netcompany

Annual Report 2018

Netcompany A/S
Grønningen 17,1, 1270 Copenhagen K

Central Business
Registration No 14 81 48 33

The Annual General Meeting adopted the annual report on 21 March 2019
Chairman of the General Meeting Tine Kosmider Boye

Deflate

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Entity details

Entity
Netcompany A/S (Formerly known as
“Netcompany IT & Business Consulting A/S”)
Grønningen, 17, 1
1270 Copenhagen K, Denmark

Business Registration No: 14 81 48 33
Registered in: Copenhagen, Denmark

Board of Directors
André Rafal Rogaczewski, Chairman
Claus Bo Jørgensen
Thomas Johansen
Tine Kosmider Boye

Executive Board
Gustaf Pontus Löfberg

Entity Auditors
Deloitte Statsautoriseret
Revisionspartnerselskab

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Netcompany A/S for the financial year 1 January to 31 December 2018.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31 December 2018 and of the results of the Entity's operations and cash flows for the financial year 1 January to 31 December 2018.

In our opinion, the management commentary contains a fair review of the development of the Entity's business and financial matters, the results for the year and the Entity's financial position, together with a description of the principal risks and uncertainties that the Entity face.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 21 March 2019

EXECUTIVE BOARD

Gustaf Pontus Löfberg
— chief executive officer

BOARD OF DIRECTORS

André Rafal Rogaczewski
— chairman

Claus Bo Jørgensen

Thomas Johansen

Tine Kosmider Boye

Independent auditor's report

To the shareholder of Netcompany A/S

Opinion

We have audited the financial statements of Netcompany A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018, and of the results of their operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

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

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Managment's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Copenhagen, 21 March 2019

Deloitte Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
MNE no 10944

Brian Schmit Jensen
State Authorised Public Accountant
MNE no 40050

Management commentary

Financial highlights and key figures	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000	2014 DKK'000
Revenue	1.577.161	1.229.413	887.878	758.107	629.211
Gross profit	695.489	482.777	452.844	- *	- *
Operating profit (EBIT)	491.308	317.646	185.144	184.743	144.095
Net financial income/(costs)	2.870	-2.765	-3.596	2.414	4.003
Net profit for the year	426.480	263.889	169.830	168.878	133.212
Total comprehensive income	426.480	263.889	169.830	168.878	133.212
Balance sheet total	1.084.332	781.255	446.377	476.193	425.106
Equity	671.432	418.235	224.346	318.107	263.922
Investments in fixed assets	21.521	12.683	10.718	2.724	6.937
Average number of employees	1.095	810	680	564	468

Ratios

EBIT margin (%)	31,2%	25,8%	20,9%	24,4%	22,9%
Return on assets (%)	39,3%	33,8%	38,0%	35,5%	31,3%
Return on equity (%)	78,3%	82,1%	62,6%	58,0%	62,7%
Solvency ratio (%)	61,9%	53,5%	50,3%	66,8%	62,1%

* As mentioned in note 3, the Entity changed presentation of comprehensive income, and therefore we do not have information prior to 2016.

Financial highlights are defined and calculated in accordance with "Recommendations & Financial Ratios" issued by the Danish Finance Society. The ratios have been compiled in accordance with the following calculation formulas:

$$\text{EBIT Margin} = \frac{\text{EBIT x 100}}{\text{Revenue}}$$

$$\text{Return on assets} = \frac{\text{Net Profit for the year x 100}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net Profit for the year x 100}}{\text{Average equity}}$$

$$\text{Solvency ratio} = \frac{\text{Equity x 100}}{\text{Total assets}}$$

As from 2016, Netcompany A/S presents the financial statements in accordance with International Financial reporting Standards, IFRS. The income statements figures for 2015-2018, and the balance sheet items for 2018 are prepared in accordance with IFRS, whereas the other figures are prepared in accordance with the Danish Financial Statements Act. The Entity decided to implement IFRS 16 in 2017 applying the “retrospective” approach, which means restating opening retained earnings as if IFRS 16 had been applied and preparing comparative figures according to IFRS 16, thereby affecting 1 January 2015, 2016, 2017 & 2018.

Management commentary

Primary activities
The Entity´s primary activity is to provide IT services as well as any related business.

Development in activities and finances
Revenue for the year amounts to DKK 1,577,161k, and profit after tax amounts to DKK 426,480k. Revenue and profit are considered satisfactory and meet expectations for the year in the light of a high investment level. The Entity has a solid and satisfactory order book, and at the same time customer relations and the market position are growing stronger. Based on this, we expect a satisfactory development in 2019. The Entity provides business critical IT solutions and related consulting services, maintenance and operation. We help our customers capture substantial business advantages and enhance efficiency by using the latest technology. Our priority areas are business applications, portals and system integration, system management and operation, and we cover leading tecknologies and Microsoft .NET and J2EE standard packages, etc. We combine professional workmanship with speed and flexibility. Our broad IT-technical, methodical and business-related competences ensure that our IT solutions are technically solid, are embedded in the organisation and deliver the required financial results. Our deliveries come into existence through a controlled and productive process in cooperation with our customers - and are based on a simple philosophy. With this background, the Entity defended its position as the leading IT company in Denmark in 2018. ,The Entity´s services include systems for specific tasks, CRM, xRM, e-business and digital marketing, system integration, enterprise architecture, web and portals, process support and collaborative solutions, ECM, BI, ERP, hosting, Cloud computing, the Modulus solution for unemployment funds and trade unions as well as Get Organized case and file management, etc. Add to this a number of specific and individual business applica-tions as well as solutions for specific customer needs.

Outlook for 2019
The Entity expects organic revenue to grow between 20-25% and EBITA margin to be -27,5%.

Particular risks
Netcompany has over the past two decades continuously delivered growth rates of between 20 and 30% annually. While such growth rates are manageable with few employees they command a diligent and structured approach towards risk management once a certain size of the company has been reached to ensure a strong fundament for continued growth. In Netcompany, risk management has always been an integral part of doing business. Whether it being mentering new business lines, onboarding new customers, embracing new technolo-gies or ensuring that new employees understand and adhere to the company’s risk management, its philosophy has always been to anchor responsibility locally with the operational units based on methodology and processes defined centrally. The growth that Netcompany has enjoyed in particular over the last five years, the expansion into new business segments, and the increased business complexity has raised the natural, inherent risk in the company. Entering into multi-year development contracts, running mission-critical infrastructure, and expanding coverage to two other countries. Which amounts to four countries when including sourcing capacities naturally increases the need for a more comprehensive risk management framework. Such a framework has been implemented during 2017.

Management commentary

Intellectual capital resources

In order to be able to continue developing and providing competitive IT solutions, it is decisive that the Entity is able to recruit and retain highly educated employees. The Entity continues to make substantial investments in current recruitment, upgrading of skills and certification of both new and experienced consultants and developers. The Entity will focus on maintaining and further developing its competence level within sales, delivery, project management and technical core competences also in 2019.

Corporate social responsibility

Netcompany's vision is to become the leading digital challenger in Northern Europe by accelerating digital transformations for private and public customers to support sustainable, strong societies, successful businesses and better lives. With Netcompany's corporate social responsibility strategy, activities and reporting, the company aspires to contribute to a sustainable development and is disclosing how CSR is part of transforming the company and potentially its clients' businesses to the benefit of many stakeholders.

Netcompany has chosen to disclose its statutory statement on corporate social responsibility, including

diversity, cf. sections 99a and 99b of the Danish Financial Statements Act, in the form of a Communication on Progress report to the UN Global Compact, which Netcompany joined in 2013. The report can be found on: www.netcompany.com/int/About-us

Report on the underrepresented gender

Netcompany A/S is a member of the Netcompany Group A/S which has prepared a consolidated report on the gender composition in Management. The report of the Netcompany Group A/S is included in the Management's commentary in the annual report for 2018 of Netcompany Group A/S.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Statement of comprehensive income for 2018

	Notes	2018 DKK'000	2017 DKK'000
Revenue	4	1.577.161	1.229.413
Cost of services	5	-881.672	-746.636
Gross profit		**695.489**	**482.777**
Sales and marketing	6	-9.713	-8.033
Administrative costs	7	-194.467	-157.098
Operating profit (EBIT)		**491.308**	**317.646**
Income from investments in subsidiaries		41.001	20.734
Financial income	10	7.351	2.700
Financial expenses	10	-4.481	-5.465
Profit before tax		**535.180**	**335.615**
Tax on profit for the year	11	-108.700	-71.726
Profit for the year		**426.480**	**263.889**
Other comprehensive income		**0**	**0**
Comprehensive income		**426.480**	**263.889**

Balance sheet at 31 December 2018

Assets	Notes	2018 DKK'000	2017 DKK'000
Leasehold improvements	12	3.481	3.321
Equipment	12	27.215	15.771
Right of use assets	12	55.908	11.108
Property, plant and equipment		**86.604**	**30.200**
Investment in subsidiaries	13	2.399	2.399
Other receivables		10.061	7.814
Financial assets		**12.460**	**10.214**
Non-current assets		**99.065**	**40.413**
Trade receivables	14	364.698	365.086
Contract work in progress	15	252.514	122.742
Receivables from Group entities		324.600	141.666
Other receivables		166	0
Prepayments		16.307	8.474
Receivables		**958.284**	**637.969**
Cash	16	**26.983**	**102.873**
Current assets		**985.267**	**740.841**
Assets		**1.084.332**	**781.255**

Balance sheet at 31 December 2018

Equity and liabilities	Notes	2018 DKK'000	2017 DKK'000
Share capital	17	16.000	16.000
Retained earnings		655.432	227.235
Proposed dividend		0	175.000
Equity		**671.432**	**418.235**
Leasing		36.679	4.719
Deferred tax liability	11	9.060	6.222
Non-current liabilities		**45.739**	**10.941**
Leasing		19.663	6.564
Prepayments received from customers	15	29.442	24.648
Trade payables		31.995	20.955
Payables to Group Entities		29.991	34.724
Other payables	18	147.183	145.558
Provisions	19	36.087	30.396
Income tax payable	11	72.798	89.234
Current liabilities		**367.160**	**352.079**
Liabilities		**412.899**	**363.021**
Equity and liabilities		**1.084.332**	**781.255**

Statement of changes in equity

	Share capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity at 1 January 2017	16.000	208.346	0	224.346
Interim dividend for 2017	0	-70.000	70.000	0
Payment of dividends	0	0	-70.000	-70.000
Profit for the year	0	88.889	175.000	263.889
Other comprehensive income for the year	0	0	0	0
Equity at 31 December 2017	**16.000**	**227.235**	**175.000**	**418.235**
Equity at 1 January 2018	16.000	227.235	175.000	418.235
Payment of dividends	0	0	-175.000	-175.000
Share-based remuneration	0	1.717	0	1.717
Profit for the year	0	426.480	0	426.480
Other comprehensive income for the year	0	0	0	0
Equity at 31 December 2018	**16.000**	**655.432**	**0**	**671.432**

Cash flow statement for 2018

	Notes	2018 DKK'000	2017 DKK'000
Operating profit (EBIT)		491.308	317.646
Depreciation	9	25.132	20.694
Non-cash (share-based remuneration)		1.717	0
Working capital changes	20	-120.037	-147.615
		398,121	**190.725**
Income taxes paid	11	-122.299	-17.500
Financial income received		7.351	2.700
Financial expenses paid		-3.680	-5.465
Cash flows from operating activities		**279,493**	**170.460**
Acquisition of property, plant and equipment		-21.521	-12.683
Dividend received from subsidiaries		41.001	20.734
Other receivables (deposits)		-2.247	-2.384
Cash flows from investing activities		**17.233**	**5.667**
Net loan from Group entities		-181,861	0
Repayment of lease loans		-15.756	-11.380
Paid dividend		-175.000	-70.000
Cash flows from financing activities		**-372.617**	**-81.380**
Increase/decrease in cash and cash equivalents		**-75.891**	**94.746**
Cash and cash equivalents at 1 January		102.873	8.127
Cash and cash equivalents at 31 December		**26.982**	**102.873**

Reconciliation of liabilities arising from financing activities	Leasing 2018 DKK'000	Leasing 2017 DKK'000
Opening balance at 1 January	11.282	9.152
Repayment	-15.756	-11.380
Leasing (non-cash)	60.816	11.282
Closing balance at 31 December	**56.342**	**11.282**

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1 Accounting policies

Netcompany A/S presents the financial statements in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for financial statements governing reporting class C enterprises, see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act. Netcompany A/S is a company with its registered office in Denmark. The financial statements are presented in DKK, which is considered the functional currency of the Entity's activities. The figures are prepared in accordance with IFRS standards and interpretations applicable to the 2018 financial year. Please refer to note 3 for the effect of implementing IFRS, 9, 15 and 16.

Consolidation

Pursuant to section 112(1) of the Danish Financial Statements Act, the Entity has not prepared any consolidated financial statements. Reference is made to the consolidated financial statement of Netcompany Group A/S, which includes Netcompany A/S and its subsidiary.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement of comprehensive income as financial income or financial expenses. Non-current assets and other non-monetary assets that have been purchased in foreign currencies and are measured based on historical costs are translated using historical rates.

STATEMENT OF COMPREHENSIVE INCOME

Revenue

The Entity's primary service offerings include information technology consulting services and operations solutions. Consulting services are generally provided on either a time-and-material basis or as fixed-price contract basis. Revenue from time-and-material contracts is recognised as hours are delivered and direct expenses are incurred. Revenue from fixed-price contracts is recognised under the percentage-of-completion method, whereby revenue is recognised based on hours incurred to date as a percentage of the total estimated costs of hours to fulfil the contract. Revenue from operations solutions is recognised in the period the solutions are provided, which will either be based on output measures or using the straight-line method over the term of the contracts.

Cost of services

Project costs comprise external consultants, subscriptions etc. Staff costs comprise wages and salaries for consultants incurred to achieve revenue. Depreciation comprise depreciation and impairment of losses relating to property, plant and equipment used for projects that are directly incurred to achieve revenue for the year. Costs of services are recognised as the projects progresses.

1 Accounting policies

Sales and marketing costs
Sales and marketing costs comprise expenses incurred for sale of the Entity's projects. Staff costs comprise wages and salaries for sales staff. In addition, sales and marketing costs comprise advertising costs, travelling and similar expenses, etc. as well as depreciation and impairment losses relating to property, plant and equipment attached to the sales and marketing function.

Administrative costs
Total administrative costs comprise costs incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, it-cost as well as depreciation and impairment losses relating to property, plant and equipment used for administration of the Entity.

Financial income and expenses
These items comprise interest income and expenses, realised and unrealised capital gains and losses on foreign currency transactions and tax surcharge and tax relief under the Danish Tax Prepayment Scheme.

Income taxes
Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the profit/loss for the year by the portion attributable to the profit/loss for the year and recognised directly in other comprehensive income or equity by the portion attributable to entries recognised directly in other comprehensive income or equity.

Current tax payable and current tax receivable are recognised in the balance sheet, calculated as tax on taxable income for the year, adjusted for prepaid tax.

On calculation of current tax, the tax rates and rules applicable at the balance sheet date are used. Deferred tax is recognised on all temporary differences between the carrying amount and taxbased value of assets and liabilities using the balance sheet liability method.

Deferred tax is calculated on the basis of the planned use of each asset and the settlement of each liability, respectively.

Deferred tax is measured using the tax rates and tax rules which – based on acts in force or acts actually in force at the balance sheet date – are expected to apply when the deferred tax is expected to crystallise as current tax. Changes in deferred tax resulting from changed tax rates or tax rules are recognised in profit/loss unless the deferred tax is attributable to transactions previously recognised directly in equity or other comprehensive income. In the latter case, such changes are also recognised directly in equity or other comprehensive income.

Deferred tax assets, including the tax base of tax loss carry-forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets to be set off against future positive taxable income. At each balance sheet date, it is considered whether sufficient taxable income is likely to arise in the future for the deferred tax asset to be used.

The Entity is part of a joint taxation arrangement. The current income tax is allocated among the jointly taxed companies in proportion to their taxable income ("full allocation method").

1 Accounting policies

BALANCE SHEET

Investments in subsidiaries
Investments in subsidiaries are recognised and measured at cost. Dividend is recognised as income when the right to receive payment is established. The carrying amount of investments in subsidiaries is examined at the balance sheet date in order to determine if there is any indication of impairment.

Receivables
Receivables include receivables from sale of services and other receivables. Receivables are measured at fair value on initial recognition and subsequently at amortised cost, usually equalling nominal value less writedowns for bad debts.

Prepayments
Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Dividend
Dividend is recognised as a liability at the time of adoption at the general meeting.

Equipment and leasehold improvements
Equipment and leasehold improvements are measured at cost less accumulated depreciation and impairment losses. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the estimated useful lives of the assets, which is 3- 5 years. Depreciation methods, useful lives and residual values are reviewed annually. Gains and losses from the sale of equipment are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Gains or losses are recognised in the income statement in the functions to which the assets relate.

Right of use assets
Right of use assets are measured at cost less accumulated depreciation and impairment losses adjusted for any remeasurements of the lease liability where initial cost is equal to the initial amount of the related lease liability. Depreciation is straight-line on basis of the underlying contracts up to 7 years.

The Entity has entered into leasing contracts regarded as low-value and short-term, all expiring within 6 months. Total commitments relating to the non-canceling period is DKK 105k. All other lease contracts are recognised on the balance sheet according to IFRS 16.

Financial liabilities
Financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

① Accounting policies

Share based remuneration
In connection with the IPO of the Group, a Long term incentive program was established. The Group parent company is granting RSU´s (Restricted Stock Units), in the operating Entities. This effects all companies in the Group.

In 2018 a total of 142,055 RSU´s were granted to Executive Management and Key Management Personnel and other employees. The fair value of the RSU's at grant date was DKK 22 million. The cost associated herewith is expensed over the vesting period. Cost related to RSU's recognised in 2018 is presented in the Statement of Change in Equity. The numbers of shares granted is determined by the stock price on the current day, measured against the value of grant for each person. The share-based incentive program based on RSU´s will continue in 2019.

Cash flow statement
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes as well as financial income, financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, as well as dividends received from subsidiary.

Cash flows from financing activities comprise changes in the size or composition of the Entity's share capital and related costs as well as the raising of loans, instalments on interest-bearing debt, purchase of treasury shares and dividends paid to the shareholder.

Cash and cash equivalents comprise bank deposits

2 Significant accounting estimates, assumptions and uncertainties

When applying the Entity's accounting policies, Management has to make judgements and estimates of and assumptions about the carrying amount of assets and liabilities that cannot be directly derived from other sources. Such estimates and assumptions are based on historical experience and other relevant factors. The actual results may deviate from such estimates.

Estimates made and the underlying assumptions are reassessed on a regular basis. Any changes in the accounting estimates made are recognised in the accounting period in which the change was made as well as in future accounting periods if the change affects the period in which it was made as well as subsequent accounting periods.

In the financial statements for 2018, it is particularly important to note the following assumptions and uncertainties:

Contract work in progress

Contract work in progress for fixedpriced-contracts is measured at the balance sheet date, and the selling price is calculated on the basis of contracted income and the determined stage of completion. Stage of completion is determined making estimates of future hours and other project costs. Netcompany A/S reviews its contract portfolio on a regular basis. if circumstances arise that change the original estimates of the selling price of the contracts or costs, revisions to estimates are made. These revisions may result in increases or decreases in estimated revenues or costs, and such revisions are reflected in the income statement in the period in which the circumstances giving rise to the revisions become known by Netcompany A/S. See note 15.

Fair value measurement

The Entity measures a number of financial assets and liabilities, at fair value.

The Entity has a number of financial assets not recognised at fair value such as trade receivables, trade recievables from Group entities, work in progress and other receivables. For all of these items, it is estimated that the carrying amounts approximates, in all material respects, their fair value (level 3 of the IFRS fair value hierarchy).

The Entity also has financial liabilities in the form of other payables recognised at amortised cost. The bank loans carry a floating rate, and the carrying amount recognised is estimated to equal fair value. The carrying amount of payables to Group entities and other payables are estimated to equal fair value (level 3 of the IFRS fair value hierarchy).

3 Effect of the change in accounting policies

There have been no changes in accounting policies in 2018. The Group early adopted IFRS 9, 15 and 16 in 2017. For description, please refer to the Annual Report of 2017 for Netcompany A/S.

4 Segment Information

Business segments have been identified as operating segments which is consistent with the internal reporting to Executive Management and Board of Directors. We consider Executive Management to be the operating decision making body, as all significant decisions regarding business development are taken in that forum.

Netcompany strategic business areas consists of public and private. The public business area covers public companies or companies acting as a public company, seen from a business aspect. The private business area covers all other companies.

Netcompany is geographical represented in Denmark & Poland.

Strategic business areas	Public 2018 DKK'000	Private 2018 DKK'000	Total 2018 DKK'000
Development, Revenue	435.131	235.830	670.962
Maintenance, Revenue	520.146	352.657	872.803
Total External Revenue	**955.277**	**588.487**	**1.543.764**
Internal Revenue			33.396
Total Revenue			**1.577.161**

Strategic business areas	Public 2017 DKK'000	Private 2017 DKK'000	Total 2017 DKK'000
Development, Revenue	395.993	181.586	577.580
Maintenance, Revenue	250.284	392.447	642.731
Total External Revenue	**646.277**	**574.033**	**1.220.311**
Internal Revenue			9.102
Total Revenue			**1.229.413**

5 Cost of services

	2018 DKK'000	2017 DKK'000
Project costs	236.530	240.404
Staff costs, see note 8	637.696	500.385
Depreciation, see note 10	7.446	5.846
Total external project costs	**881.672**	**746.636**

6 Sales and marketing costs

Sales and marketing costs	7.521	6.010
Staff costs, see note 8	2.191	2.023
Total Sales and marketing expenses	**9.713**	**8.033**

7 Administrative costs

Administrative costs	116.321	95.842
Staff costs, see note 8	60.460	46.408
Depreciation, see note 10	17.686	14.847
Total administrative costs	**194.467**	**157.098**

8 Staff costs

	2018 DKK'000	2017 DKK'000
Salary and wages	681,696	540.397
Pension contributions	1.733	1.667
Other social security costs	6.861	4.304
Other staff costs	8.340	2.467
Share based remuneration	1,717	0
Total staff costs	**700.348**	**548.835**

Staff costs enclosed under following account balances:

Cost of services	637.696	500.385
Sales and marketing	2.191	2.023
Administrative costs	60.460	46.426
Total staff costs	**700.348**	**548.835**

Average number of employees	**1.095**	**810**

Remuneration to management

Executive Board	2.589	3.133
Total	**2.589**	**3.133**

In 2017 remuneration Executive Management was held by another group entity. Board of Directors are being compensated in another Group Entity.

Notes

9 Depreciation

Depreciation	2018 DKK'000	2017 DKK'000
Depreciation of leasehold improvements	1.321	1.093
Depreciation of equipment	8.596	6.349
Depreciation of right of use assets	15.215	13.252
Total Depreciation	**25.132**	**20.694**

Depreciation enclosed under following account balances:		
Cost of services	7.446	5.846
Administrative costs	17.686	14.847
Total Depreciation	**25.132**	**20.694**

10 Financial income and expenses

Financial income		
Exchange rate adjustments	1.785	0
Intra-group interest income	4.541	1.921
Other interest income	1.025	779
	7.351	**2.700**

Financial expenses		
Income tax surcharge	0	2.227
Interest expenses on bank loan	921	0
Interest expenses, leasing	801	382
Exchange rate adjustments	2.718	2.492
Intra-group interest expenses	42	0
Other financial costs	0	363
	4.481	**5.465**

11 Tax

	2018 DKK'000	2017 DKK'000
Current tax	105.862	65.504
Change in deferred tax	2.838	6.222
	108.700	**71.726**

Profit/loss before tax	535.180	335.615

Tax at a rate of 22%	117.740	73.835
Tax-based value of non-deductible expenses	-19	2.453
Dividend received from subsidiary, tax exempted	-9.020	-4.561
	108.700	**71.726**

Effective tax rate	**20,3%**	**21,4%**

CURRENT TAX
Tax payable and tax recievable

Tax payable at January 1, net	89.234	39.003
Payment relating to prior years	-86.265	0
Current tax for the year	105.862	65.504
Current tax interest for the year	0	2.227
Payments relating to the current year	-36.034	-17.500
Tax payable at December 31, net	**72.798**	**89.234**

Current tax is recognised as follows in the balance sheet:

Tax payable	72.798	89.234
Tax payable at December 31, net	**72.798**	**89.234**

Deferred tax has been presented as follows in the balance sheet:	2018 DKK'000	2017 DKK'000
Deferred tax liability	9.060	6.222

Deferred tax

Non-current assets	-3.805	-4.541
Work in progress	13.243	10.763
Share-based remuneration	-378	0
	9.060	**6.222**

Deferred tax (liabilities) /assets in relation to:	Opening balance 2018 DKK'000	Recognised in profit/loss 2018 DKK'000	Closing balance 2018 DKK'000
Property, plant & equipment	-3.098	-330	-3.429
Right of use assets	-39	-57	-96
Intangible assets	-1.404	1.124	-281
Work in progress	10.763	2.479	13.243
Share-based remuneration	0	-378	-378
	6.222	**2.837**	**9.059**

	2017 DKK'000	2017 DKK'000	2017 DKK'000
Property, plant & equipment	-3.982	884	-3.098
Right of use assets	0	-39	-39
Intangible assets	-550	-854	-1.404
Work in progress	5.149	5.614	10.763
	617	**5.605**	**6.222**

12 Property, plant and equipment

	Leasehold improvements 2018 DKK'000	Equipment 2018 DKK'000	Right of use assets 2018 DKK'000
Cost at 1 January	8.890	49.107	19.783
Additions	1.481	20.040	71.949
Disposals	0	0	-25.919
Cost at 31 December	**10.371**	**69.147**	**65.813**
Depreciation at 1 January	-5.569	-33.336	-8.675
Depreciation for the year	-1.321	-8.596	-15.215
Disposals	0	0	13.985
Depreciation at 31 December	**-6.890**	**-41.932**	**-9.905**
Carrying amount at 31 December	**3.481**	**27.215**	**55.908**

	2017 DKK'000	2017 DKK'000	2017 DKK'000
Cost at 1 January	6.725	39.163	14.002
Additions	2.164	10.519	15.351
Disposals	0	-575	-9.570
Cost at 31 December	**8.889**	**49.107**	**19.783**
Depreciation at 1 January	-4.475	-27.562	-4.993
Depreciation for the year	-1.093	-6.349	-13.252
Disposals	0	575	9.570
Depreciation at 31 December	**-5.568**	**-33.336**	**-8.675**
Carrying amount at 31 December	**3.321**	**15.771**	**11.108**

13 Investments in subsidiaries

	2018 DKK'000	2017 DKK'000
Cost at 1 January	2.399	2.399
Additions	0	0
Cost at 31 December	2.399	2.399
Carrying amount at 31 December	**2.399**	**2.399**

Income from investments in subsidiaries

Dividend income	41.001	20.734

Subsidiaries:	Form of enterprise	Ownership	Equity DKK'000	Result DKK'000
Netcompany Poland	Sp.Zo.o.	100%	5.280	5.189

14 Trade receivables

	2018 DKK'000	2017 DKK'000
Trade receivables	**364.698**	**365.086**

The carrying amount of the trade receivables is assumed to approximate the fair value.

Aging of receivables that are not impaired

Trade receivables, Not overdue	220.524	273.797
Trade receivables, 0-30 days overdue	136.730	49.499
Trade receivables, 31-60 days overdue	6.187	9.820
Trade receivables, 61-90 days overdue	935	11.325
Trade receivables, Over 90 days overdue	322	20.646
	364.698	**365.086**

15 Contract work in progress

	2018 DKK'000	2017 DKK'000
Selling price of work performed	621.771	458.145
Prepayments received	-398.700	-360.050
	223.071	**98.095**

Net value – calculated on a contract-per-contract basis - is presented in the balance sheet as follows

	2018 DKK'000	2017 DKK'000
Contract work in progress	252.514	122.742
Prepayments received from customers	-29.442	-24.648
	223.071	**98.095**

Revenue recognised

Revenue recognised in the financial year that was included in the contract portfolio at the beginning of the period amounts to DKK 235.8 million (2017: 101.1 million). The recognition of revenue is to some extent impacted by management estimates and judgement for contract work in progress in relation to determining stage of completion and expected profitability of the individual projects, and hence, revenue recognised in subsequent years may be impacted by changes in estimates to the revenue recognised in previous years. Though, revenue recognised from contract work in progress in 2018 and 2017 has not been impacted by any significant changes to the revenue recognised in previous years.

Future performance obligations

Future performance obligations represent contractual values less revenue recognised at 31 December 2018 for the Group's contract portfolio at year-end. As of 31 December 2018, the Group has future performance obligations of DKK 52.5 million out of a contract portfolio of DKK 674.3 million (2017: DKK 180.3 million out of DKK 589.6 million). The assessment of the timing of expected revenue recognised from the future performance obligations is subject to some uncertainty. However the Group expects – in all material respects - to recognise the revenue in future as follows:

Expected revenue recognition of future performance obligations	2018 DKK'000	2017 DKK'000
Within 1 year	52.548	167.417
Between 1 and 5 years	0	12.907
After 5 years	0	0
Total	**52.548**	**180.324**

16 Cash and cash equivalents

	2018 DKK'000	2017 DKK'000
Deposits at bank	26.983	102.873

The carrying amounts for cash and cash equivalents assumed to equal the fair value. The Entity's cash and cash equivalents consist of deposits in well-reputed banks. Therefore, cash and cash equivalents are not subject to credit risk

17 Share capital

The share capital equals DKK 16,000,000 divided into shares of DKK 1 each or multiples hereof. The shares have not been divided into classes. There have been no changes in the share capital in the past five years.

18 Other payables

Other payables has been presented as follows in the balance sheet:

	2018 DKK'000	2017 DKK'000
Wages and salaries, payroll taxes, etc payable	19.787	24.835
Holiday pay obligation	85.758	63.602
VAT and duties	32.292	45.338
Other costs payable	9.347	11.783
	147.183	**145.558**

Notes

19 Provisions

	2018 DKK'000	2017 DKK'000
Onerous contracts and warranty obligations at 1 January	30.396	8.899
Used in the year	-5.000	-6.353
Provisions for the year	10.691	27.850
Onerous contracts and warranty obligations at 31 December	**36.087**	**30.396**

20 Working capital changes

Change in receivables	-137,381	-230.408
Change in trade payables, etc.	17,344	82.793
	-120,037	**-147.615**

Notes

21 Financial risks and financial instruments

Categories of financial instruments	2018 DKK'000	2017 DKK'000
Trade receivables	364.698	365.086
Contract work in progress	252.5142	122.742
Cash	26.983	102.873
Receivables from Group entites	324.600	141.666
Financial assets measured at amortised cost	**968.795**	**732.367**

Leasing	56.342	11.283
Trade payables	31.995	20.955
Payables to Group entities	29.991	34.724
Other payables	147.183	145.558
Financial liabilities measured at amortised cost	**265.511**	**212.521**

Policy for management of financial risks

The Entity's objective at all times is to limit the Entity's financial risks. The Entity manages the financial risks and coordinates cash management and management of interest rate and currency risks based on financial risk policies agreed with the Board of Directors of the parent company

Liquidity risks

The Entity is part of the Group's credit facility. At 31 December 2018, the Group has unutilised credit facilities of a total of DKK 244,9m (2017: DKK 212,5m), which the Entity has the option to use.

Credit risks

In 2018, the Entity has not had any bad debt losses. At 31 December 2018, the credit risk is assessed to be limited and at 31 December 2018, the Entity has made a provision of DKK 0k (DKK 0k) for potential bad debts.

Currency risks

The Entity is only to a limited extent exposed to foreign currency risks. The main part of the Entity's transactions are in DKK.

Optimisation of the capital structure

The Entity regularly assesses whether its capital structure is in accordance with the Entity's and the owner's interests. The overall objective is to ensure a capital structure that supports longterm growth whilst maximising returns for the Entity's owners by optimising the ratio between equity-to-debt ratio.

22 Related parties

RELATED PARTIES WITH A CONTROLLING INTEREST

Name of company	Registered office	Basis of control
Netcompany Holding I A/S	Copenhagen	Immediate parent
Netcompany Group A/S	Copenhagen	Ultimate parent and controlling shareholder

Transactions with related parties
There has not been any transactions other than management fee, and interest income & expenses due to loans within the Group.

Until the Initial Public Offering on 7 June 2018, FSN Capital had a controlling interest in the Group. Netcompany had transactions with companies that were under FSN Capital GP IV Limited ("FSN Capital") during 2018 where FSN Capital had majority or significant influence on Netcompany. During the period where FSN Capital had >50% ownership,

Netcompany recognised revenue from:

- Active Brands AS DKK 4 million (DKK 0 million)
- Fitness World A/S DKK 1 million (DKK 1 million)

During the period where FSN Capital had >5% ownership, Netcompany recognised revenue from:

- Active Brands AS DKK 3 million (DKK 1 million)
- Fitness World A/S DKK 2 million (DKK 1 million)

23 Collateral provided and contingent liabilities

The Entity is part of a Group credit facility, the total carrying amount at 31 December 2018 is DKK 1,105.8 m (DKK 1,560.1 m).

The Entity provides full guarantee for the credit facility. The Entity is part of a National Danish joint taxation with NC TopCo A/S as a management company. As a consequence, the Company is liable, as of 01.02.2016 until 05.06.2018, for any obligation to withhold tax on interest, royalties and dividends for jointly taxed companies. The liability only constitutes an amount to the share of the capital in the company which is owned directly or indirectly by ultimate parent.

The Entity is part of a National Danish joint taxation with Netcompany Group A/S as a management company. As a consequence, the Company is liable, as of 06.06.2018, for any obligation to withhold tax on interest, royalties and dividends for jointly taxed companies. The liability only constitutes an amount to the share of the capital in the company which is owned directly or indirectly by ultimate parent.

(24) Consolidation

Netcompany A/S and its subsidiarys are included in the consolidated financial statements of Netcompany Group A/S, Business Registration No. 39 48 89 14.

(25) Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.