

Company announcement – three months ended 31 March 2020

Netcompany grew in line with expectations and realised 23.6% adjusted EBITA margin while increasing free cash flow by 26.4%. Netcompany maintains its expectations for 2020.

Company announcement
no 8/2020
6 May 2020

Summary

In Q1 2020, Netcompany realised reported revenue of DKK 695.6m, corresponding to 16.4% (constant currencies 16.8%) growth in reported currencies and organic revenue growth of 13.4%. Adjusting for the impact of the contingency risk in Q1 2019 revenue grew by 18.3%.

Adjusted EBITA margin, excluding the non-organic impact from the Netherlands, was 24.1%. Adjusting for the impact of the contingency risk, organic adjusted EBITA margin increased by 0.7% points.

The average number of full-time employees grew by 23.2% from 2,099 in Q1 2019 to 2,585 in Q1 2020. Part of the increase was related to the acquisition of Netcompany Netherlands, which affected the average FTEs in Q1 2020 by 89.

Free cash flow remained strong and increased by 26.4% from DKK 75.2m in Q1 2019 to DKK 95.0m in Q1 2020. Tax normalised cash conversion rate improved from 93.6% in Q1 2019 to 120.9% in Q1 2020. At 31 March Netcompany held a total of DKK 208.5m in cash and had access to committed funding of another DKK 535m within its core banking facility.

Revenue visibility for the year 2020 increased by 19.3% to DKK 2,131.8m, of which DKK 695.6m reflects realised revenue in Q1 2020, compared to DKK 1,786.3m at the end of Q1 2019.

Netcompany still expects organic revenue growth of around 18-20% in constant currencies and non-organic revenue growth of around 1% in constant currencies. Organic and reported Adjusted EBITA in constant currencies is still expected to be around 26%.

“With top line growth of around 17% in Q1, we delivered as expected and planned, with satisfying margins and improved free cash flow. We have continued the transformation of our UK operation towards a change in the employment base with more permanent employees, and have continued the build-up of sales capabilities in Norway and accelerated the integration of our most recent acquisition in the Netherlands even further.

We have also delivered large and complex projects during Q1 – on time, on budget and to agreed quality.

Knowing the impact that the COVID-19 pandemic has already had – and potentially will have – on our customers in our different markets, we strive to do our utmost to deliver solutions that will enable our customers to get through the crisis. This potentially increases the risk to Netcompany too – in particular in the second half of 2020 – but so far the Netcompany business model has shown its resilience and we believe it will continue to do so throughout the year. We have therefore maintained our guidance for 2020.”

André Rogaczewski, Netcompany CEO and Co-founder

Performance highlights for Q1 2020

- Revenue increased by 16.4% (16.8% constant), hereof 3.0% from organic growth to DKK 695.6m in reported currencies.
- Gross profit margin was 39.5% against 39.1% in Q1 2019.
- Free cash flow improved by 26.4% to DKK 95.0m.
- Cash conversion rate of 84.4%. Tax normalised cash conversion rate was 120.9%

Financial overview

DKK million	Q1 2020 (reported)	Q1 2020 (constant)*	Q1 2019	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)	Total 2019
Revenue	695.6	698.0	597.7	16.4%	3.0pp	16.8%	2,453.9
Gross profit	274.5	275.6	233.6	17.5%	2.4pp	18.0%	995.8
EBITA	164.1	164.5	146.1	12.3%	0.5pp	12.6%	613.0
EBITA margin	23.6%	23.6%	24.4%	-0.9pp	-0.5pp	-0.9pp	25.0%
Adjusted EBITA	164.1	164.5	147.2	11.5%	0.5pp	11.8%	617.4
Adjusted EBITA margin	23.6%	23.6%	24.6%	-1.0pp	-0.5pp	-1.1pp	25.2%
Operating profit	138.8	139.2	120.5	15.2%	-0.2pp	15.5%	511.3
Operating profit margin	19.9%	19.9%	20.2%	-0.2pp	-0.6pp	-0.2pp	20.8%
Net profit / loss	92.8	93.3	98.7	-6.0%	-0.5pp	-5.5%	388.5
Capex	-11.6	N/A	-6.1	89.3%	N/A	N/A	-24.6
Net increase / decrease in cash and cash equivalents	83.8	N/A	65.2	28.4%	N/A	N/A	32.1

*Constant currencies measured using average exchange rates for Q1 2019

Netcompany grew as expected in Q1 with strong cash flow and maintained full year guidance

netcompany

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Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Conference call details

In connection with the publication of the results for Q1 2020, Netcompany will host a conference call on 6 May 2020 at 11.00 am CEST. The conference call will be held in English and can be followed live via the company's website; www.netcompany.com

Dial-in details for investors and analysts:

Conference ID:..... 9974189
Standard international: +44 (0) 2071 928338
Denmark (local):..... 32720417
UK (local):..... 08444819752

Webcast Player URL: ... <https://edge.media-server.com/mmc/p/uiejqz7v>

Additional information

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Financial highlights and key figures

<i>DKK million</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>% change</i>	<i>Total 2019</i>
<i>Income statement</i>				
Revenue				
Public	433.3	350.8	23.5%	1455.5
Private	262.2	246.9	6.2%	998.3
<i>Revenue by segments, total</i>	695.6	597.7	16.4%	2,453.9
Development	355.7	330.0	7.8%	1257.7
Maintenance	339.8	267.6	27.0%	1196.1
<i>Revenue by types, total</i>	695.6	597.7	16.4%	2,453.9
Organic	677.9	597.7	13.4%	2416.5
Acquisition	17.7	0.0	N/A	37.4
<i>Revenue by growth, total</i>	695.6	597.7	16.4%	2,453.9
Special items	0.0	-1.1	-99.7%	-4.4
EBITA	164.1	146.1	12.3%	613.0
Adjusted EBITA	164.1	147.2	11.5%	617.4
Operating profit (EBIT)	138.8	120.5	15.2%	511.3
Net financials	-19.2	5.9	-423.4%	-14.0
Net profit / loss	92.8	98.7	-6.0%	388.5
<i>Financial position</i>				
Capex	-11.6	-6.1	89.3%	-24.6
Total assets	3,791.6	3,582.2	5.8%	3,727.6
Equity	2,169.5	1,772.6	22.4%	2,071.7
Net increase in cash and cash equivalents	83.8	65.2	28.4%	32.1
Free cash flow	95.0	75.2	26.4%	435.8
Free cash flow (tax normalised)	136.0	111.1	22.5%	417.2
<i>Earnings per share</i>				
Earnings per share (DKK)	1.89	2.00	-5.3%	7.90
Diluted earnings per share (DKK)	1.88	1.99	-5.5%	7.88
<i>Employees</i>				
Average number of full-time employees	2,585	2,099	23.2%	2,294

Financial highlights and key figures (continued)

<i>DKK million</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>% change</i>	<i>Total 2019</i>
<i>Financial ratios</i>				
Gross profit margin	39.5%	39.1%	0.4pp	40.6%
EBITA margin	23.6%	24.4%	-0.9pp	25.0%
Adjusted EBITA margin	23.6%	24.6%	-1.0pp	25.2%
Operating profit margin	19.9%	20.2%	-0.2pp	20.8%
Effective tax rate	22.4%	21.9%	0.5pp	21.9%
Return on equity	4.7%	5.7%	-1.0pp	20.0%
Solvency ratio	57.2%	49.5%	7.7pp	55.6%
<i>Long-term financial metrics</i>				
Revenue growth	16.4%	15.6%	0.8pp	19.5%
Operating profit margin	19.9%	20.2%	-0.2pp	20.8%
Return on invested capital (ROIC)	3.3%	3.6%	-0.3pp	13.6%
Cash conversion rate	84.4%	63.3%	21.1pp	93.2%
Cash conversion ratio (tax normalised)	120.9%	93.6%	27.3pp	0.9%

Performance overview

DKK million	Q1 2020 (reported)	Q1 2020 (constant)*	Q1 2019	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)	Total 2019
Revenue	695.6	698.0	597.7	16.4%	3.0pp	16.8%	2,453.9
Cost of services	-421.0	-422.5	-364.1	15.7%	3.3pp	16.0%	-1,458.1
Gross profit	274.5	275.6	233.6	17.5%	2.4pp	18.0%	995.8
Gross profit margin	39.5%	39.5%	39.1%	0.4pp	-0.2pp	0.4pp	40.6%
Sales and marketing costs	-4.4	-4.4	-2.7	61.2%	0.1pp	61.6%	-11.7
Administrative costs	-106.1	-106.6	-83.7	26.7%	5.7pp	27.4%	-366.7
Adjusted EBITA	164.1	164.5	147.2	11.5%	0.5pp	11.8%	617.4
Adjusted EBITA margin	23.6%	23.6%	24.6%	-1.0pp	-0.5pp	-1.1pp	25.2%
Special items	0.0	0.0	-1.1	-99.7%	0.0pp	-99.7%	-4.4
EBITA	164.1	164.5	146.1	12.3%	0.5pp	12.6%	613.0
EBITA margin	23.6%	23.6%	24.4%	-0.9pp	-0.5pp	-0.9pp	25.0%
Amortisation	-25.3	-25.3	-25.7	-1.4%	3.6pp	-1.4%	-101.7
Operating profit (EBIT)	138.8	139.2	120.5	15.2%	-0.2pp	15.5%	511.3
Operating profit margin	19.9%	19.9%	20.2%	-0.2pp	-0.6pp	-0.2pp	20.8%
Net financials	-19.2	-19.2	5.9	-423.4%	-5.0pp	-423.9%	-14.0
Profit / loss before tax	119.6	120.0	126.4	-5.4%	-0.4pp	-5.0%	497.3
Tax	-26.8	-26.8	-27.7	-3.2%	-0.2pp	-3.4%	-108.8
Effective tax rate	22.4%	22.3%	21.9%	0.5pp	0.0pp	0.4pp	21.9%
Net profit / loss	92.8	93.3	98.7	-6.0%	-0.5pp	-5.5%	388.5

*Constant currencies measured using average exchange rates for Q1 2019

Reported revenue grew by 16.4% (constant 16.8%) to DKK 695.6m in Q1 2020, of which 13.4% was organic revenue growth. Non-organic revenue relating to the acquisition of Netcompany Netherlands on 13 May 2019, increased revenue by 3.0 percentage points in Q1 2020.

In Denmark revenue grew by 18.7% in Q1 2020 as a result of high activity in both the public and private sector. Offsetting some of the revenue growth in Denmark, was the significant increase in time spent on business development related to the ongoing tender activities, particular within the public sector. Adjusting for the reversal of contingency risk reserve in Q1 2019 revenue growth in Q1 2020 in Denmark was 21.4% and proportional to the increase in FTEs in the same period. In the UK, the continued focus to reduce the numbers of independent contractors, naturally had a negative impact on revenue, which fell by 2.4% (constant 3.7%) as FTE's were reduced by more than 5%, however leading to an improvement in margins compared to the same period last year. In Norway, revenue increased by 6.5% in constant currencies, but fell by 0.4% to DKK 54.9m in reported currencies due to the significant decrease in the Norwegian Krone following the drop in oil prices and COVID-19. On top of that, Q1 2019 was a historically good quarter for the Norwegian business creating a tough comparison base for Q1 2020. The

Performance overview (continued)

activity level in Norway has remained steady since the mid of 2019 and the pipeline is looking healthy and is still expected to materialise into new projects towards the end of Q2 2020 and into the second half of 2020.

Gross profit margin increased by 0.4 percentage point and by 0.6 percentage point, when adjusted for the non-organic impact of Netcompany Netherlands. Improvement in margin was especially driven by the UK operation, which increased its gross profit margin by 6.7 percentage points compared to the same period last year. This development was primarily driven by the conscious decision to exchange top line growth for better margins by terminating the use of independent contractors where possible, but also driven by more outcome-based projects in the portfolio with better project economics. Gross profit margin also improved slightly in Denmark. This was primarily driven by the production setting of several large public projects towards the end of 2019, which now yield higher margins as the projects are in maintenance.

Sales and marketing costs increased by 61.2% (constant 61.6%) to DKK 4.4m however at a low monetary level. The increase in marketing costs was primarily driven by the timing of marketing events.

Administrative costs increased to DKK 106.1m, which was an increase of 26.7% (constant 27.4%). Adjusted for the non-organic impact from Netcompany Netherlands, administrative costs increased by 21% to DKK 101.3m. This development was primarily driven by the increase in total FTEs, which grew by 23.2%, thereby increasing the general infrastructure costs, which included the expansion of office space in London and the conversion of independent contractors to permanent employees. In addition, costs relating to share based remuneration increased the administrative costs by DKK 2.5m, as a result of the LTIP programme being further progressed compared to the same period last year. The relative high amount of administration costs in the Netherlands compared to revenue contribution in the period was driven by a planned office expansion as well as accelerated integration costs, which is progressing well and ahead of the original plan.

Adjusted EBITA increased by 11.5% (constant 11.8%) to DKK 164.1m. This led to an adjusted EBITA margin of 23.6%, of which the non-organic impact from the acquisition of Netcompany Netherlands accounted for negative 0.5 percentage point. Margin on the organic part of the business decreased by 0.5 percentage point to 24.1% in Q1 2020, primarily driven by the Norwegian business, which due to a lower level of activity, experienced a decrease in margin. Adjusted for the impact from the release of provision from the risk contingency reserve in Q1 2019, organic adjusted EBITA margin increased by 0.7% points in Q1 2020.

Amortisation of intangible assets recognised upon business combinations decreased by 1.4% (constant 1.4%) to DKK 25.3m. The decrease in amortisation was driven by some of the intangible assets in relation to the FSN Capital acquiring Netcompany on 1 February 2016 now fully being amortised, which was partially offset by the increase in amortisations relating to the purchase of Netcompany Netherlands on 13 May 2019.

Operating profit (EBIT) increased by 15.2% (constant 15.5%) to DKK 138.8m. This led to an operating profit margin of 19.9% compared to 20.2% in Q1 2019.

Performance overview (continued)

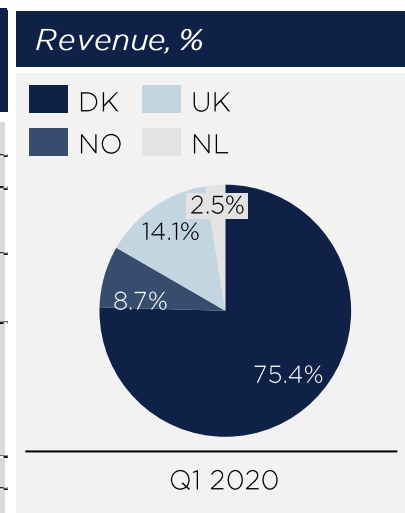
Net financials were negative by DKK 19.2m in Q1 2020 compared to positive by DKK 5.9m in Q1 2019. In Q1 2020, net financials were driven by the development in the Danish Krone against the British Pound, which as a result increased the financial expenses in the period by DKK 12.6m compared to a positive development of DKK 14.5m in Q1 2019. Financial expenses relating to external bank lending decreased in the period from DKK 4.8m in Q1 2019 to DKK 3.9m in Q1 2020, driven by a decrease in interest rates and lower debt. Calculated interest expenses related to leasing increased from DKK 0.7m in Q1 2019 to DKK 1.0m in Q1 2020.

Mainly as a result of the currency adjustments in financial expenses, net result decreased by 6% (constant 5.5%) to DKK 92.8m of which the non-organic impact from Netcompany Netherlands accounted for negative 0.5 percentage points.

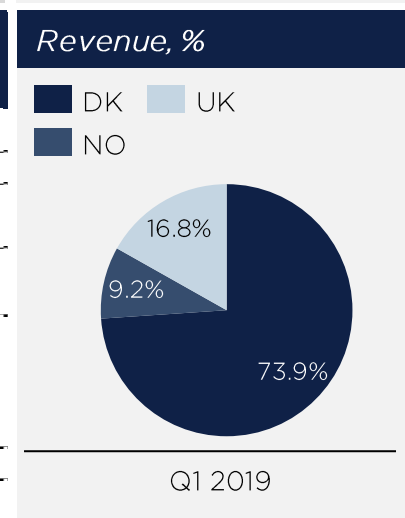
Business Segments

Segment information related to operating entities:

DKK million Constant (2019 rate)	Q1 2020				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	698.0	524.7	58.7	97.0	17.7
Gross profit	275.6	229.0	16.4	24.7	5.5
Gross profit margin	39.5%	43.6%	27.9%	25.4%	31.2%
Local admin costs	-98.6	-72.3	-8.2	-13.6	-4.4
Adjusted EBITA before allocated cost from HQ	177.0	156.7	8.2	11.1	1.1
Adjusted EBITA margin before allocated cost from HQ	25.4%	29.9%	13.9%	11.4%	6.2%
Allocated costs from HQ	-12.5	-7.6	-2.7	-1.7	-0.4
Special Items, allocated	0.0	0.0	0.0	0.0	0.0
EBITA	164.5	149.0	5.4	9.3	0.7
Client facing FTEs	2,410	1,722	224	372	92



DKK million Reported	Q1 2019				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	597.7	441.9	55.1	100.7	0.0
Gross profit	233.6	191.8	23.0	18.8	0.0
Gross profit margin	39.1%	43.4%	41.7%	18.7%	N/A
Local admin costs	-78.0	-62.1	-8.1	-7.8	0.0
Adjusted EBITA before allocated cost from HQ	155.6	129.7	14.9	11.0	0.0
Adjusted EBITA margin before allocated cost from HQ	26.0%	29.4%	27.1%	10.9%	N/A
Allocated costs from HQ	-8.4	-5.9	-0.7	-1.9	0.0
Special Items, allocated	-1.1	-0.8	-0.1	-0.2	0.0
EBITA	146.1	123.1	14.1	8.9	0.0
Client facing FTEs	1,951	1,380	178	392	N/A



Business Segments (continued)

Revenue in constant currencies increased by 16.8% to DKK 698m in Q1 2020, driven by a revenue growth of 18.7% in the Danish business operation and by 6.5% in the Norwegian operation, while revenue in UK decreased by 3.7%.

Revenue growth in Denmark was driven by high activity on large scale multiyear projects in both the Danish public and private sector, but negatively impacted by the increased amount of time spent on business development which impacted the Danish operation with around DKK 10m compared to Q1 2019. The increased time spent on business development is expected to continue in Q2 and then normalise in the second half of 2020. In addition Q1 2019 was positively impacted by the release of some of the contingency risk provision. Adjusting for the reversal of contingency risk provision in Q1 2019, revenue growth in the Danish operation was 21.4% in a “like for like” comparable setting.

The decrease in revenue in the UK was a direct result of the conscious decision to exchange top line growth for better margins by reducing the use of independent contractors where possible. Compared to Q1 2019, the number of independent contractors were reduced by 99 in the period while the UK based permanent employees were increased by 87, reducing the UK based client facing FTE’s by 12. In addition, the usage of resources in Vietnam on UK projects were reduced by 8, which meant that the total amount of client facing FTEs engaged by the UK business were reduced by 5.6%. The reduction in usage of independent contractors follows Netcompany’s ambition to increase the percentage of permanent employees in the UK and the postponement of IR35 by one year, that was otherwise due to come into force 1 April 2020 has given us a longer window of opportunity, that we expect to utilize to our advantage converting as many contractors as possible during the whole of 2020 instead of having a hard transition in April 2020.

The increase in gross profit margin in the UK operation was 6.7 percentage points as a result of the reduction of independent contractors working on UK projects, but also driven by more outcome-based projects in the portfolio with better project economics. In Denmark, the strong performance in delivering large complex projects during 2019 has led to a higher proportion of revenue from maintenance in Q1 2020, which yielded a slightly higher margin. The gross profit margin increased by 1.4 percentage points when adjusting for the reversal of contingency risk provision in Q1 2019. The decrease in the gross profit margin in the Norwegian operation is attributable to the continued investment in, and build up of, the business development capabilities that was initiated during the summer 2019. Capacity in terms of client facing employees is still high, leading to a lower utilisation than in a normal setting. This is expected to level out when new tenders are won – towards the end of Q2 and into the second half of 2020. In the Dutch operation gross margin was improved by more than 10 percentage point when comparing to Q4 2019 (as Netcompany did not own the Dutch operation in Q1 2019) which is a result of the successful completion of a number of larger fixed fee projects that were running at significant reduced hourly rates..

Adjusted EBITA before allocated costs from HQ increased by 0.5 percentage points in the Danish operations. Adjusted for the reversal of contingency risk provision in Q1 2019 the increase was 2.1 percentage point. Increased administrative costs in the UK related to the change in employee mix with more new permanent employees and a doubling of office space in London, which diluted the impact seen on gross profit margins, and adjusted EBITA margin thus increased by 0.5 percentage points in Q1 2020. In Norway, the reduction in gross profit margin was also seen in adjusted EBITA margin. Adjusted EBITA margin in the Dutch operation was improved from negative 17.4% in Q4 2019 to positive 6.2% in Q1 2020 as a result of events already described related to improvement in gross profit margin but also as a result of the accelerated

Business Segments (continued)

integration process. The Adjusted EBITA margin in the Dutch operation is still lower than the UK and Norwegian operations as more administrative costs in the rapid build up phase of the Dutch operation impacts margins relatively harder.

Public

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q1 2020	Q1 2019	% chg	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue	433.3	350.8	23.5%	341.8	276.9	25.6	29.4	48.7	44.4	17.2	0.0
Cost of service	-272.5	-222.4	22.6%	-204.7	-168.0	-19.3	-18.4	-36.6	-35.9	-11.9	0.0
Gross profit	160.8	128.4	25.2%	137.1	108.9	6.3	11.0	12.1	8.5	5.3	0.0
Gross profit margin	37.1%	36.6%	0.5pp	40.1%	39.3%	24.7%	37.4%	24.8%	19.2%	30.8%	N/A
Allocated costs	-63.9	-50.1	27.6%	-50.2	-42.8	-3.5	-4.6	-5.8	-2.7	-4.3	0.0
Adjusted EBITA before allocated cost from HQ	96.9	78.3	23.7%	86.9	66.1	2.8	6.4	6.2	5.8	1.0	0.0
Adjusted EBITA margin before allocated cost from HQ	22.4%	22.3%	0.0pp	25.4%	23.9%	11.0%	21.9%	12.8%	13.0%	5.6%	N/A
Allocated costs from HQ	-7.7	-5.1	50.9%	-5.3	-4.0	-1.3	-0.4	-0.7	-0.7	-0.4	0.0
Special items	0.0	-0.6	-99.7%	0.0	-0.5	0.0	0.0	0.0	-0.1	0.0	0.0
EBITA	89.2	72.6	22.9%	81.6	61.6	1.6	6.0	5.5	5.0	0.6	0.0
EBITA margin	20.6%	20.7%	-0.1pp	23.9%	22.2%	6.1%	20.4%	11.3%	11.3%	3.4%	N/A
Amortisation	-16.3	-15.5	5.1%	-12.7	-12.3	-0.9	-1.2	-1.8	-2.0	-0.9	0.0
Operating profit	73.0	57.1	27.8%	68.9	49.3	0.7	4.8	3.7	3.0	-0.3	0.0
Operating profit margin	16.8%	16.3%	0.6pp	20.1%	17.8%	2.6%	16.3%	7.7%	6.8%	-1.9%	N/A

Public segment revenue increased by 23.5% to DKK 433.3m in Q1 2020, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 4.9 percentage points. The organic revenue growth was largely attributable to the Danish business operation, which grew by 23.4% in the period, driven by both new wins and existing customers prolonging their framework. Revenue growth in the UK public segment was limited by the deliberate decision to bring down the number of contractors, but still increased by 9.6% compared to the same period last year. Revenue in the Norwegian public sector decreased by 12.8% driven by more hours spend in the private sector and the timing of larger tenders expected to impact the Norwegian operation from late Q2 and in the second half of 2020.

Cost of services increased by 22.6% to DKK 272.5m. This led to an increase in gross profit margin of 0.5 percentage point, of which the margin impact from the acquisition of Netcompany Netherlands accounted for negative 0.3 percentage point. The increase in margin was primarily driven by an increase in margin in the UK and Danish business operations. In the UK, margin pickup was a direct result of terminating small projects staffed mainly with independent contractors where possible, while the margin pickup in Denmark was a result of more projects being in maintenance compared to the same period last year.

Public (continued)

Allocated costs increased by 27.6% in Q1 2020 to DKK 63.9m. Adjusted for the non-organic part relating to Netcompany Netherlands, allocated costs increased by 19%, which more or less corresponded to the increase in revenue on the organic part of the business. This development was driven by the general increase in administration costs as well as the split between hours in placed in the public and private segment.

Adjusted EBITA before allocated costs from HQ increased by 23.7% to DKK 96.9m, which led to a margin of 22.4% compared to 22.3% in Q1 2019. Adjusted for the non-organic impact from Netcompany Netherlands, margin increased by 0.7 percentage point, which was a result of the increase in gross profit margin.

Private

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q1 2020	Q1 2019	% chg	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019	Q1 2020	Q1 2019
Revenue	262.2	246.9	6.2%	182.9	165.0	29.3	25.7	49.6	56.2	0.5	0.0
Cost of service	-148.5	-141.7	4.8%	-91.0	-82.0	-20.5	-13.7	-36.7	-45.9	-0.2	0.0
Gross profit	113.7	105.2	8.1%	91.9	82.9	8.7	12.0	12.9	10.3	0.2	0.0
Gross profit margin	43.4%	42.6%	0.7pp	50.2%	50.3%	29.8%	46.6%	25.9%	18.3%	48.0%	N/A
Allocated costs	-34.1	-27.9	22.1%	-22.1	-19.3	-3.9	-3.5	-7.9	-5.0	-0.1	0.0
Adjusted EBITA before allocated cost from HQ	79.6	77.3	3.0%	69.8	63.6	4.8	8.5	4.9	5.2	0.1	0.0
Adjusted EBITA margin before allocated cost from HQ	30.4%	31.3%	-0.9pp	38.1%	38.5%	16.5%	33.0%	9.9%	9.3%	28.7%	N/A
Allocated costs from HQ	-4.8	-3.3	44.2%	-2.3	-1.8	-1.5	-0.3	-1.0	-1.2	0.0	0.0
Special items	0.0	-0.4	-99.8%	0.0	-0.2	0.0	0.0	0.0	-0.1	0.0	0.0
EBITA	74.8	73.5	1.7%	67.4	61.5	3.4	8.1	3.9	3.9	0.1	0.0
EBITA margin	28.5%	29.8%	-1.3pp	36.9%	37.3%	11.5%	31.6%	7.9%	6.9%	27.1%	N/A
Amortisation	-9.0	-10.2	-11.3%	-5.6	-5.6	-1.0	-0.9	-2.4	-3.7	0.0	0.0
Operating profit	65.8	63.4	3.8%	61.8	56.0	2.4	7.2	1.5	0.2	0.1	0.0
Operating profit margin	25.1%	25.7%	-0.6pp	33.8%	33.9%	8.1%	28.1%	3.1%	0.3%	22.9%	N/A

Private segment revenue increased by 6.2% to DKK 262.2m in Q1 2020, of which non-organic revenue growth from the acquisition of Netcompany Netherlands accounted for 0.2 percentage point. Organic revenue growth was primarily driven by the Norwegian and Danish business operation, which grew by 13.9% and 10.9%, respectively, while the UK operation fell by 11.8%. Revenue growth in the Norwegian private segment followed the same tendency as in Q4 2019, with the Norwegian revenue growth coming from existing customers prolonging their framework agreements and expansion of previously contracted framework agreements. Revenue growth in the Danish private segment was also driven by several large multiyear contracts. Further, revenue growth in Private segment Denmark was negatively impacted by more than 2 percentage points by the provision for bad debts made in the quarter. The decrease in revenue in the UK was driven by a combination of

Private (continued)

exchanging top line growth for improvement in margins by reducing the numbers of independent contractors where possible, as well as more time spend in the public segment.

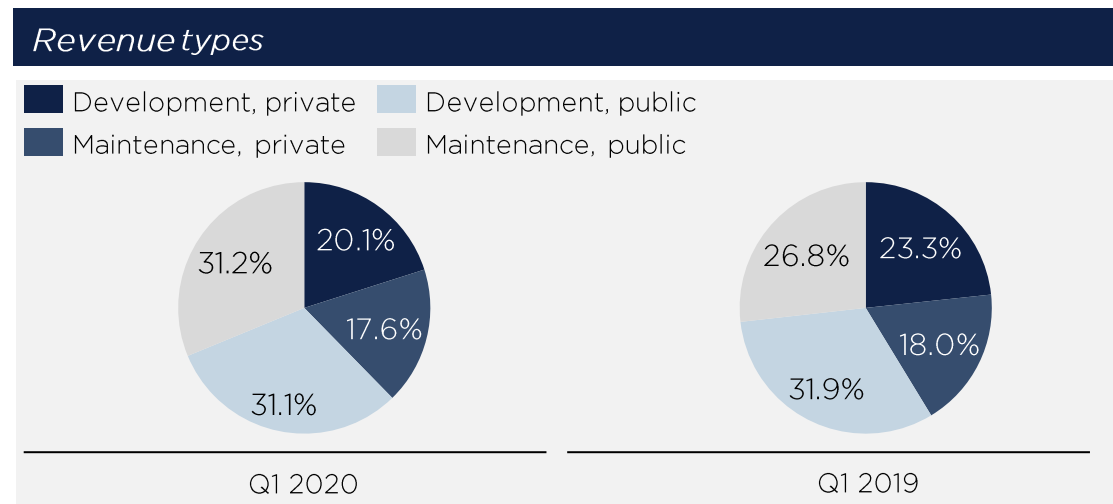
Cost of services increased by 4.8% to DKK 148.5m. This led to a gross profit margin of 43.4%, which was an increase of 0.7 percentage point compared to the same period last year, largely attributable to the change in the geographical split as a higher percentage of revenue growth came from Denmark and Norway, as well as the improvement in margin in the UK business.

Allocated costs increased by 22.1% in Q1 2020 to DKK 34.1m. The higher relative increase in allocated costs compared to revenue growth in the period was primarily driven by the general increase in administration costs as well as the split between hours in placed in the public and private segment.

Adjusted EBITA before allocated costs from HQ was DKK 79.6m, which yielded a margin of 30.4% compared to 31.3% in Q1 2019. The decrease in margin, was driven by the increase in allocated costs which more than offset the increase in gross profit margin.

Revenue types

In Q1 2020, maintenance amounted to 48.9% of the total revenue and the relative share of maintenance increased by 4.1 percentage points compared to Q1 2019, which corresponded to a nominal increase of DKK 72.2m. This was mainly driven by the public sector in Denmark and UK as the production was setting of several large complex projects during 2019. While the relative share of development decreased compared to the same period last year, the nominal revenue amount of development increased by 7.8%, driven by revenue coming from large scale development projects particular in the Danish private sector.



Currency exposures

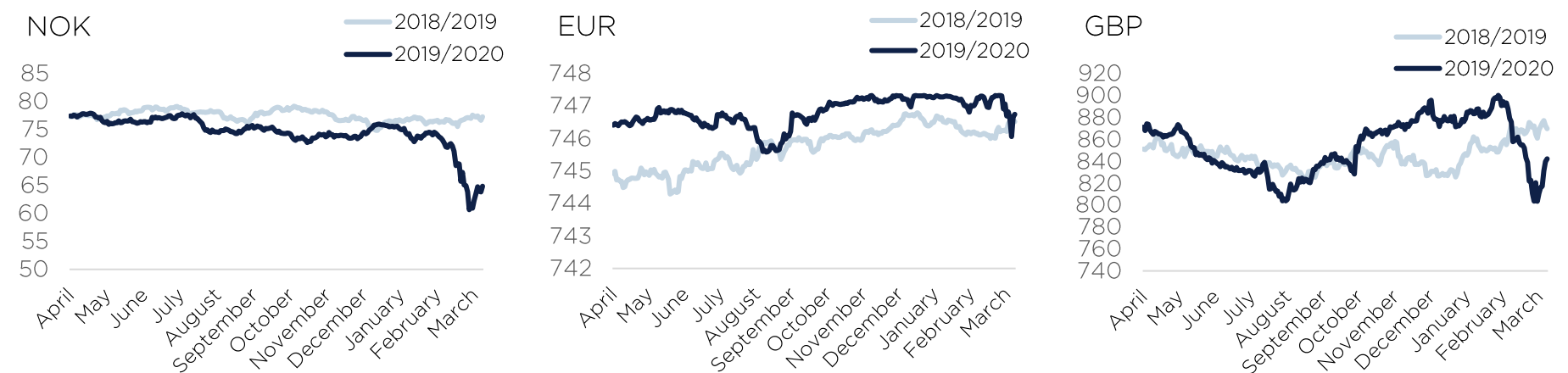
Local currency million	Q1 2020					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	524.7	76.6	11.3	2.4	0.0	0.0
EBIT	125.1	8.0	0.5	0.0	2,402.8	1.5
Net result	83.1	5.9	0.3	0.0	1,437.0	1.1

Local currency million	Q1 2019					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	441.9	71.9	11.8	0.0	0.0	0.0
EBIT	102.5	16.3	0.5	0.0	1,856.3	0.6
Net result	84.3	13.3	0.4	0.0	1,257.4	0.4

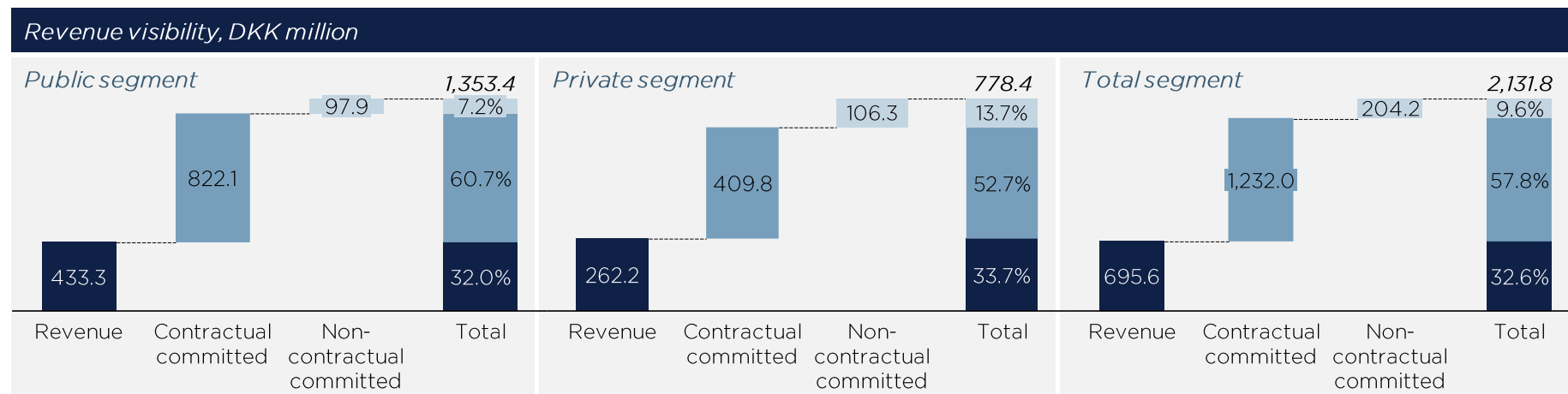
Netcompany is exposed to exchange rate risk in the countries where Netcompany has its sales activities outside Denmark, which means Norway, UK and the Netherlands and to a lesser extent, exchange rate risk in Poland and Vietnam, which is used as sourcing centres and therefore do not have an exchange rate risk related to sales activities, but only net costs exposures. As most of Netcompany's sales are in DKK, it implies limited foreign exchange risk due to the ultimate parent company's functional and reporting currency being in DKK.

Netcompany's policy is to hedge any exchange risk net exposure, that would yield a +2/-2 percentage points EBIT margin impact from a 10%/-10% change in that given currency. The graphs below show the currency exchange rates used for Netcompany's main currencies.

Currently Netcompany has not hedged any of its currency exposures.



Revenue visibility



Netcompany measures revenue visibility on a 12-month rolling basis, based on two main input parameters, defined as total value of committed engagements, which comprise of fixed price engagements and service agreements, and ongoing time and material engagements with a high likelihood of conversion and/or prolongation, defined as total value of planned continued engagements.

The public segment has a high degree of visibility from already known tenders and is typically driven by long, multi-year tender contracts with a significant share of maintenance and operations revenue. In contrast, private segment contracts typically have a duration of approximately 12 to 18 months reflecting a fundamental difference in the purchasing pattern for private sector segment customers compared to public sector segment customers. However, as more multi-year contracts are being won in the private segment the revenue visibility will – over time – converge to a similar pattern of that of the public segment.

Revenue visibility for 2020 amounts to DKK 2,131.8m. Of this, contractual committed revenue amounts to DKK 1,232.0m and non-contractual committed engagements amounts to DKK 204.2m, while realised revenue in Q1 2020 amounted to DKK 695.6m.

Revenue visibility for 2020 in the public segment amounts to DKK 1,353.4m. Of this, contractual committed revenue amounts to DKK 822.1m and non-contractual committed engagements amounts to DKK 97.9m, while realised revenue in Q1 2020 amounted to DKK 433.3m.

Revenue visibility for 2020 in the private segment amounts to DKK 778.4m. Of this, contractual committed revenue amounts to DKK 409.8m and non-contractual committed engagements amounts to DKK 106.3m, while realised revenue in Q1 2020 amounted to DKK 262.2m.

Compared to Q1 2019 revenue visibility increased 19.3% from DKK 1,786.3m for 2019 to DKK 2,131.8m for 2020.

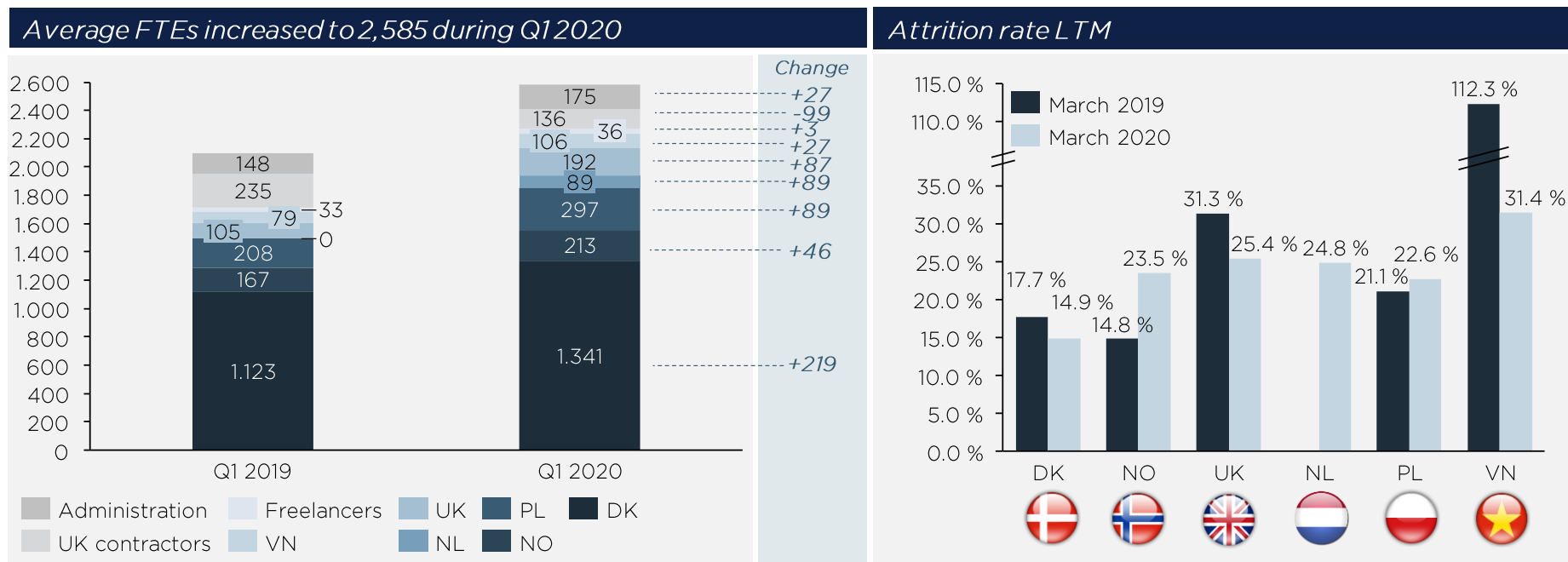
Employees

Netcompany employed an average of 2,585 FTEs in Q1 2020, which was an increase of 486 FTEs compared to Q1 2019 (2,099 FTEs). The increase in FTEs was driven by the intake of new employees in all countries supporting the continued increase in underlying business activities in both Denmark, Norway, and UK. The increase was also driven by the acquisition of Netcompany Netherlands in May 2019. The FTEs in Netcompany Netherlands affected the average FTEs in Q1 2020 by 89.

The growth in FTEs in Q1 2020, was however somewhat offset by the deliberate decision to reduce the number of independent contractors in UK. In the UK, the level of independent contractors was reduced by 99 to 136 for Q1. As of 1 April 2020, the number of independent contractors in the UK operation was 96.

The amount of client facing employees for the organic part of the Group (excluding the Netherlands) increased by 367 from 1,951 in Q1 2019 to 2,318 in Q1 2020.

The level of non-client facing employees was 6.8% in Q1 2020 compared to 7.1% in Q1 2019.



Employees (continued)

The attrition rate for the last twelve months was 18.6%, which was a decrease of 6.3 percentage point compared to the same period last year. Attrition rates in Denmark and the UK were reduced by 2.8 and 5.9 percentage points, respectively as a result of increased focus on onboarding activities, while the attrition rate in Norway increased by 8.7 percentage points. The increase in Norway was due to a higher number of voluntary leavers. The significant drop in attrition rate in Vietnam from Q1 2019 to Q1 2020 was a result of the close down of the Hanoi office in 2018, which drove the attrition rate up in the second half of 2018 and the first half of 2019.

Cash flow and other significant balance sheet items

Free cash flow and cash conversion rate

The Group generated a free cash flow of DKK 95.0m in Q1 2020, which was an increase of 26.4% compared to DKK 75.2m in Q1 2019. Adjusted for taxes paid on account¹, the Group generated a free cash flow of DKK 136.0m in Q1 2020 compared to DKK 111.1m in Q1 2019, corresponding to an increase in free cash flow of 22.5%. The increase was mainly driven by an improved operating result and an improvement in working capital changes, which more than offset the negative development in non-cash items compared to the same period last year. The development in working capital changes in Q1 2020 was driven by a decrease in trade receivables of DKK 105.1m from DKK 531.4m by the end of 2019 to DKK 426.3m by the end of Q1 2020. This was slightly offset by an increase in work in progress, which increased from DKK 268.3m by the end of 2019 to DKK 358.4m by the end of Q1 2020.

Cash conversion rate increased from 63.3% in Q1 2019 to 84.4% in Q1 2020. Adjusted for the taxes paid on account, cash conversion rate increased from 93.6% in Q1 2019 to 120.9% in Q1 2020.

¹Taxes paid within the Group are, due to local tax regulations, paid on account in Q1 and in Q4. To adjust for this timing mismatch between expensed and paid corporate income taxes the free cash flow should be viewed in a tax normalised manner to better reflect the underlying development in free cash flow based on operations rather than impact from local tax legislation in Denmark.

Trade receivables

During Q1 2019, Netcompany established a more strict controlling environment related to trade receivables. This has, together with some public costumers paying in advance in Q1 2020, resulted in a continued decrease in days sales outstanding, which was reduced from 67 days in Q1 2019 to 56 days in Q1 2020.

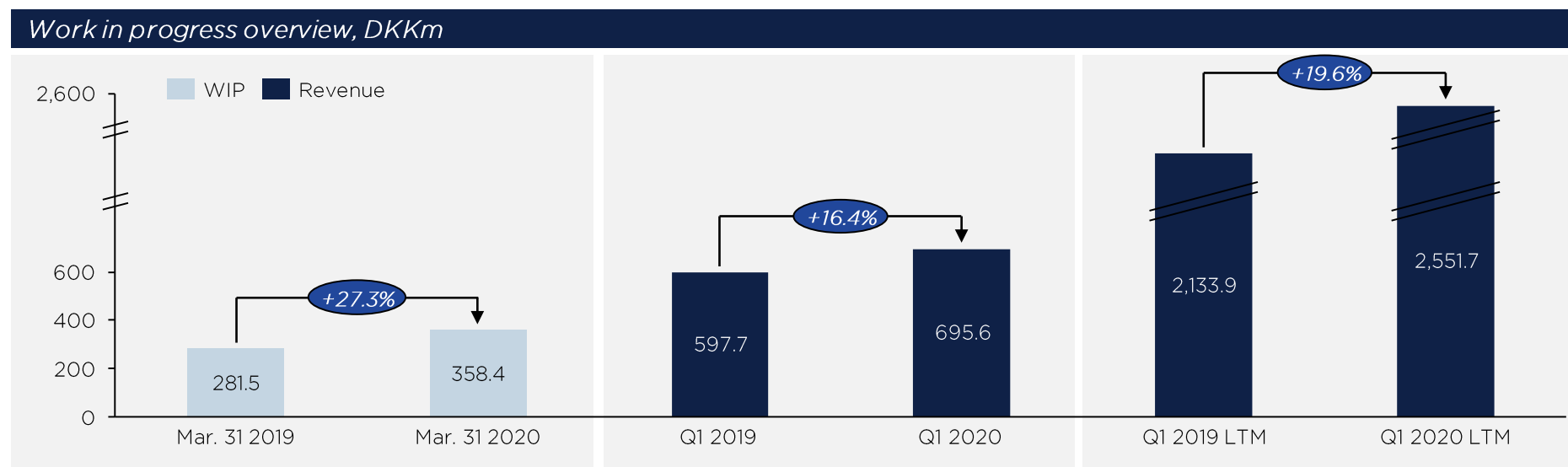
At 31 March 2020, trade receivables amounted to DKK 430.2m, which was a decrease of 1.9% compared to Q1 2019, while revenue in the same period grew by 16.4%. The overdue part of trade receivables was reduced from 27.8% by the end of Q1 2019 to 21.9% by the end of Q1 2020. Trade receivables paid in the following month amounted to DKK 262.0m, of which DKK 61.7m was overdue as of 31 March 2020. At 31 March 2020, the Group has a provision for expected credit losses of DKK 3.9m (31 March 2019: DKK 0.0m). No credit losses have incurred during Q1 2020.

<i>DKK million</i>	<i>Not overdue</i>	<i>0-30 days</i>	<i>30-60 days</i>	<i>60- 90 days</i>	<i>>90 days</i>	<i>Total</i>
Trade receivables, 31 March 2020	333.0	56.3	12.5	7.6	20.9	430.2
<i>Paid in the following month</i>	<i>200.3</i>	<i>54.7</i>	<i>5.1</i>	<i>0.9</i>	<i>1.1</i>	<i>262.0</i>
<i>% paid subsequently</i>	<i>60.2%</i>	<i>97.1%</i>	<i>40.6%</i>	<i>12.0%</i>	<i>5.1%</i>	<i>60.9%</i>
Trade receivables, 31 March 2019	316.9	105.8	13.0	0.8	2.3	438.7
<i>Paid in the following month</i>	<i>108.2</i>	<i>85.5</i>	<i>10.1</i>	<i>0.8</i>	<i>0.1</i>	<i>204.6</i>
<i>% paid subsequently</i>	<i>34.1%</i>	<i>80.8%</i>	<i>77.8%</i>	<i>100.0%</i>	<i>2.9%</i>	<i>46.6%</i>

Work in progress

At 31 March 2020, Netcompany’s work in progress amounted to DKK 358.4m, of which contract work in progress was DKK 394.3m and prebilled invoices was DKK 35.9m.

Work in progress increased by 27.3% from DKK 281.5m in Q1 2019 to DKK 358.4m in Q1 2020. In the same period revenue increased by 16.4% from DKK 597.7m in Q1 2019 to DKK 695.6m in Q1 2020, while revenue for the last twelve months increased by 19.6% compared to the work in progress which increased of 27.3% The main reason for the increase in work in progress is related to new projects in the Danish operation within both public and private as well as one specific project within the UK private segment. As with work in progress in general, there are no indications that these new projects will not be invoiced, and subsequently paid in full, in accordance with defined payment milestones within the various projects. In addition a number of projects that have been “work in progress” for a substantial period of time will reach their respective payment milestones during both Q2 and Q3 which will have a positive impact on total work in progress (in the means of being reduced) and subsequently positive impact on cashflow when collected from trade receivables.



Funding and liquidity

Netcompany’s bank agreement consists of committed facilities constituting a total amount of DKK 1,500m and an additional facility of DKK 400m, available only for new acquisitions. In December 2019, Netcompany made a voluntary repayment of DKK 150m, which means that the total amount utilised at 31 March 2020 was DKK 965m leaving a total of DKK 935m available in unutilised funding of which DKK 535m can be utilised for normal operations if needed with no additional costs or covenants.

Risk management

Please refer to the overview of risk factors provided by the Group in the annual report for 2019.

Events after the balance sheet date

To this date, no events have occurred after the balance sheet date, which would influence the evaluation of this report.

Guidance for 2020

Financial metrics

	<i>Target 2020</i>	<i>Actual performance 2019</i>
Organic revenue growth in constant currencies	~18-20%	17.7%
Adjusted EBITA margin from organic businesses in constant currencies	~26%	25.9%
Non-organic revenue growth	~1%	1.82%
Reported revenue growth in constant currencies	~19-21%	19.5%
Adjusted EBITA margin in constant currencies	~26%	25.2%

Despite significant uncertainties arising from the current COVID-19 virus, which introduces significant and substantial uncertainty to particularly the second half of 2020, Netcompany maintains its expectation for organic revenue growth of around 18-20% in constant currencies and non-organic revenue growth of around 1% in constant currencies. Organic and reported Adjusted EBITA in constant currencies is expected to be around 26%.

The uncertainties associated with the guidance for 2020 provided in connection with the release of the annual report for 2019, still to a large extent remains unchanged, including the uncertainty related to the transition of independent contractors to permanent employees in the UK following the implementation of IR35. The prolongation of the deadline for implementation hereof to 1 April 2021 has resulted in continued uncertainty extending further than 1 April 2020 on how many independent contractors will convert to permanent employment and the speed hereof. Netcompany continues to convert as many independent contractors to permanent employees as possible following the reduction of independent contractors during Q1 2020 by 45%, as it continues to be the desired way of working for Netcompany. As the level of contractors is expected to be further reduced during 2020, risk to top-line growth remains, though at a lower level than initially.

Guidance for 2020 (continued)

A number of large tenders in both Denmark and Norway are still in process – as planned – and as long as these tenders are not finally decided, Netcompany's revenue growth uncertainty remain with respect to these tenders being won, to support revenue growth in the second half of 2020.

In addition to the risks communicated in connection with the annual report 2019, a new and unprecedented risk to 2020 has emerged during March 2020 - the impact from the COVID-19 virus.

Generally, the impact from the COVID-19 virus and the actions taken by different countries to prevent the spread of the virus, could impact Netcompany negatively during 2020. Netcompany assesses, that the impact to Netcompany from COVID-19, to a large extent is dependent on the speed with which, markets where Netcompany operates, return to a more normal level of operations and functioning, combined with the impact of relief packages – both already announced relief packages and new potential fiscal stimuli packages – in the public and private sectors.

In a scenario where markets return to a more normal level in a shorter rather than longer period, and where governments will be utilising extensive expansive financial stimulus to accelerate the recovery of the economy, initiating and accelerating public investments into large digitalisation projects, the overall impact on the economy, and Netcompany, will be less severe compared to a scenario where markets are closed for a prolonged period of time with less government intervention into the markets. Irrespectively though the demand for digitalisation and projects related hereto has increased.

The Danish Central Bank has estimated the Danish economy to be negatively impacted by between 3% and 10% in 2020 – with large uncertainty. Similarly, official Government agencies in the UK, Norway and the Netherlands have estimated impacts of the same or even larger magnitude.

Specifically, the main effects of the COVID-19 that could impact Netcompany negatively- and where Netcompany have assessed the current situation and is taking mitigating actions - are:

Risk: A general postponement of ongoing large public tenders which could lead to prolonged and delayed decisions affecting the time when Netcompany could start new projects – assuming that the tenders are won.

Mitigation: Currently there is no indications that this will occur.

Risk: A reduction of demand in the private segment customers following the reduced activity in society in general leading to Netcompany customers cancelling, delaying, or downsizing current and/ or new projects.

Mitigation: Generally, Netcompany is engaged in complex mission critical projects with our customers that tend to be the last projects that are postponed. In addition, around 50% of Netcompany's revenue is generated from maintenance and operation of solutions previously deployed that continues to be operated – under the assumption that the respective customers are still operating. Currently this is the case for the vast majority of all Netcompany's customers in the private segment. In addition, some projects have been postponed and others have been initiated.

Guidance for 2020 (continued)

Risk: Difficulties in working efficiently in a remote setting. Delay of clarifications needed to ensure momentum in projects following lack of physical meetings with clients where such clarifications can be made. Can customers be effective in a remote setting.

Mitigation: Being a “digital in nature” company, Netcompany turned all projects and customer facing activities into a remote setting within 24 hours from 11 March 2020. In less than 24 hours all 2.500 Netcompany employees were able to work and access all systems remotely at the same time. Guidelines for how to “work remotely” were issued within the first week of the initial lock down in Denmark and they were issued Group wide. In March and April more than 98% of all Netcompany employees worked remote. In addition, the vast majority of Netcompany’s customers are already fairly advanced when it comes to working in a digital setting. Meeting structures are being accommodated on an ad-hoc basis to ensure continued efficiency in cooperation with customers.

Risk: The lack of technical infrastructure on the customer side making remote work and delivery difficult leading to delays.

Mitigation: The vast majority of solutions delivered from Netcompany to customers in both the public and private segment has been related to digitalisation in one format or another. This means that Netcompany’s customers generally are fairly advanced when it comes to digital infrastructure. When the decision to go to a remote delivery was taken, Netcompany were in contact with all customers agreeing the conditions of how to continue projects in a new remote delivery setting within 24 hours.

Risk: Lack of payment ability with private segment clients as a result of the general decline in economic activity in society in general, could lead to increased level of bankruptcy among the private clients in Netcompany’s portfolio leading to increased write off’s of bad debts impacting revenue and margins negatively.

Mitigation: Some private customers have requested extended payment terms as a result of the negative cash flow impact the COVID-19 crisis has on their respective businesses. In general, Netcompany has agreed to those requests. On the other hand, some public institutions in Denmark have moved forward payments of outstanding invoices. On balance Netcompany is not currently negatively impacted on cash flow from the COVID-19 crisis in any significant manner.

Shareholder information

Capital

Netcompany's share capital is DKK 50.0m divided into 50m shares. Netcompany holds 899,813 treasury shares equivalent to 1.8% of the share capital. The shares will be used to honour the Group's commitments under its RSU and LTIP programs.

Share-based incentive schemes/restricted stock units

In total, 337,028 RSUs were issued at 31 March 2020, of which 104,403 were granted to Executive Management and 232,625 were granted to other Key Management Personnel and other employees. The fair value of the RSUs at grant was DKK 76.7m. The cost related hereto is expensed over the vesting period. A total amount of DKK 5.0m was recognised as personnel costs in the income statement in Q1 2020.

Additional information on the Remuneration to members of the Board of Directors and Executive Management Board is disclosed in the remuneration policy.

Statement of the Board of Directors and Executive Management

Today, the Board of Directors and Executive Management considered and approved the interim consolidated financial statements for Netcompany Group A/S (“Netcompany” or “the company” and together with all its subsidiaries “the Group”) for the period 1 January 2020 to 31 March 2020. The Q1 2020 report has not been audited or reviewed by the company’s independent auditors.

The interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU and additional Danish regulations for the presentation of interim reports by listed companies. Furthermore, the interim report has been prepared in accordance with the accounting policies set out in the Group’s Annual Report for 2019.

In our opinion, the accounting policies used are appropriate, and the overall presentation of the interim consolidated financial statements gives a true and fair view of the Group’s assets, liabilities and financial position as at 31 March 2020 and of the results of the Group’s operations and cash flows for the period 1 January 2020 to 31 March 2020.

We further consider that the Management’s Review in the preceding pages includes a true and fair account of the development and performance of the Group, the results for the period and the financial position, as well as a description of the principal risks and uncertainties that the Group faces in accordance with Danish disclosure requirements for listed companies.

Copenhagen, 6 May 2020

Executive Management:

André Rogaczewski
CEO

Claus Jørgensen
COO

Thomas Johansen
CFO

Board of Directors:

Bo Rygaard
Chairman of the Board

Juha Christensen
Vice Chairman of the Board

Robbert Kuppens

Scanes Bentley

Consolidated interim financial statements and notes

Income statement and Statement of comprehensive income

<i>DKK thousands</i>	<i>Note</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
<i>Income statement</i>				
Revenue	1	695,563	597,683	2,453,853
Cost of services	2	-421,034	-364,058	-1,458,102
Gross profit		274,529	233,626	995,751
Sales and marketing costs		-4,409	-2,735	-11,742
Administrative costs	3	-106,060	-83,688	-366,658
Special items	4	-3	-1,075	-4,398
EBITA		164,057	146,128	612,954
Amortisation		-25,299	-25,655	-101,674
Operating profit (EBIT)		138,758	120,473	511,280
Financial income	5	6,333	15,329	39,930
Financial expenses	5	-25,484	-9,407	-53,954
Profit / loss before tax		119,608	126,394	497,256
Tax on the profit for the period		-26,792	-27,689	-108,786
Net profit / loss for the period		92,816	98,705	388,470
<i>Earnings per share</i>				
Earnings per share (DKK)	6	1.89	2.00	7.90
Diluted Earnings per share (DKK)	6	1.88	1.99	7.88
<i>Statement of comprehensive income</i>				
Net profit / loss for the period		92,816	98,705	388,470
<i>Other comprehensive income:</i>				
Foreign currency translation subsidiaries		-62	-9,944	-11,928
Other comprehensive income, net of tax		-62	-9,944	-11,928
Total comprehensive income		92,754	88,761	376,542

Balance Sheet

<i>DKK thousands</i>	<i>Note</i>	<i>31 Mar. 2020</i>	<i>31 Mar. 2019</i>	<i>31 Dec. 2019</i>
<i>Assets</i>				
Intangible assets		2,525,262	2,458,786	2,550,560
Tangible assets		145,806	133,227	146,223
Deferred tax assets		3,502	1,533	3,526
Other receivables		16,419	14,690	15,980
<i>Total non-current assets</i>		<i>2,690,988</i>	<i>2,608,236</i>	<i>2,716,290</i>
Trade receivables	7	426,299	438,746	531,402
Contract work in progress	8	394,342	307,153	319,354
Other receivables		56,145	32,178	28,182
Tax receivables		15,336	21,233	0
Cash		208,538	174,694	132,350
<i>Total current assets</i>		<i>1,100,660</i>	<i>974,004</i>	<i>1,011,288</i>
<i>Total assets</i>		<i>3,791,647</i>	<i>3,582,239</i>	<i>3,727,577</i>

Balance Sheet (continued)

<i>DKK thousands</i>	<i>Note</i>	<i>31 Mar. 2020</i>	<i>31 Mar. 2019</i>	<i>31 Dec. 2019</i>
<i>Equity and liabilities</i>				
Share capital		50,000	50,000	50,000
Treasury shares		-175,000	-175,000	-175,000
Share-based remuneration		22,765	6,406	17,724
Exchange differences on translating foreign subsidiaries		-14,105	-12,060	-14,044
Retained earnings		2,285,834	1,903,252	2,193,018
<i>Total equity</i>		<i>2,169,494</i>	<i>1,772,599</i>	<i>2,071,699</i>
Borrowings	9	959,120	1,107,206	958,642
Leasing		56,071	48,738	64,621
Deferred tax liability		73,364	86,703	73,341
<i>Total non-current liabilities</i>		<i>1,088,555</i>	<i>1,242,647</i>	<i>1,096,604</i>
Leasing		41,760	48,738	39,359
Prebilled invoices	8	35,943	25,691	51,016
Trade payables		55,981	46,704	44,055
Other payables	10	396,391	419,462	394,414
Provisions	11	3,525	26,395	3,525
Income tax payable		0	0	26,905
<i>Total current liabilities</i>		<i>533,599</i>	<i>566,991</i>	<i>559,275</i>
<i>Total liabilities</i>		<i>1,622,154</i>	<i>1,809,638</i>	<i>1,655,879</i>
<i>Total equity and liabilities</i>		<i>3,791,647</i>	<i>3,582,239</i>	<i>3,727,577</i>
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Cash Flow statement

<i>DKK thousands</i>	<i>Note</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
Operating profit (EBIT)		138,758	120,473	511,280
Depreciation and amortisation		41,040	37,638	157,946
Non-cash items		-3,715	7,136	19,160
Working capital changes		981	-9,049	-86,706
<i>Total</i>		<i>177,065</i>	<i>156,198</i>	<i>601,679</i>
Income taxes paid		-68,008	-66,491	-115,669
Financial income received		863	838	3,816
Financial expenses paid		-3,329	-9,244	-29,497
<i>Cash flow from operating activities</i>		<i>106,590</i>	<i>81,301</i>	<i>460,329</i>
Net cash outflow on acquisition of subsidiaries		0	0	-37,325
Acquisition of property, plant and equipment		-11,577	-6,115	-24,578
Other receivables (deposits)		-327	-1,546	-2,880
<i>Cash flow from investment activities</i>		<i>-11,904</i>	<i>-7,661</i>	<i>-64,784</i>
Payment of treasury shares		0	0	-175,000
Proceeds from borrowings		0	0	75,000
Repayment of borrowings		0	0	-225,000
Repayment of right of use assets		-10,919	-8,405	-38,414
<i>Cash flow from financing activities</i>		<i>-10,919</i>	<i>-8,405</i>	<i>-363,414</i>
<i>Net increase in cash and cash equivalents</i>		<i>83,767</i>	<i>65,234</i>	<i>32,131</i>
Cash and cash equivalents at the beginning		132,350	107,666	107,666
Cash and cash equivalents balances acquired		0	0	-8,519
Effect of exchange rate changes on the balance cash held in foreign currencies		-7,580	1,793	1,072
<i>Cash and cash equivalents at the end</i>		<i>208,538</i>	<i>174,694</i>	<i>132,350</i>

Statement of changes in Equity

<i>DKK thousands</i>	<i>Share capital</i>	<i>Treasury shares</i>	<i>Share-based remuneration</i>	<i>Foreign currency translation subsidiaries</i>	<i>Retained earnings</i>	<i>Total</i>
<i>Equity at 1 January 2020</i>	50,000	-175,000	17,724	-14,044	2,193,018	2,071,699
Share-based remuneration for the period	0	0	5,041	0	0	5,041
Profit for the period	0	0	0	0	92,816	92,816
Other comprehensive income	0	0	0	-62	0	-62
<i>Equity at 31 March 2020</i>	50,000	-175,000	22,765	-14,105	2,285,834	2,169,494
<i>Equity at 1 January 2019</i>	50,000	0	3,818	-2,116	1,754,548	1,806,251
Treasury Shares for the period	0	-175,000	0	0	50,000	-125,000
Share-based remuneration for the period	0	0	2,588	0	0	2,588
Profit for the period	0	0	0	0	98,705	98,705
Other comprehensive income	0	0	0	-9,944	0	-9,944
<i>Equity at 31 March 2019</i>	50,000	-175,000	6,406	-12,060	1,903,252	1,772,599
<i>Equity at 1 January 2019</i>	50,000	0	3,818	-2,116	1,754,548	1,806,251
Treasury Shares for the period	0	-175,000	0	0	50,000	-125,000
Share-based remuneration for the period	0	0	13,906	0	0	13,906
Profit for the period	0	0	0	0	388,470	388,470
Other comprehensive income	0	0	0	-11,928	0	-11,928
<i>Equity at 31 December 2019</i>	50,000	-175,000	17,724	-14,044	2,193,018	2,071,699

Notes

Note 1 - Segment information

Segment information related to geographical areas:

DKK thousands	Q1 2020					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	524,707	54,909	98,266	17,680	0	695,563
EBITA, operating entities	149,008	4,918	9,415	716	0	164,057
Allocated cost	4,408	1,002	-5,039	-698	326	0
EBITA, reported in legal entities	153,416	5,920	4,376	19	326	164,057

DKK thousands	Q1 2019					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	441,904	55,110	100,669	N/A	0	597,683
EBITA, operating entities	123,074	14,139	8,916	N/A	0	146,128
Allocated cost	8,664	-1,624	-5,120	N/A	-1,920	0
EBITA, reported in legal entities	131,737	12,515	3,795	N/A	-1,920	146,128

DKK thousands	Total 2019					
	Denmark	Norway	United Kingdom	Netherlands	Other	Total
Revenue from external customers	1,818,811	198,396	399,286	37,361	0	2,453,854
EBITA, operating entities	541,145	31,306	47,053	-6,549	0	612,954
Allocated cost	30,499	-3,965	-21,004	-1,649	-3,882	0
EBITA, reported in legal entities	571,643	27,341	26,049	-8,198	-3,882	612,954

"Other" legal entities consist of administrative Danish companies and companies in Poland and Vietnam.

Note 2 – Cost of services

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
Cost of services	-77,560	-96,221	-341,354
Salaries	-340,035	-265,159	-1,103,599
Depreciation	-3,439	-2,678	-13,149
<i>Cost of services total</i>	<i>-421,034</i>	<i>-364,058</i>	<i>-1,458,102</i>

Note 3 – Administrative costs

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
Administrative costs	-51,136	-41,060	-181,372
Salaries	-42,621	-33,323	-142,164
Depreciation	-12,302	-9,305	-43,122
<i>Administrative costs total</i>	<i>-106,060</i>	<i>-83,688</i>	<i>-366,658</i>

Note 4 – Special items

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
Costs related to IPO	0	0	0
Costs related to M&A	-3	-1,074	-4,398
<i>Costs total</i>	<i>-3</i>	<i>-1,075</i>	<i>-4,398</i>

Note 5 - Financial income and expenses

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
<i>Financial Income</i>			
Exchange rate adjustments	6,317	15,321	39,873
Other financial income	16	8	57
<i>Financial income total</i>	<i>6,333</i>	<i>15,329</i>	<i>39,930</i>
<i>Financial expenses</i>			
Interest expense, bank loan	3,927	4,792	18,788
Interest expense, leasing	985	690	3,313
Exchange rate adjustments	19,472	396	23,974
Other financial expenses	1,099	3,529	7,879
<i>Financial expenses total</i>	<i>25,484</i>	<i>9,407</i>	<i>53,954</i>

Note 6 - Earnings per share

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
Earnings per share - EPS (DKK)	1.89	2.00	7.90
Diluted earnings per share - EPS-D (DKK)	1.88	1.99	7.88
Profit	92,816	98,705	388,470
Average number of shares	50,000	50,000	50,000
Average number of treasury shares	900	573	818
Average number of shares in circulation	49,100	49,427	49,182
Average number of outstanding restricted stock units	158	70	111
Average number of diluted shares in circulation	49,258	49,497	49,293

Note 7 – Trade receivables

<i>DKK thousands</i>	<i>31 Mar. 2020</i>	<i>31 Mar. 2019</i>	<i>31 Dec. 2019</i>
Not overdue	333,008	316,909	356,596
0-30 days overdue	56,281	105,807	134,702
31-60 days overdue	12,451	12,986	24,286
61-90 days overdue	7,581	764	5,763
Over 90 days overdue	20,882	2,281	10,870
Total trade receivables excl. bad debt provision	430,204	438,746	532,217
Bad debt provision	-3,904	0	-816
Total trade receivables	426,299	438,746	531,402

The Group is continuously conducting individual assessments of bad debt. If this leads to an assessment that the Group will not be able to collect the amount accounted for, an allowance for bad debt is made. At 31 March 2020, the Group recognised a provision for expected credit losses of DKK 3.9m (31 March 2019: DKK 0.0m), and no credit losses have incurred during Q1 2020.

The credit quality of trade receivables at 31 March 2020, is considered satisfactory.

Note 8 – Contract work in progress

<i>DKK thousands</i>	<i>31 Mar. 2020</i>	<i>31 Mar. 2019</i>	<i>31 Dec. 2019</i>
Selling price of work performed on fixed price projects	963,108	718,661	850,415
Invoiced amount on fixed price projects	-604,709	-437,199	-582,077
Total contract work in progress	358,400	281,462	268,339
<i>Net value – stated on a contract-per-contract basis – is presented in the balance sheet as follows:</i>			
Contract work in progress	394,342	307,153	319,354
Prebilled invoices	-35,943	-25,691	-51,016
Total contract work in progress	358,400	281,462	268,339

Note 9 - Borrowings

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Nominal Value	Carrying amount
Bank loan 31 March 2020	DKK	2023	Floating	6,061	965,182	959,120
				6,061	965,182	959,120
Bank loan 31 March 2019	DKK	2023	Floating	7,976	1,115,182	1,107,206
				7,976	1,115,182	1,107,206
Bank loan 31 December 2019	DKK	2023	Floating	6,540	965,182	958,642
				6,540	965,182	958,642

Note 10 - Other payables

DKK thousands	31 Mar. 2020	31 Mar. 2019	31 Dec. 2019
Wages and salaries, payroll taxes, social security costs, etc payable	25,815	18,157	44,521
Holiday pay obligation	160,011	123,389	126,595
VAT and duties	52,311	53,818	58,684
Obligation to purchase treasury shares	0	175,000	0
Contingent purchase price & earn out	120,441	0	120,441
Other costs payable	37,813	49,099	44,173
Total	396,391	419,463	394,414

For further details on contingent purchase price and earn out, please refer to Company Announcement Q2 2019 note 7 or Annual Report 2019.

Other costs include accruals for fee, administration, sales, and other items. Other accruals liabilities have a remaining term of up to one year.

Note 11 - Provision

DKK thousands	31 Mar. 2020	31 Mar. 2019	31 Dec. 2019
Onerous contracts and warranty obligations beginning of period	3,525	36,087	36,087
Decrease in the period	0	-9,692	-32,562
Onerous contracts and warranty obligations end of period	3,525	26,395	3,525

Note 12 – Income Statement classified by function

<i>DKK thousands</i>	<i>Q1 2020</i>	<i>Q1 2019</i>	<i>Total 2019</i>
<i>Income statement</i>			
Revenue	695,563	597,683	2,453,853
Cost of services, incl. depreciation and amortisation	-421,034	-364,058	-1,458,102
<i>Gross profit</i>	<i>274,529</i>	<i>233,626</i>	<i>995,751</i>
Sales and marketing costs, incl. depreciation and amortisation	-4,409	-2,735	-11,742
Administrative costs, incl. depreciation and amortisation	-131,362	-110,418	-472,729
<i>Operating profit (EBIT)</i>	<i>138,758</i>	<i>120,473</i>	<i>511,280</i>
Financial income	6,333	15,329	39,930
Financial expenses	-25,484	-9,407	-53,954
<i>Profit / loss before tax</i>	<i>119,608</i>	<i>126,394</i>	<i>497,256</i>
Tax on the profit for the period	-26,792	-27,689	-108,786
<i>Net profit / loss for the period</i>	<i>92,816</i>	<i>98,705</i>	<i>388,470</i>
<i>Depreciation and Amortisation have been presented as follows in the income statement:</i>			
Cost of services	-3,439	-2,678	-13,149
Administrative costs depreciation	-12,302	-9,305	-43,122
Administrative costs amortisation	-25,299	-25,655	-101,674
<i>Depreciation and amortisation</i>	<i>-41,040</i>	<i>-37,638</i>	<i>-157,946</i>

Note 13 – Collateral provided and contingent liabilities

There have been no changes in collateral provided and contingent liabilities during Q1 2020 compared to the annual report for 2019.

Note 14 – Related party transactions

There have been no related party transactions with any significant shareholders in Q1 2020.

Note 15 – Financial figures and highlights

DKK million	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Income statement							
Revenue							
Public	433.3	406.9	356.4	341.5	350.8	321.0	277.5
Private	262.2	264.1	235.7	251.6	246.9	222.3	212.8
<i>Revenue by segments, total</i>	695.6	671.0	592.1	593.1	597.7	543.3	490.3
Development	355.7	338.9	299.1	289.7	330.0	304.6	260.2
Maintenance	339.8	332.1	293.0	303.4	267.6	238.7	230.1
<i>Revenue by types, total</i>	695.6	671.0	592.1	593.1	597.7	543.3	490.3
Organic	677.9	654.7	578.1	586.0	597.7	517.8	406.2
Acquisition	17.7	16.3	14.0	7.1	0.0	25.5	84.1
<i>Revenue by growth, total</i>	695.6	671.0	592.1	593.1	597.7	543.3	490.3
Special items	0.0	0.0	-0.6	-2.7	-1.1	-0.1	0.0
EBITA	164.1	179.8	163.5	123.5	146.1	130.6	136.3
Adjusted EBITA	164.1	179.9	164.1	126.1	147.2	130.8	136.4
Operating profit (EBIT)	138.8	154.4	137.5	98.9	120.5	101.8	107.5
Net financials	-19.2	5.1	-3.7	-21.3	5.9	-10.2	-8.4
Net profit / loss	92.8	125.6	102.5	61.7	98.7	68.4	78.3
Financial position							
Capex	-11.6	-9.1	-4.3	-5.0	-6.1	-8.8	-7.6
Total assets	3,791.6	3,727.6	3,731.5	3,680.0	3,582.2	3,485.4	3,537.4
Equity	2,169.5	2,071.7	1,950.7	1,847.8	1,772.6	1,806.3	1,734.8
Net increase in cash and cash equivalents	83.8	-44.7	40.8	-29.2	65.2	-105.6	42.9
Free cash flow	95.0	116.8	126.5	117.2	75.2	22.8	49.3
Free cash flow (tax normalised)	136.0	117.4	89.6	99.1	111.1	104.3	31.1
Earnings per share							
Earnings per share (DKK)	1.89	2.56	2.09	1.26	2.00	1.38	1.61
Diluted Earnings per share (DKK)	1.88	2.55	2.08	1.25	1.99	1.38	1.61
Employees							
Average number of full-time employees	2,585	2,468	2,345	2,259	2,099	1,979	1,843

Note 15 – Financial figures and highlights (continued)

<i>DKK million</i>	<i>Q1 2020</i>	<i>Q4 2019</i>	<i>Q3 2019</i>	<i>Q2 2019</i>	<i>Q1 2019</i>	<i>Q4 2018</i>	<i>Q3 2018</i>
<i>Financial ratios</i>							
Gross profit margin	39.5%	42.3%	43.2%	37.6%	39.1%	39.4%	42.4%
EBITA margin	23.6%	26.8%	27.6%	20.8%	24.4%	24.0%	27.8%
Adjusted EBITA margin	23.6%	26.8%	27.7%	21.3%	24.6%	24.1%	27.8%
Operating profit margin	19.9%	23.0%	23.2%	16.7%	20.2%	18.7%	21.9%
Effective tax rate	22.4%	21.2%	23.4%	20.5%	21.9%	25.4%	21.0%
Return on equity	4.7%	6.5%	5.6%	3.5%	5.7%	4.0%	5.1%
Solvency ratio	57.2%	55.6%	52.3%	50.2%	49.5%	51.8%	49.0%
<i>Financial metrics</i>							
Revenue growth	16.4%	23.5%	20.8%	18.0%	15.6%	22.5%	45.3%
Operating profit margin	19.9%	23.0%	23.2%	16.7%	20.2%	18.7%	21.9%
Return on invested capital (ROIC)	3.3%	4.4%	3.6%	2.2%	3.6%	2.5%	3.0%
Cash conversion rate	84.4%	80.3%	103.1%	145.0%	63.3%	25.1%	49.0%
Cash conversion rate (tax norm.)	120.9%	80.7%	73.0%	122.6%	92.7%	114.7%	30.9%

Note 16 – Accounting policies

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim consolidated financial statements included in this Q1 2020 financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. The accounting policies applied are consistent with those applied in the consolidated annual report for the year ended 31 December 2019 for Netcompany Group A/S.

Financial Calendar

- 19 August 2020: Interim report for the period 1 January 2019 to 30 June 2020
- 6 November 2020: Interim report for the period 1 January 2019 to 30 September 2020

Formulas

The ratios have been compiled in accordance with the following calculation formulas:

Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	Free cash flow	=	Cash flow from operating activities - Capex
EBITA	=	Operating profit + Amortisation	CAPEX	=	Cost spent to buy intangible and tangible assets, excluding impact from business acquisitions.
EBITA margin	=	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	Cash conversion ratio	=	$\frac{\text{Free cash flow} \times 100}{\text{Net profit} - \text{amortisation and deferred tax of amortisation}}$
Adjusted EBITA	=	EBITA + Special items	Days sales outstanding	=	$\frac{\text{Trade receivables} \times \text{days}}{\text{Revenue}}$
Adjusted EBITA margin	=	$\frac{\text{Adjusted EBITA} \times 100}{\text{Revenue}}$	Return on equity	=	$\frac{\text{Net profit} \times 100}{\text{Average equity}}$
Operating profit margin	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$	Return on invested capital (ROIC)	=	$\frac{\text{Net profit} \times 100}{\text{Average invested} - \text{capital}}$
EBITDA	=	EBIT + Depreciation and amortisation	Solvency	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
EPS	=	$\frac{\text{Net profit} - \text{Dividends on preferred stock}}{\text{Average outstanding shares}}$			
EPS diluted	=	$\frac{\text{Net profit} - \text{Dividends on preferred stock}}{\text{Average outstanding shares} + \text{RSUs}}$			

Disclaimer

This report contains forward-looking statements including, but not limited to, the statements and expectations contained in the outlook section. Forward-looking statements are statements (other than statements of historical fact) relating to future events and Netcompany's anticipated or planned financial and operational performance.

The words 'may', 'will', 'will continue', 'should', 'expect', 'foresee', 'anticipate', 'believe', 'estimate', 'plan', 'predict', 'intend' or variations of these words, including negatives thereof, as well as other statements regarding matters that are not historical fact or regarding future events or prospects, constitute forward-looking statements.

Netcompany has based these forward-looking statements on its current views with respect to future events and financial performance. These views involve a number of risks and uncertainties, which could cause actual results to differ materially from those predicted in the forward-looking statements and from the past performance of Netcompany.

Although Netcompany believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the industry in general or Netcompany in particular, including those described in Netcompany Group A/S' Annual Report 2019 and other information made available by Netcompany.

Factors that may affect future results include, but are not limited to, global and economic conditions, including currency exchange rate and interest rate fluctuations, delay or failure of projects related to research and/or development, unexpected contract breaches or terminations, unplanned loss of patents, government-mandated or market-driven price decreases for Netcompany's products, introduction of competing products, reliance on information technology, Netcompany's ability to successfully market current and new products, exposure to product liability, litigation and investigations, regulatory developments, actual or perceived failure to adhere to ethical marketing practices, unexpected growth in costs and expenses, failure to recruit and retain the right employees, and failure to maintain a culture of compliance.

As a result, forward-looking statements should not be relied on as a prediction of actual results. Netcompany undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except to the extent required by law.

The Annual Report 2019 of Netcompany Group A/S is available at www.netcompany.com

About Netcompany

Netcompany delivers business critical IT solutions and consultancy that help our customers to achieve significant business benefits in a digitised world. Netcompany also helps our customers to manage and operate IT solutions both on location and in the cloud.