local management adjust to changing circumstances will be crucial. We must enable the organization to share competencies among employees. Valuable practices developed one place should be transferred rapidly to other places. We currently have 174 preschool units across Norway, Sweden, Finland and the Netherlands and we need to exploit the strength that comes from size.

The Norwegian and Swedish preschool operations have more similarities than differences. This gives us great opportunities for growth and development between these two countries. For 2016, we have developed a joint business plan. Other management tools are harmonized. During 2016, the Swedish organization will be structured into three regions.

Norway

Financially, the year 2015 was somewhat challenging. The main reason for the low results in the division is first and foremost lower grants from some municipalities than in previous years, but also increased vacancy in certain areas. These vacancy rates are driven by overcapacity, and affect both us and our competitors. Significantly increased pension costs in Norway also affect us. As noted elsewhere in the report, we have taken steps to achieve a sustainable cost base.

We believe the outcome of the round of hearings provided by the Directorate in Norway in terms of preschool financing regulation will serve both society and Norlandia better than certain alternatives that were considered. Essentially, the current financing scheme will stay in place.

We implemented our quality development project for the preschools; one key area is systematic, critical reflection on own practices. The program was launched with preschool management from Norway and Sweden in January 2016, with contributions from internationally renowned professor Gunilla Dahlberg from Stockholm.

A major initiative to take Norlandia into the future and provide children with unsurpassed means of learning, exploring and creating is the digital project. 340 iPads have been purchased under the project, reaching thousands of children in our preschools. We have dedicated resources to employee learning through a full time project position; all our preschools in Norway and Sweden have now been introduced to the program.

In April of 2015, we assumed responsibility for the two preschools, Fagerholt and Sørhellinga, in the district of Alna in Oslo, which had been purchased through a tender process in 2014. These two preschools, together with three others run on behalf of the city of Oslo, make up the “Alna pluss” project which seeks to transfer skills and use resources across these five preschools. One well known aspect is the Alna breakfast, which ensures a nutritious and inclusive beginning of each day for all the kids. The Alna breakfast is provided to the children for free, compliment of Norlandia. Fagerholt and Sørhellinga have grown under the stewardship of Norlandia: There are more kids than ever in the preschools and service is provided under our quality policies.
Early in 2016, we established a presence in Southern Norway for the very first time by purchasing the independent Solstua preschool in Farsund.

Our contract with the city of Oslo for operating Sørenga was extended for a year; the current contract runs until July of 2017. We also obtained a permission from the city of Oslo to build a preschool property in the vicinity of Holmenkollen.

Norlandia is feeling the impact from changes brought by the September municipality elections. Both in Tromsø and in Oslo the climate for private preschool operators has become much less favorable; the political desire is to have future capacity increases in the sector come from the municipality itself.

**Sweden**

Much work has been devoted in 2015 to the integration of Kids2Home. The acquisition was announced in June of 2015. Kids2Home operates 15 preschools in the following places: Stockholm, Sigtuna, Uppsala, Örebro, Falun and Hjärup. It has several more under development which will open in 2016 and in the coming years. The integration project has focused on how to let Kids2Home benefit from the systems and management approaches of Norlandia, while at the same time keeping in place the unique service offering of Kids2Home.

The mission of Kids2Home is to “make families with small children happier by making their everyday life easier”. This approach clearly holds significant appeal to major customer segments in Sweden. Food is central: Biodynamic produce, cooked on site; the opportunity of purchasing take-home dinners; fresh coffee on the run. A strong cultural identity has evolved, exemplified by the fact that all employees wear uniforms, an unusual practice in the sector in Sweden. All Kids2Home sites have been built according to the same physical layout, they are physically well designed for preschool operations.

We also purchased Lianen preschool in Linköping in 2015.

The preschools in Sweden were ISO-certified for the first time in 2015, a major accomplishment of our organization there. A thorough and comprehensive quality system with a great many procedures to secure practices according to the highest standard, together with extensive employee training, underpins the certification.

We have had persistent challenges at some of our operations in Skåne with low occupancy rates and unsustainable economic returns. Lately, we have seen increased demand. This is partly driven by demographic changes due to significant local housing development, as well as market response to a clarification of our concepts.

The integration of Kids2Home and our existing preschool operations in Sweden means that we will unite the best from two different traditions. At the same time, the organization must be developed and a new regional management structure must be put in place. We are in the process of dividing the Swedish operation into three regions, each with its own region manager. These regions will have a size and management capacity sufficient to develop and integrate new preschools.

**Finland**

Norlandia acquired 59% of the shares in the company Tenava in 2014, which is one of Finland’s three largest operators in the preschool market. The remaining shareholding of 41% was acquired in November of 2015.

Tenava acquired in early 2016 two additional preschools, and also committed to a strong growth strategy. The prerequisite for the acquisition of Tenava has always been system value: With Tenava, we have a platform on which to build.
Compared with other countries in Scandinavia, Finland has a lower percentage of children in kindergartens. Today about 65% of children aged 1-6 years attend kindergarten in Finland, while the corresponding figure in Norway is 90%. We see, however, that the market in Finland is growing, and that there is great potential for further growth. As a result of economic difficulties, municipalities have difficulties in financing investments in their own kindergartens and are more and more supportive of private operators who enter the market.

There is a growing trend for municipalities to fund the kindergarten sector through a “voucher” system rather than funding the kindergartens directly. This will change the dynamics of the sector somewhat: Parents experience more of a free choice when the subsidy follows the child rather than the kindergarten. Also, the voucher system expands the population who can afford private care.

The scheme favors those operators committed to quality: Parents are more aware and active in their choice. We believe Tenava will benefit from this system; the company has earned a reputation of quality.

As a result of difficult economic times in Finland, the government has increased the fees that parents pay for daycare. This may lower the price difference: Private operators historically charge a slightly higher price than the municipalities. Beyond this, the authorities have adopted changes in staffing norm from seven children per employee to eight children per employee. It remains to be seen how the municipalities will follow up this adjustment, but they may have a positive effect for Tenava at some units.

**The Netherlands**

We continue our growth in the Netherlands. We bought SKW in Wassenaar, which operate after school services as well as preschools. These are well run businesses in a very stable area of the Netherlands, just five km from our existing businesses. With the acquisition of SKW we have also acquired a locally famous, monumental property in Wassenaar. This building has been used as a school before and still carries the name of a well-known local politician.

During 2015 we planned the harmonization with Norlandia, including a change in name and branding. As of early 2016, Kindex changed its name to Norlandia.

We continued work to prepare for ISO certification for our Dutch operation in 2015.

The national project “2020 - Integrated childcare centers” may have significant impact on our operations in the Netherlands. The idea is that school and childcare should be integrated; one proposal suggests from 2.5 years to 12 years. We may well benefit from this scheme, but we could also see our business suffer as a consequence.
Care division

In the fall of 2015, we merged the previously separate divisions of elderly care in Norway and Sweden and patient hotels into one. Operational logic drove this decision: We wanted a structure that facilitated realization of the many synergies between these business areas and countries. The opportunities for concept sharing and competency exchange in this field are manifold. The structure of the division is now set to clear the way for further expansion, both in terms of geography and in adjacent lines of business.

**Elderly Care Norway**

We were pleased to begin our new 6-year stewardship of Oppsalhjemmet, the largest nursing home in Oslo, as of May 1. Oppsalhjemmet has been and is a flagship of our elderly care operation in Norway. While the operations at Oppsalhjemmet have been excellent, the city-owned building itself has for years been near a state of dilapidation. On February 1, 2016, all residents and employees moved to Stovner for a three year period. The move was well planned and was implemented flawlessly. The old Oppsalhjemmet will be demolished and a brand new nursing home will be built by the municipality of Oslo.

In 2015, for the first time we produced professional educational videos to convey the content of unique Norlandia concepts. The first production was done on the topic of caring for patients suffering from dementia.

The innovative use of patient boards (white boards) at Oppsalhjemmet received some media coverage: We were honored to have senior executives from Boston-based Institute for Healthcare Improvement visit Oppsalhjemmet. The initiative is part of a broader cooperation with the Patient Safety Program at the Directorate of health in Norway.

In January 2015, Stephan Ore, the head physician at Oppsalhjemmet, presented our work on Five Wishes for Dignity at a seminar held by The Norwegian Knowledge Centre for the Health Services. Five wishes is a so-called living will, which facilitate conversations about end of life choices. Five wishes enables residents and their families to make distinct choices about treatment, care provision and end of life support. Key question: “What is important to me in that period of life?”

We emphasize physical activity and fresh air at our units. The “Vi går til Wien” walking campaign created much joy and excitement. The activity culminated in a major event in Frognerparken in Oslo with the commissioner for health and the elderly at the time, Aud Kvalbein present. The walking campaign is one of the fruits of increased close collaboration between employees at all our Norwegian elderly care operations tasked with cultural initiatives.

Tåsen Health House in Oslo is unique in the very high demand for sophisticated care that is made; it is one of only four such health houses in Oslo. The health houses are a consequence of legislation pushing responsibility for certain patients groups from the hospitals over to the municipalities. We have strengthened competency levels at Tåsen, and prepared the staff for the new mission. Close cooperation with Diakonhjemmet hospital is motivating for our employees.

As of April 2015, the contract to operate the elderly care unit at Risenga in Asker municipality came to an end after two contract periods. The new contract was given to another operator, after tender competition.
The September municipality elections were unfavorable to private providers of elderly care in Norway. Incoming decision makers have wanted the municipalities themselves, rather than private contractors, to run nursing homes. In Bergen, two nursing homes run by one of our competitors will be returned to the municipality in 2016. Madserud-hjemmet in Oslo, run by Norlandia, will revert to the city of Oslo in 2016. Our task in the years ahead will be to demonstrate the value of a private alternative in the sector.

Elderly Care Sweden

Integrating Kosmo into Norlandia was the dominant activity of the Swedish elderly care operation in 2015. Over the course of several months in 2015, a great number of people, both from Kosmo and from Norlandia, were involved in planning for the integration. We had subgroups in the areas of IT, accounting, legal, quality management, branding, and strategy. We expect to fulfill the final steps of the integration in the second quarter of 2016.

Whereas we in January 2015 had 12 elderly care units in Sweden, we will have 35 in March of 2016. In addition, we now operate six daytime units in Södermalm, Stockholm. We are now the third largest competitor in the Swedish market. The management team has been empowered and expanded to handle the increased size; we now have four regional managers reporting to Kerstin Stålskog, who remains head of our Care division in Sweden.

The election in 2014 created significant uncertainty about the future operating conditions in Swedish elderly care; there was much talk of limiting profits or dividends in the sector. The Reepalu commission has since then steadily worked to design a proposal.
Today, the expectation is that the commission will provide a framework that makes private provision of elderly care services viable.

The political sentiment after the elections was adverse to private elderly care operators; one consequence for Norlandia was that Tuvehagen in Helsingborg was returned to the municipality as of May 1.

In 2015, we returned five elderly care units in Uppsala operated by Kosmo for the municipality to run itself. We were aware of this change at the time of the Kosmo acquisition decision.

We celebrated winning the contract for Fäladshøjden in Lund on September 1, 2015.

The unit Hagalidsgården in Västerås received much positive attention in 2015, especially with regards to the food. A national newspaper article stressed that the ingredients frequently are biodynamic and cooked from scratch on site. The nursing home has its own chef and has even published its own cookbook. Pia Sjölund, unit manager at Hagalidsgården, was named “manager of the year” in the field of dementia care by the organization “Gott ledarskap i demensvården”. She also received a significant stipend. The jury wrote that “…under Pia’s leadership, Hagalidsgården has been altered from an institution into a home.”

The start of 2016 augurs well for the year: In a short span of time, we won three new tenders in Sweden. One was in Gotland, the other two in Västerås.

The elderly care operations in Sweden were ISO-certified for the first time in 2015. This is a significant accomplishment of our organization there. Much effort was put into training employees for this, and a great many procedures had to be completed for the quality system.

The Kosmo purchase has put us in a charge of an own operations unit (“egen regi”), which is a first for Norlandia. Own operations means that a company owns and operates an elderly care unit at its own risk. Under the LOV (Lov om valfrihet, law on freedom of choice), a potential occupant can decide to stay at the elderly care unit; the company then gets paid by the municipality. We expect to develop this part of our business.

**Patient hotels**

Årstaviken hotel in Stockholm has seen a slow but steady growth in occupancy rates, as the Söder Hospital learns to utilize this resource. Our contracts with the hospitals was prolonged both at St. Olav in Trondheim and at Tampere in Finland.

We opened the Café Care at Årstaviken. Beyond providing a certain revenue stream, the café opens the patient hotels to new users and builds awareness of its service offerings.

We were disappointed to lose the tender competition which included Montebello and Gaustad hotels in Oslo. After managing the hotel since it opened in 1999, we regret handing over the reins to another operator. We wish many loyal employees all the best under new employment.
Board of Management

**Hilde Britt Mellbye** CEO
Education: Norwegian School of Business Administration & Economics, NHH Bergen.
Experience: SVP at Scandinavian Business Seating, General Manager at See Design, VP at McCann Erickson and Marketing Manager at Masterfoods and Ringnes.
Other assignments: Board Member Health Tech AS and Abilia AB among others.

**Olav Braaten** CFO
Education: Chartered Accountant. Masters in Accounting and Auditing from Norwegian Business School (BI). M.Sc. in Industrial Economics from the Norwegian University of Science and Technology (NTNU)

**Yngvar Tov Herbjørnssønn** COO Preschool division. Organization director. Deputy CEO.
Education: Master of Laws, University of Oslo. Bachelor in Administration and Logistics from Royal Naval Academy, Bergen. Year program in political science at Norwegian Institute of Science and Technology (NTNU). Year program in organizational development and leadership, Hedmark University of Applied Sciences.
Experience: Operational activities in the Royal Norwegian Navy. Lead negotiator for Officers’ Association (KOL / Akademikerne).

**Hulda Gunlaugsdottir** COO / Care
Education: Nurse, College of Nursing, Iceland. Diploma, hospital management, University of Reykjavik. Candidate degree in nursing science, University of Oslo. Completed the Solstrand leadership program by AFF.
Experience: CEO, Akershus University Hospital. CEO, Landspitali University Hospital, Iceland. CEO Aker Hospital. Division director, Ullevål University Hospital.

**Kristin Voldsnes** COO / Preschools
Education: Master of Management, Norwegian Business School, BI. Bachelor, special education, Oslo and Akershus University College of Applied Sciences (HiOA).
Preschool teacher, Child Welfare Academy, Oslo.
Experience: Head of preschool sector in Nordre Aker district of City of Oslo. Special education consultant, Sogn district, Oslo. Preschool unit manager, Korsvolltoppen preschool, Oslo.

**Ernst Karlsen** Marketing director
Education: MBA from Duke University in the USA.
Experience: Former Marketing director at Hjelp24. Many years experience in sales and marketing from pharmaceutical companies Pfizer and MSD (Merck & Co.).
Board of Directors

Åge Danielsen Chairman of the Board of Directors
Åge Danielsen is the Chairman of the Group’s Board of Directors and has held the same position in ACEA since 2008. Åge has a degree in Social Economics and is a partner in the Consultancy Partnership Rådgiverne LOS. He formerly held the position of Managing Director of the Norwegian Rikshospitalet Hospital Trust from 1997 to 2008. He was the Chief Executive of Nordland Regional Council, Director of Nordland District University College, Secretary General for the Norwegian Ministry of Defence and Managing Director of Statskonsult. In addition, he has had, and continues to hold, a number of directorships in public and private enterprises.

Kristian Adolfsen Founder and Member 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 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 a partner in the Consultancy Partnership, Rådgiverne LOS. She has had, and continues to hold, a number of directorships in public and private enterprises.

Benn Harald Eidissen Founder and Member of the Board of Directors
Founder of private day-care centres. He founded Eidissen Consult in 1990. Since 1997 this company has primarily been involved with the building and running of private day-care centres through Tromsø Barnehagedrift AS and Barnekompaniet AS, along with Even Carlsen. He was the Chairman of Bodø/Glimt Football Club from 2006 until he resigned in January 2009. He was a member of Nordland County Council from 1979-1995 and the second Deputy Member representing the Nordland Conservative Party in the Norwegian Parliament in the period 1981-1989.

Fredrik Thafvelin Member of the Board of Directors
Fredrik qualified as a doctor at the University of Lund and has worked as an anaesthetist and general practitioner for 18 years. He qualified as a manager in the health service. He held the position of Deputy Managing Director of Capo AB. He is currently a Consultant and member of the Board of Directors at the listed company Feelgood AB, for Transmedica AS, and Spenshult Hospital for Rheumatics AB.

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 30 years of extensive experience in business and real estate development, including 25 years in his own business. He has founded a number of companies within the Adolfsen Group.

Even Carlsen Founder and Member of the Board of Directors
Started Tromsø Barnehage Drift AS with Benn Eidissen and developed the company as CEO of Barnekompaniet AS 2003-2008, before the companies were merged into ACEA AS (renamed NCG in 2012). Founded the local newspaper Lofoten Tidende, where he was CEO from 1987 to 2000. Director of Lofotposten from 2001 to 2003. Established and sat for several years on the PBL Board (Private Barnehagers Landsforbund). In addition, he holds board positions in several private companies.
Board of Directors’ Report

The company’s business
Norlandia Care Group AS is the parent company of Norlandia Care Group enterprise.

The company has two divisions:
• Preschools
• Care

The company is registered in Bodø. The company operates in Norway, Sweden, Finland and the Netherlands. The head office of Norlandia Care Group is located in Oslo.

Turnover and profit
Group revenue increased from 1,853.7 MNOK in 2014 to 2,983.8 MNOK in 2015.

Profit before tax for the Group in 2015 was 272.1 MNOK.

Continuing business operations and allocation of income
In the opinion of the Board, the financial statements present a true picture of the results and the company’s financial position as of December 31, 2015.

The financial statement for 2015 shows a profit for Norlandia Care Group AS of 159.7 MNOK.

The profit is proposed allocated as follows:
Transferred to other equity: 159.7 MNOK
The Board confirms that the conditions for continuing business operations are fulfilled.

Working environment
Sick leave in Norlandia Care Group totaled 8.7% for 2015.

The company continuously works on its processes to achieve an ever increasing quality of the group’s services.

There have been no reports of serious injuries or incidents among employees in 2015.

Gender equality
The company has as of 31.12.2015 a total of 5,735 employees, of which 5,023 women and 712 men. The Board consists of six men and one woman. Differences in wages are associated with different positions / responsibilities. The goal is equal pay for equal work. There are three women and three men in the management team; the CEO is female. The Board believes that the status of gender equality is satisfactory and that it is therefore not necessary to plan and implement specific measures in this area.

Discrimination
The company’s goal is to ensure diversity. It recruits, develops and retains the best employees regardless of gender, ethnicity or disability.

Future development
The Board considers the entity’s financial performance satisfactory. The company works to develop the market through projects related to the firm’s core areas. The market in Sweden, Norway, the Netherlands and Finland has primarily been within publicly financed areas.
Financial risk
The subsidiaries’ customer base is mainly county authorities and public healthcare bodies as well as parents of children in our preschool operation. In the Board’s view, it is therefore no latent appreciable risk of loss to the company. The subsidiaries have a combination of long-term contracts with the public sector in elderly care and patient hotels and agreements with parents within the preschools.

Intercompany receivables / payables and currency risk has not been deemed necessary to secure through hedge transactions. The company’s liquidity situation is satisfactory.

Currency risk
The company is exposed to currency risk through its operations in Sweden, Finland and the Netherlands. This cash flow is not secured and currency risks are managed as part of the ongoing business risk. The company has chosen not to hedge currency balance sheet items denominated in foreign currencies, which means some fluctuation from year to year due to translation differences.

Environment
The Board is not aware of any activity of the business that has a substantial negative impact on the environment.

Oslo, March 15, 2016
Board of Directors
Norlandia Care Group AS
Audit Committee

The board of directors elects at least two of its members to serve on the board of directors’ audit committee and appoints one of them to act as chair.

At year-end 2015, the audit committee members were Ingvild Myhre (chair), Fredrik Thafvelin (board member).

The audit committee is a sub-committee of the board of directors, and its objective is to act as a preparatory body in connection with the board’s supervisory roles with respect to financial reporting and the effectiveness of the company’s internal control system. It also attends to other tasks assigned to it in accordance with the instructions for the audit committee adopted by the board of directors. The audit committee is instructed to assist the board of directors in its supervising of matters such as:

- Monitoring the financial reporting process
- Evaluate the group’s IT and data security
- Monitoring of business risk management functions effectively
- Monitoring the effectiveness of the company’s internal control, internal audit and risk management systems.
- Maintaining continuous contact with the statutory auditor regarding the annual and consolidated accounts.
- Reviewing and monitoring the independence of the company’s internal auditor and the independence of the statutory auditor (reference is made to the Norwegian Auditors Act chapter 4) and, in particular, whether services other than audits provided by the statutory auditor or the audit firm are a threat to the statutory auditor’s independence.

The audit committee supervises implementation of and compliance with the group’s Ethics Code of Conduct in relation to financial reporting.
In 2015 the consolidated financial statements of Norlandia Care Group and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

Revenue
2015 has been a year of significant growth. Major acquisitions in both divisions have contributed significantly to the progress. Growth has taken place during the whole year, and full year effects of investments in 2015 will be realized in 2016. In the beginning of 2015 the Group acquired the Swedish elderly care company Kosmo and became the third largest elderly care provider in Sweden. The Group also acquired the preschool chain Kids2Home, increasing its presence in the Swedish market. The Group has during 2015 acquired 100% of the Finnish preschool company Tenava. The Group has returned five contracts to the municipality of Uppsala in Sweden during 2015. The Group will also come to the end of the contract period in Q1 2016 with regards to the two patient hotels we have been operating in Oslo.

Ebitda
The company’s margin development has been influenced by the consolidation of newly acquired businesses both within the Care division and within the Preschool division. In the second half of 2015, the Group introduced a cost saving program. One outcome of this is the outsourcing of the accounting and salary function in Norway and the reduction of accounting offices in Sweden from two to one location. The cost reductions will gradually be effective from 2016 with full effect from 2017.

Balance
The balance sheet presents the Group’s assets and shows how these are financed, distributed by equity and debt. All internal relationships between group companies are eliminated. Further details are to be found in the official financial statement.

The Group’s balance sheet has increased with MNOK 423 over the course of 2015, as a direct consequence of several acquisitions made by the Care and Preschool division.

Cash flow
The cash flow statement shows how the Group’s cash flows are distributed among cash flows from operating, investing and financing activities, according to the indirect method. Cash flow explains the overall change in the Group’s liquid assets from the previous period.
### Comprehensive Income Statement

Consolidated Statement for the year ended 31 December 2015  
(Amounts in NOK)

<table>
<thead>
<tr>
<th></th>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>4</td>
<td>2,958,236,109</td>
<td>1,850,557,302</td>
</tr>
<tr>
<td><strong>Other operating income</strong></td>
<td>4</td>
<td>25,588,287</td>
<td>3,093,669</td>
</tr>
<tr>
<td><strong>Net operating revenue</strong></td>
<td></td>
<td>2,983,824,396</td>
<td>1,853,650,971</td>
</tr>
<tr>
<td><strong>Raw materials and consumables used</strong></td>
<td></td>
<td>48,041,859</td>
<td>55,078,211</td>
</tr>
<tr>
<td><strong>Staff costs</strong></td>
<td>5</td>
<td>2,186,766,424</td>
<td>1,308,694,071</td>
</tr>
<tr>
<td><strong>Depreciation and amortisation expense</strong></td>
<td>8,9</td>
<td>39,668,318</td>
<td>25,737,566</td>
</tr>
<tr>
<td><strong>Other operating expenses</strong></td>
<td></td>
<td>579,768,242</td>
<td>369,041,004</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td></td>
<td>2,854,244,843</td>
<td>1,758,550,852</td>
</tr>
<tr>
<td><strong>Profit from operations</strong></td>
<td></td>
<td>129,579,553</td>
<td>95,100,119</td>
</tr>
<tr>
<td><strong>Finance income</strong></td>
<td>6</td>
<td>27,816,146</td>
<td>27,298,319</td>
</tr>
<tr>
<td><strong>Finance expense</strong></td>
<td>6</td>
<td>-52,542,570</td>
<td>-54,010,925</td>
</tr>
<tr>
<td><strong>Share of post-tax profits of associates</strong></td>
<td>11</td>
<td>167,260,045</td>
<td>850,631</td>
</tr>
<tr>
<td><strong>Net finance</strong></td>
<td></td>
<td>142,533,621</td>
<td>-25,861,974</td>
</tr>
<tr>
<td><strong>Profit before tax</strong></td>
<td></td>
<td>272,113,174</td>
<td>69,238,145</td>
</tr>
<tr>
<td><strong>Tax expense</strong></td>
<td>7</td>
<td>-17,463,099</td>
<td>-17,136,994</td>
</tr>
<tr>
<td><strong>Profit</strong></td>
<td></td>
<td>254,650,075</td>
<td>52,101,150</td>
</tr>
</tbody>
</table>

**Other comprehensive income**

**Items that will not be reclassified to profit or loss**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remeasurements of post employment benefit obligations</td>
<td>19</td>
<td>46,073,110</td>
<td>-44,085,227</td>
</tr>
<tr>
<td>Deferred tax on remeasurement of post employment benefit obligation</td>
<td>16</td>
<td>-12,439,740</td>
<td>11,903,011</td>
</tr>
<tr>
<td>Gain on property revaluation in associated companies</td>
<td></td>
<td>0</td>
<td>86,500,000</td>
</tr>
</tbody>
</table>

**Items that may be subsequently reclassified to profit or loss**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currency translation differences</td>
<td>16</td>
<td>16,305,665</td>
<td>797,993</td>
</tr>
<tr>
<td><strong>Total other comprehensive income</strong></td>
<td></td>
<td>49,939,036</td>
<td>55,115,777</td>
</tr>
<tr>
<td><strong>Total comprehensive income</strong></td>
<td></td>
<td>304,589,111</td>
<td>107,216,927</td>
</tr>
</tbody>
</table>
## Financial position

Consolidated Statement for the year ended 31 December 2015  
(Amounts in NOK)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Non-current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>8</td>
<td>246 139 671</td>
<td>234 502 512</td>
</tr>
<tr>
<td>Deferred tax asset</td>
<td>16</td>
<td>15 324 338</td>
<td>20 902 976</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>9</td>
<td>784 088 639</td>
<td>512 794 694</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>11</td>
<td>403 897 919</td>
<td>196 738 787</td>
</tr>
<tr>
<td>Other receivables</td>
<td>13,21</td>
<td>114 460 400</td>
<td>222 992 071</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>1 563 910 967</td>
<td>1 187 931 040</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inventories</td>
<td></td>
<td>6 504 270</td>
<td>2 988 811</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>13,21</td>
<td>249 303 977</td>
<td>157 322 511</td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td>233 113 175</td>
<td>281 360 675</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>488 921 422</td>
<td>441 671 997</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td></td>
<td>2 052 832 389</td>
<td>1 629 603 038</td>
</tr>
</tbody>
</table>

Note: 2015 and 2014 values are in NOK.
## Consolidated Statement for the year ended 31 December 2015
(Amounts in NOK)

### EQUITY AND LIABILITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity attributable to owners of the parent</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Share capital</td>
<td>14 32 381 440</td>
<td>32 381 440</td>
</tr>
<tr>
<td>Other equity</td>
<td>477 732 012</td>
<td>247 402 810</td>
</tr>
<tr>
<td>Total equity attributable to owners of the parent</td>
<td>510 113 452</td>
<td>279 784 250</td>
</tr>
<tr>
<td>Total equity</td>
<td>510 113 452</td>
<td>279 784 250</td>
</tr>
</tbody>
</table>

### Non-current liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pension liabilities</td>
<td>19 64 223 541</td>
<td>107 793 919</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>15 901 441 265</td>
<td>839 751 778</td>
</tr>
<tr>
<td>Derivative financial liabilities</td>
<td>12 2 115 341</td>
<td>3 147 068</td>
</tr>
<tr>
<td>Deferred tax liability</td>
<td>16 32 202 427</td>
<td>0</td>
</tr>
<tr>
<td>Provisions</td>
<td>4 822 868</td>
<td>0</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td>1 004 805 442</td>
<td>950 692 765</td>
</tr>
</tbody>
</table>

### Current liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>16,17 527 195 429</td>
<td>386 583 928</td>
</tr>
<tr>
<td>Loans and borrowings</td>
<td>15 5 826 170</td>
<td>4 517 029</td>
</tr>
<tr>
<td>Taxes payable</td>
<td>4 891 896</td>
<td>8 025 066</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>537 913 495</td>
<td>399 126 023</td>
</tr>
</tbody>
</table>

| Total liabilities | 1 542 718 937 | 1 349 818 788 |

| Total equity and liabilities | 2 052 832 389 | 1 629 603 038 |

---

Oslo, March 15, 2016
Board of Directors, Norlandia Care Group AS
## Cash flows

Consolidated Statement for the year ended 31 December 2015  
(Amounts in NOK)

### Cash flows from operating activities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>254 650 075</td>
<td>52 101 151</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation of property, plant and equipment</td>
<td>29 702 785</td>
<td>25 737 566</td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>-25 969 533</td>
<td>0</td>
</tr>
<tr>
<td>Amortisation of intangible fixed assets</td>
<td>9 965 533</td>
<td>0</td>
</tr>
<tr>
<td>Share of post-tax profits of associates</td>
<td>-167 260 045</td>
<td>-850 631</td>
</tr>
<tr>
<td>Changes in fair value of financial instruments</td>
<td>-973 772</td>
<td>1 607 365</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>17 463 099</td>
<td>17 136 994</td>
</tr>
</tbody>
</table>

### Changes in working capital

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Changes in accounts receivable and payables</td>
<td>-57 799 111</td>
<td>-23 913 414</td>
</tr>
<tr>
<td>Changes in inventories</td>
<td>-3 515 459</td>
<td>-1 335 773</td>
</tr>
<tr>
<td>Changes in trade and other payables</td>
<td>118 595 839</td>
<td>-6 181 365</td>
</tr>
<tr>
<td>Changes in provisions and employee benefits</td>
<td>-65 369 213</td>
<td>89 615 482</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>148 521 020</td>
<td>175 998 407</td>
</tr>
</tbody>
</table>

### Income taxes paid

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income taxes paid</td>
<td>-27 025 066</td>
<td>-1 217 019</td>
</tr>
</tbody>
</table>

### Net cash flows from operating activities

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net cash flows from operating activities</td>
<td>121 495 954</td>
<td>174 781 388</td>
</tr>
</tbody>
</table>

### Investing activities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash received from sale of assets</td>
<td>96 837 500</td>
<td>0</td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>-80 929 337</td>
<td>-172 715 286</td>
</tr>
<tr>
<td>Net investment in shares in associates</td>
<td>-207 159 132</td>
<td>-47 868 637</td>
</tr>
<tr>
<td>Net investment in subsidiaries</td>
<td>-56 543 247</td>
<td>-16 420 257</td>
</tr>
<tr>
<td>Net changes in financial receivables</td>
<td>109 078 012</td>
<td>0</td>
</tr>
<tr>
<td>Interest received</td>
<td>11 371 439</td>
<td>21 991 790</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>-127 344 765</td>
<td>-215 012 390</td>
</tr>
</tbody>
</table>

### Financing activities

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments of long-term loan to finance institutions</td>
<td>-10 310 969</td>
<td>-6 033 630</td>
</tr>
<tr>
<td>Changes in short-term loan to finance institutions</td>
<td>0</td>
<td>83 254 882</td>
</tr>
<tr>
<td>Proceeds from long-term borrowings from finance institutions</td>
<td>64 913 859</td>
<td>96 797 363</td>
</tr>
<tr>
<td>Interest paid</td>
<td>-48 642 320</td>
<td>-42 454 806</td>
</tr>
<tr>
<td>Payment to non-controlling interest</td>
<td>-29 493 264</td>
<td>797 993</td>
</tr>
<tr>
<td>Distribution to owners</td>
<td>-26 000 000</td>
<td>-27 850 000</td>
</tr>
<tr>
<td>Net cash (used in)/from financing activities</td>
<td>-49 532 694</td>
<td>104 511 802</td>
</tr>
</tbody>
</table>

### Net increase in cash and cash equivalents

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>-55 381 505</td>
<td>64 280 800</td>
</tr>
</tbody>
</table>

### Cash and cash equivalents at beginning of year

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at beginning of year</td>
<td>281 360 675</td>
<td>217 079 875</td>
</tr>
</tbody>
</table>

### Exchange (losses)/gains on cash and cash equivalents

<table>
<thead>
<tr>
<th>Note</th>
<th>2015</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents at end of year</td>
<td>233 113 175</td>
<td>281 360 675</td>
</tr>
</tbody>
</table>

A complete set of notes to the financial statements can be obtained by contacting the company: olav@norlandiacare.no
Independent auditor’s report

To the Annual Shareholders’ Meeting of Norlandia Care Group AS

Independent auditor’s report

Report on the Financial Statements

We have audited the accompanying financial statements of Norlandia Care Group AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2015, income statement, statement of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director’s Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making these risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements 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 entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Norlandia Care Group AS as at 31 December 2015, 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.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the group Norlandia Care Group AS as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors’ report and the statement on Corporate Social Responsibility

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 and in the statement on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit 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 SAS 1000 “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.

Drammen, 15 March 2016

BDO AS

Ove G. Bøhn
State Authorized Public Accountant (Norway)
Norlandia Care Group AS

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