

netcompany

Annual Report 2020

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 22 March 2021
Chairman of the General Meeting Tine Kosmider Boye

Content

Entity details

Entity

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

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

Board of Directors

André Rogaczewski, Chairman
Claus Jørgensen
Thomas Johansen
Tine Kosmider Boye

Executive Board

Gustaf 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 2020.

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 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 Decem-

ber 2020 and of the results of the Entity's operations and cash flows for the financial year 1 January to 31 December 2020.

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, 22 March 2021

EXECUTIVE BOARD

Gustaf Löfberg
– chief executive officer

BOARD OF DIRECTORS

André Rogaczewski
– chairman

Claus 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 1 January 2020 - 31 December 2020, which comprise the statement of comprehensive income, statement of financial position, 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 December 2020, and of the results of their operations and cash flows for the financial year 1 January 2020 - 31 December 2020 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 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 materi-

ally 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.

Management'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.

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 respon-

sive 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, 22 March 2021

**Deloitte Statsautoriseret
Revisionspartnerselskab**
Business Registration No 33 96 35 56

Brian Schmit Jensen
State Authorised Public Accountant
MNE no 40050

Management commentary

Financial highlights and key figures (DKK'000)

	2020	2019	2018	2017	2016
Revenue	2,271,634	1,868,306	1,577,161	1,229,413	887,878
Gross profit	995,437	818,201	695,489	482,777	452,844
Operating profit (EBIT)	720,773	571,643	491,308	317,646	185,144
Net financial income/(costs)	14,239	6,017	2,870	-2,765	-3,596
Net profit for the year	570,944	450,133	426,480	263,889	169,830
Total comprehensive income	570,944	450,133	426,480	263,889	169,830
Balance sheet total	2,120,738	1,517,779	1,084,332	781,255	446,377
Equity	1,708,540	1,127,091	671,432	418,235	224,346
Investments in property, plant and equipment	20,150	20,112	21,521	12,683	10,718
Average number of employees	1,527	1,309	1,095	810	680

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, as if IFRS 16 had been applied since 2016 where IFRS was implemented for Netcompany A/S.

Ratios

EBIT margin (%)	31.7%	30.6%	31.2%	25.8%	20.9%
Return on assets (%)	26.9%	29.7%	39.3%	33.8%	38.0%
Return on equity (%)	40.3%	50.1%	78.3%	82.1%	62.6%
Solvency ratio (%)	80.6%	74.3%	61.9%	53.5%	50.3%

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:

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

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

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

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

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 2,271,634k, and profit after tax amounts to DKK 570,944k. Revenue and profit are considered satisfactory and meet expectations for the year in the light of a high investment level.

Based on this, we expect a satisfactory development in 2021. 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 technologies 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 2020.

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 applications as well as solutions for specific customer needs.

Guidance for 2021

For 2021, the Entity expects a percentual increase in revenue and profit on par with 2020 due to a solid and satisfactory order book combined with stronger and growing customer relationships and market position. Based on this, we expect a satisfactory development in 2021. For detailed information related to guidance for the Entity for 2021, please refer to the Group's outlook for 2021 guidance.

Particular risks

Netcompany has over the past two decades continuously delivered growth rates of around 20 to 40% 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 entering new business lines, onboarding new customers, embracing new technologies 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 increases the need for a more comprehensive risk management framework.

Such a framework has been implemented during 2017 and is updated on an ongoing basis.



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 2021.

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 Group 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: <https://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 2020 of Netcompany Group A/S.

COVID-19

The COVID-19 outbreak is still related with uncertainties. At the date of this report, there is uncertainty on how the COVID-19 pandemic will effect the Netcompany A/S' business as a whole. However, to date, this has not had a material effect on the company's financial position or results for the year to date.

Financial statements



Statement of comprehensive income for 2020

DKK'000	Notes	2020	2019
Revenue		2,271,634	1,868,306
Cost of services		-1,276,197	-1,050,105
Gross profit		995,437	818,201
Sales and marketing		-13,838	-9,271
Administrative costs		-260,826	-237,287
Operating profit (EBIT)		720,773	571,643
Income/(loss) from joint venture		-5,035	0
Financial income		20,942	12,651
Financial expenses		-6,703	-6,634
Profit before tax		729,976	577,660
Tax on profit for the year		-159,032	-127,527
Profit for the year		570,944	450,133
Other comprehensive income		0	0
Comprehensive income for the year		570,944	450,133

Statement of financial position for 2020

Assets (DKK'000)	Notes	2020	2019	Equity and liabilities (DKK'000)	Notes	2020	2019
Leasehold improvements		7,037	5,107	Share capital		16,000	16,000
Equipment		28,719	29,701	Share-based remuneration		17,747	7,243
Right of use assets		35,308	48,773	Retained earnings		1,674,793	1,103,848
Property, plant and equipment		71,064	83,581	Equity		1,708,540	1,127,091
Investment in subsidiary		2,399	2,399	Leasing		20,546	29,989
Investment in joint venture		69,965	0	Other payables		90,136	31,140
Other receivables		15,017	13,330	Deferred tax liability		25,935	17,505
Financial assets		87,381	15,729	Non-current liabilities		136,617	78,633
Non-current assets		158,444	99,310	Leasing		15,868	19,609
Trade receivables		369,649	431,204	Prebilled invoices		37,729	46,022
Contract work in progress		413,929	286,656	Trade payables		30,235	23,409
Receivables from Group entities		913,697	675,061	Payables to Group Entities		14,167	42,475
Receivables from joint venture		8,260	0	Other payables		124,227	157,931
Other receivables		3,005	86	Provisions		0	3,525
Prepayments		36,931	20,970	Income tax payable		53,355	19,082
Receivables		1,745,471	1,413,977	Current liabilities		275,581	312,055
Cash		216,823	4,492	Leasing		15,868	19,609
Current assets		1,962,293	1,418,469	Prebilled invoices		37,729	46,022
Assets		2,120,738	1,517,779	Trade payables		30,235	23,409
				Payables to Group Entities		14,167	42,475
				Other payables		124,227	157,931
				Provisions		0	3,525
				Income tax payable		53,355	19,082
				Liabilities		412,198	390,688
				Leasing		15,868	19,609
				Prebilled invoices		37,729	46,022
				Trade payables		30,235	23,409
				Payables to Group Entities		14,167	42,475
				Other payables		124,227	157,931
				Provisions		0	3,525
				Income tax payable		53,355	19,082
				Equity and liabilities		2,120,738	1,517,779

Statement of changes in equity for 2020

DKK'000	Share capital	Share-based remuneration	Retained earnings	Total
Equity at 1 January 2020	16,000	7,243	1,103,848	1,127,091
Share-based remuneration	0	10,504	0	10,504
Comprehensive income for the year	0	0	570,944	570,944
Equity at 31 December 2020	16,000	17,747	1,674,793	1,708,540
Equity at 1 January 2019	16,000	1,717	653,715	671,432
Share-based remuneration	0	5,526	0	5,526
Comprehensive income for the year	0	0	450,133	450,133
Equity at 31 December 2019	16,000	7,243	1,103,848	1,127,091



Cash flow statement for 2020

DKK'000	Notes	2020	2019
Operating profit (EBIT)		720,773	571,643
Depreciation		42,152	36,988
Non-cash		10,727	5,526
Working capital changes		-72,558	-87,912
Total		701,094	526,245
Income taxes paid		-116,328	-172,798
Financial income received		4,519	5,207
Financial expenses paid		-3,528	-4,740
Cash flows from operating activities		585,757	353,914
Acquisition of property, plant and equipment		-20,150	-20,112
Investment in joint venture		-75,000	0
Other receivables (deposits)		-1,687	-3,269
Cash flows from investing activities		-96,836	-23,381
Net loan from Group entities		-252,211	-330,533
Repayment of leasing debt		-24,378	-22,492
Cash flows from financing activities		-276,589	353,024
Increase/decrease in cash and cash equivalents		212,331	-22,490
Cash and cash equivalents at 1 January		4,492	26,983
Cash and cash equivalents at 31 December		216,823	4,492

Reconciliation of liabilities arising from financing activities (DKK'000)	Leasing 2020	Inter-company 2020	Leasing 2019	Inter-company 2019
Opening balance at 1 January	49,598	632,586	56,342	294,609
Intercompany loan movements incl. paid interest	0	252,211	0	330,533
Intercompany interest (non-cash)	0	14,733	0	7,444
Leasing repayment	-24,378	0	-22,492	0
Leasing (non-cash)	11,194	0	15,748	0
Closing balance at 31 December	36,414	899,530	49,598	632,586

* Excess cash flows from operating activities are transferred to other group entities and for the purposes of the cash flow statement presented as cash flow relating to financing activities as these fund transfers are considered being part of the Netcompany Group's centralised cash and financing management.

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 (large) 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.

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 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.

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.



Accounting policies (continued)

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement for the year by the portion attributable to the income statement 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 tax-based 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

the income statement 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 with Netcompany Group A/S as the administrative company. The current income tax is allocated among the jointly taxed companies in proportion to their taxable income (“full allocation method”).

Accounting policies (continued)

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.

Investment in joint venture

The joint venture is recognised using the equity method so that the carrying amount of the joint venture constitutes the Entity's proportional share of the net assets of the enterprise less unrealised internal profit. Profit after tax of the joint venture has been recognised as a separate line in the statement of comprehensive income. Joint venture with negative net asset value are included without any value.

The carrying amount of investment in joint venture is examined at the balance sheet date in order to determine if there is any indication of impairment.

Impairment tests are performed if indications of impair-

ment are present. If the carrying amount is found to be greater than the implied fair value, then impairment has occurred and the book value of the joint venture is written down to its recoverable amount. The recoverable amount is the higher of the net selling price and value in use.

Contract work in progress

Contract work in progress consists of client related assets and liabilities. Contract work in progress is measured at the selling price of the work carried out less prepayments received at the balance sheet date. The selling price is measured based on the stage of completion and the total estimated income from the individual contracts in progress. Usually, the stage of completion is determined as the ratio of actual to total budgeted consumption of resources.

For some projects where the consumption of resources cannot be applied as a basis, the ratio between completed and total sub-activities of the individual projects has been applied. If the selling price of a project cannot be made up reliably, it is measured at the lower of the costs incurred and net realisable value. If prepayments received exceed the selling price on a contract by con-

tract basis, the excess amount is recognized as a liability in "Prebilled invoices".

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 write-downs for expected credit losses.

Prepayments

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

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.

Accounting policies (continued)

Financial liabilities

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

Share-based remuneration

In connection with the IPO of the ultimate parent company, a long-term incentive program was established. The parent company is granting RSUs (Restricted Stock Units), in the operating entities. This effects all companies in the Group. The cost associated herewith is expensed over the vesting period. Cost related to RSUs recognised in 2020 is recognised directly within 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 RSUs will continue in 2021.

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 of divestment of enterprises and investment of joint venture, as well as dividends received from 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 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 2020, it is particularly important to note the following assumptions and uncertainties:

ESTIMATES

Contract work in progress

Contract work in progress for fixed price 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 16.

JUDGEMENT

Joint venture

The classification of the joint venture where Netcompany A/S controls less than 100% of the voting rights is based on an assessment of the contractual and operational relationship between the parties. This includes assessing the conditions in shareholder agreements, contracts etc. Consideration is also given to the extent to which each party can govern the financial and operating policies of the entity, how the operation of the entity is designed, and which party possesses the

relevant knowledge and competences to operate the entity.

Another factor relevant to this assessment is the extent to which each of the parties can direct the activities and affect the returns, for example by means of rights, reserved matters, or casting votes.

③ Effect of the change in accounting policies

Revised and new standards and interpretations issued, but not yet effective or approved by the EU at the time of publication of this Annual Report 2020, have not been incorporated into this report.

Changes to the accounting standards IFRS 3 Business combinations, IAS 1 and IAS 8 Definition of Material are endorsed by the EU and effective from 1 January 2020. The changes to these standards have no effect on Netcompany's financial statements.

At the date of authorisation of these financial statements, the Entity has assessed the new and revised IFRS Standards that have been issued but are not yet effective. Based on the current business setup and level of activities, none of the new standards or interpretations are expected to have a material impact on the annual report.

As of 1 January 2019, Netcompany adopted the interpretation IFRIC 23, which clarifies the accounting treatment for uncertainties in income taxes within the scope of IAS 12 "Income taxes". The application of IFRIC 23 had no effect on Netcompany's financial statements.

There have been no further changes in accounting policies in 2020.



4

Segment information

Strategic business areas (DKK'000)	Public 2020	Private 2020	Total 2020
Development, Revenue	689,786	484,481	1,174,267
Maintenance, Revenue	705,331	320,266	1,025,598
Total external revenue	1,395,117	804,747	2,199,865
Revenue to other Group entities			71,769
Total revenue			2,271,634

Strategic business areas	Public 2019	Private 2019	Total 2019
Development, Revenue	544,970	333,655	878,625
Maintenance, Revenue	608,372	331,815	940,187
Total external revenue	1,153,341	665,470	1,818,811
Revenue to other Group entities			49,495
Total revenue			1,868,306

Business segments have been identified as operating segments, which are consistent with the internal reporting to Executive Management and Board of Directors. Netcompany considers 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 authorities or companies acting as a public company. The private business area covers all other types of customers. Netcompany A/S is geographically represented in Denmark and Poland.

5

Cost of services

DKK'000	Notes	2020	2019
Project costs		317,257	251,264
Staff costs		943,164	785,692
Depreciation		15,777	13,149
Total cost of services		1,276,197	1,050,105

6

Sales and marketing costs

DKK'000	Notes	2020	2019
Sales and marketing costs		10,234	6,946
Staff costs		3,604	2,325
Total sales and marketing costs		13,838	9,271

7

Administrative costs

DKK'000	Notes	2020	2019
Administrative costs		148,052	136,234
Staff costs		86,398	77,213
Depreciation		26,375	23,839
Total administrative costs		260,826	237,287



8

Staff costs

DKK'000	2020	2019
Salary and wages	999,119	836,240
Pension contributions	1,867	1,760
Other social security costs	10,291	9,495
Other staff costs	11,386	10,492
Share-based remuneration	10,504	7,243
Total staff costs	1,033,166	865,230

Staff costs enclosed under following account balances:

Cost of services	943,164	785,692
Sales and marketing costs	3,604	2,325
Administrative costs	86,398	77,213
Total staff costs	1,033,166	865,230

Average number of employees	1,527	1,309
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Remuneration to management (DKK'000)	2020	2019
Short term remuneration	3,374	3,237
Long term remuneration (Share-based remuneration)	300	153
Total remuneration to management	3,674	3,389

Members of the Board of Directors are not being compensated for their work related to the Board.

In 2020, a total of 48,839 RSUs (39,456 RSUs) were granted to Executive Management and other employees. The granted shares are shares in the ultimate parent Netcompany Group A/S.

The fair value of the RSUs at grant date was DKK 17.2 million (DKK 8.1 million)

9

Depreciation

Depreciation (DKK'000)	2020	2019
Depreciation of leasehold improvements	3,863	1,228
Depreciation of equipment	15,339	14,773
Depreciation of right of use assets	22,950	20,987
Total depreciation	42,152	36,988

Depreciation enclosed under following account balances:

Cost of services	15,777	13,149
Administrative costs	26,375	23,839
Total depreciation	42,152	36,988

10

Financial income and expenses

Financial income (DKK'000)	2020	2019
Exchange rate adjustments	2,798	2,647
Intra-group interest income	18,123	10,002
Other interest income	21	2
Total financial income	20,942	12,651

Financial expenses

Interest expenses, leasing	1,709	1,896
Exchange rate adjustments	3,947	3,766
Intra-group interest expenses	4	206
Other interest expenses	1,043	767
Total financial expenses	6,703	6,634

Current tax (DKK'000)	2020	2019
Current tax	153,355	119,082
Change in deferred tax	8,430	8,445
Adjustments prior year	-2,754	0
Total current tax	159,032	127,527
Profit before tax	729,976	577,660
Tax at a rate of 22 %	160,595	127,085
Tax-based value of non-deductible expenses	1,194	442
Adjustments prior year	-2,754	0
Effect of different tax rates of subsidiaries	-2	0
Total current tax	159,032	127,527
Effective tax rate	21.8%	22.1%

Tax payable and tax receivable

Tax payable at January 1, net	19,082	72,798
Payment relating to prior years	-16,328	-72,798
Prior year adjustment	-2,754	0
Current tax for the year	153,355	119,082
Payments relating to the current year*	-100,000	-100,000
Tax payable at December 31, net	53,355	19,082

Current tax is recognised as follows in the statement of the financial position:

Tax payable	53,355	19,082
Tax payable at December 31	53,355	19,082

Deferred tax has been presented as follows in the statement of financial position: (DKK'000)

	2020	2019
Deferred tax liability	25,935	17,505
Deferred tax		
Non-current assets	-6,283	-4,565
Work in progress	36,122	23,663
Share-based remuneration	-3,904	-1,593
Total deferred tax	25,935	17,505

Deferred tax liabilities/assets in relation to:

	Opening balance	Recognised in profit/loss	Closing balance
Property, plant & equipment	-4,383	-1,657	-6,040
Right of use assets	-182	-61	-243
Intangible assets	0	0	0
Work in progress	23,663	12,459	36,122
Share-based remuneration	-1,593	-2,311	-3,904
Total deferred tax liabilities 2020	17,505	8,430	25,935

Property, plant & equipment	-3,429	-954	-4,383
Right of use assets	-96	-86	-182
Intangible assets	-281	281	0
Work in progress	13,243	10,420	23,663
Share-based payments	-378	-1,215	-1,593
Total deferred tax liabilities 2019	9,060	8,446	17,505

12

Property, plant and equipment

DKK'000	Leasehold improvements	Equipment	Right of use assets
Cost at 1 January 2020	13,225	66,685	74,601
Transfer	4,063	-4,063	0
Remeasurement	0	0	1,667
Additions	1,730	18,420	7,818
Disposals	0	0	-7,353
Cost at 31 December 2020	19,017	81,042	76,733
Depreciation at 1 January 2020	-8,118	-36,984	-25,828
Transfer	-1,243	1,243	0
Depreciation for the year	-2,620	-16,582	-22,950
Disposals	0	0	7,353
Depreciation at 31 December 2020	-11,980	-52,323	-41,425
Carrying amount at 31 December 2020	7,037	28,719	35,308

DKK'000	Leasehold improvements	Equipment	Right of use assets
Cost at 1 January 2019	10,371	69,147	65,813
Transfer	0	0	0
Remeasurement	0	0	-3,254
Additions	2,854	17,259	17,106
Disposals	0	-19,721	-5,064
Cost at 31 December 2019	13,225	66,685	74,601
Depreciation at 1 January 2019	-6,890	-41,932	-9,905
Transfer	0	0	0
Depreciation for the year	-1,228	-14,773	-20,987
Disposals	0	19,721	5,064
Depreciation at 31 December 2019	-8,118	-36,984	-25,828
Carrying amount at 31 December 2019	5,107	29,701	48,773

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-cancelling period is DKK 0.2m (DKK 0.1m). All other lease contracts are recognised on the balance sheet according to IFRS 16.

13

Investment in subsidiary

DKK'000	2020	2019
Cost at 1 January	2,399	2,399
Cost at 31 December	2,399	2,399
Carrying amount at 31 December	2,399	2,399

Subsidiary (DKK'000):	Form of enterprise	Ownership	Equity 2020	Result 2020
Netcompany Poland	Sp.Zo.o.	100%	20,828	7,974

Investment in joint venture

DKK'000	2020
Cost at 1 January	0
Additions	75,000
Cost at 31 December	75,000
Net profit/loss for the year	-399
Calculated elimination of unrealised internal profit	-4,636
Revaluation at 31 December 2020	-5,035
Carrying amount at 31 December	69,965

Joint venture (DKK'000):	Form of enterprise	Ownership	Equity 2020	Result 2020
Smarter Airport A/S, Copenhagen, Denmark	A/S	50%	N/A	N/A

*No financial figures for 2020 published yet

Start up costs incurred by Netcompany related to the establishment of Smarter Airports A/S amounts to DKK 2.1 million and consists of salaries, advisory costs in terms of legal, marketing and financial advisory.

Netcompany has agreed that the initial DKK 12 million of dividends will be distributed as preferred dividends to the other shareholder of Smarter Airports A/S.

Smarter Airports A/S was founded by Netcompany and Københavns Lufthavne A/S on 9 October 2020 and due to the short period until 31 December 2020 and the limited activity within the year, certain disclosures required by IFRS 12 have not been considered relevant for 2020.



Trade receivables

DKK'000	2020	2019
Trade receivables	369,469	431,204
Aging of receivables that are not impaired		
Trade receivables, Not overdue	255,757	283,392
Trade receivables, 0-30 days overdue	88,369	118,522
Trade receivables, 31-60 days overdue	9,125	17,307
Trade receivables, 61-90 days overdue	9,529	3,580
Trade receivables, Over 90 days overdue	12,701	9,220
Total trade receivables excl. expected credit loss	375,480	432,020
Expected credit loss	-5,831	-816
Total trade receivables	369,649	431,204

The carrying amount of the trade receivables is assumed to approximate the fair value. For description of credit risk please refer to note 22.

At 31 December 2020, the Entity has recognised expected credit loss of DKK 5.8 (DKK 0.8) million for one specific customer, and no credit losses have been recognised during the year (DKK 0).

Contract work in progress

DKK'000	2020	2019
Selling price of work performed on fixed projects	949,140	759,663
Invoiced amount on fixed price projects	-572,940	-519,030
Total contract work in progress	376,200	240,633

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

Contract work in progress	413,929	286,656
Prebilled invoices	-37,729	-46,022
Total contract work in progress	376,200	240,633

Expected revenue recognition of future performance obligations (DKK'000)

Within 1 year	191,179	151,103
Between 1 and 5 years	164,832	97,616
After 5 years	0	0
Total	356,011	248,719

Revenue recognised

Revenue recognised in the financial year that was included in the contract portfolio at the beginning of the period amounts to DKK 350.3 million (2019: 242.3 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 2020 and 2019 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 2020 for the Group's contract portfolio at year-end. As of 31 December 2020, the Group has future performance obligations of DKK 356 million out of a contract portfolio of DKK 1,305.2 million (2019: DKK 248.7 million out of DKK 1,008.4 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 as noted in the table to the left.

17

Cash and equivalents

DKK'000	2020	2019
Deposits at bank	216,823	4,492
Total cash and equivalents	216,823	4,492

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.

18

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 change in the share capital in the past five years.

19

Other payables

(DKK'000)	2020	2019
Wages and salaries, payroll taxes, etc payable	33,377	22,831
Holiday pay obligation	120,472	107,771
VAT and duties	39,693	46,488
Other costs payable	20,821	11,981
Total other payables	214,364	189,071

Part of the holiday pay obligation is classified and presented as long term due to the new Danish Holiday Act.



20

Provisions

DKK'000	2020	2019
Onerous contracts at 1 January	3,525	36,087
Decrease in the year	-3,525	-32,562
Provisions for the year	0	0
Onerous contracts at 31 December	0	3,525

Based in the current project portfolio including monitoring of deliveries on projects, no particular provisions for specific customer cases have been considered applicable at 31 December 2020 (2019: DKK 3.5 million).

21

Working capital changes

DKK'000	2020	2019
Change in receivables	-92,859	-105,231
Change in trade payables, etc.	20,300	17,319
Total working capital changes	-72,558	-87,912

Financial risks and financial instruments

Categories of financial instruments (DKK'000)	2020	2019
Trade receivables	369,649	431,204
Receivables from Group entites	913,697	675,061
Receivables from joint venture	8,260	0
Other receivables	3,005	86
Financial assets measured at amortised cost	1,294,611	1,106,351
Cash	216,823	4,492
Financial assets measured at fair value through P&L	216,823	4,492
Leasing	36,414	49,598
Trade payables	30,235	23,409
Payables to Group entities	14,167	42,475
Other payables	214,364	189,071
Financial liabilities measured at amortised cost	295,179	304,553

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 ultimate parent company.

Liquidity risks

The Entity is part of the Group's credit facility. At 31 December 2020, the Group has unutilised credit facilities of a total of DKK 699.9m (2019: DKK 534.8m), which the Entity has the option to use.

Credit risks

In 2020 and 2019, the Entity has not realised any credit losses. Based on the customer composition and past history with no credit losses, the credit risk is assessed to be limited and at 31 December 2020, the Entity made a provision of DKK 5.8 million (DKK 0.8) for expected credit losses. Furthermore, the Entity has significant receivables from group entities.

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 Group's interests. The overall objective is to ensure a capital structure that supports long-term growth whilst maximising returns for the Entity's owner by optimising the ratio between equity-to-debt ratio.

Financial risk and financial instruments

The fair value at 31 December 2020 and 2019 of the Entity's financial instruments was measured in accordance with level 2 and level 3 in the fair value hierarchy (IFRS 13).

Related parties

Related parties with a controlling interest

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

Transactions with related parties

Related parties with significant influence are the Entity's Executive Management, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interests, as well as joint venture to the Entity. All transactions with related parties are made on arm's length terms.

Until 19 February 2019, FSN Capital had shareholding interests that led to a significant influence in the Entity. From 19 February 2019 FSN Capital no longer had significant shareholder interest.

During the period of 2019 where FSN Capital had >5 % ownership, Netcompany recognised revenue from:

- Active Brands AS DKK 0.8 million
- Fitness World A/S DKK 1.9 million

In 2020, the Entity recognised revenue from:

- Smarter Airports A/S DKK 20.5 million

There were no other transactions with members of Executive Management or member of the Board of Directors, other than remuneration, and furthermore, no loans were granted to the Board of Directors or Executive Management in 2020 or 2019.

24 Collateral provided and contingent liabilities

The Entity is part of a Group credit facility, the total carrying amount at 31 December 2020 is DKK 760.6m (DKK 985.6m). The Entity provides full guarantee for the credit facility.

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 the administrative company. As a consequence, the Company is liable, as of 07.06.2018, for any obligation to withhold tax on

25 Consolidation

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

26

Events after the balance sheet date

We are not aware of events subsequent to 31 December 2020, which are expected to have a material impact on the Entity's financial position.

Material disruptions to the Entity's business, if any, will be reported by the ultimate parent Netcompany Group A/S through 2021.

