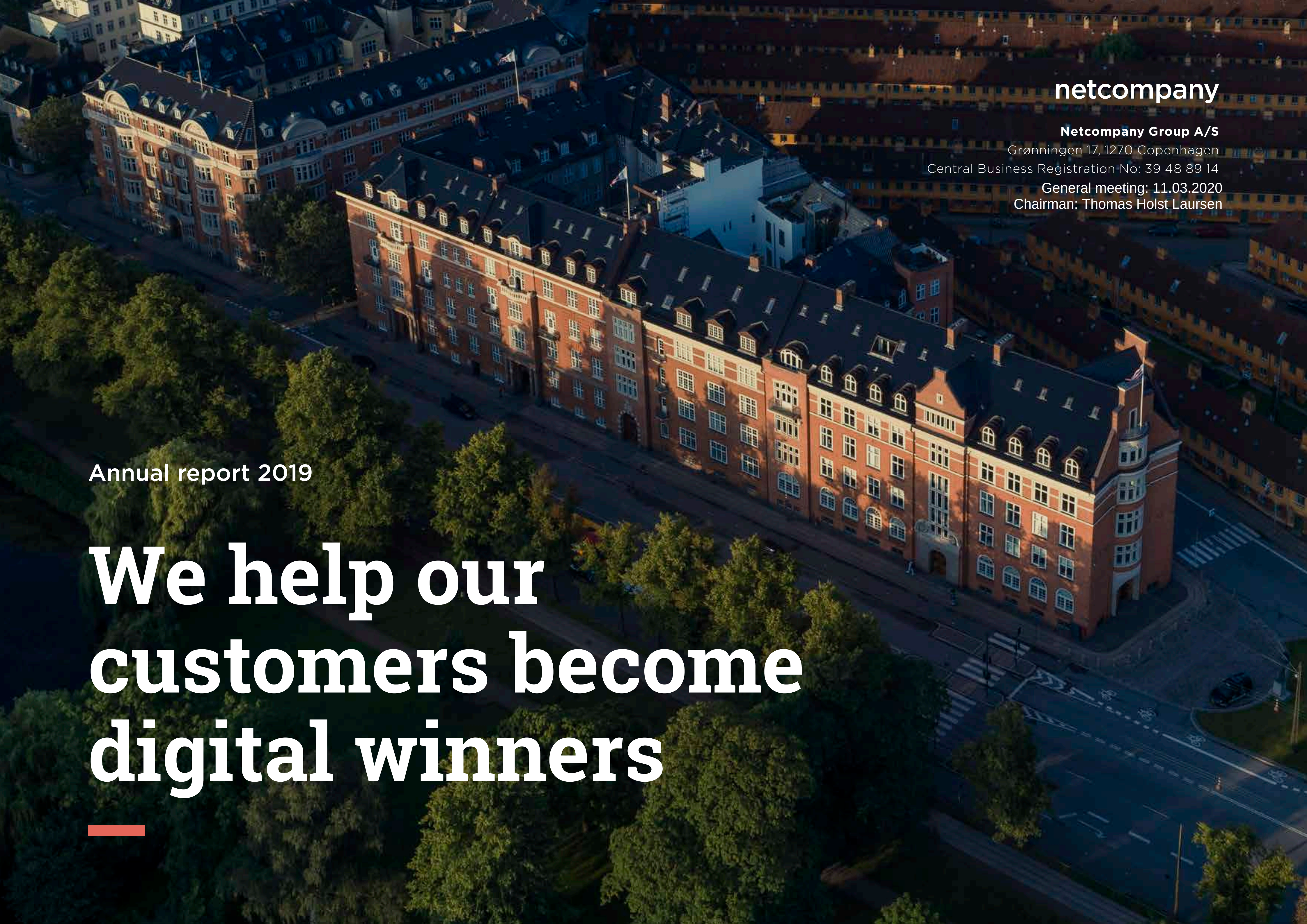


netcompany

Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Central Business Registration No: 39 48 89 14

General meeting: 11.03.2020
Chairman: Thomas Holst Laursen

Annual report 2019

We help our customers become digital winners

Adopted on the Annual General Meeting 2020
on 11 March 2020

Thomas Holst Laursen
Chairman of the meeting

Content

At a glance

Our business

Financial review

0.5bn

Profit before tax

25.2%

Adjusted EBITA margin

Governance

Shareholder information

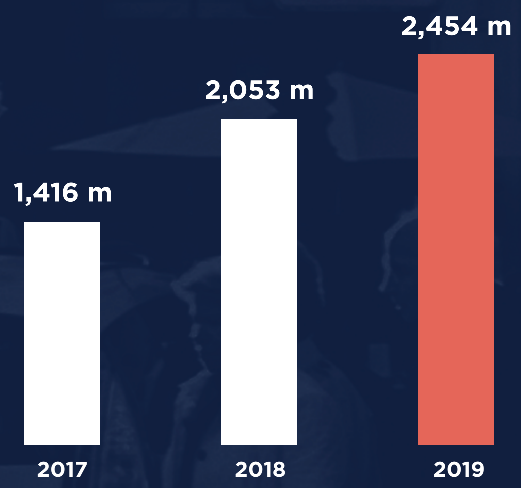
Financial Statements

Netcompany is a pure play next generation **IT services company,** delivering business-critical strategic IT projects, that accelerate customers' **digital transformation.**

Netcompany at a glance

We help our customers become future digital winners

Revenue in DKK



Vision

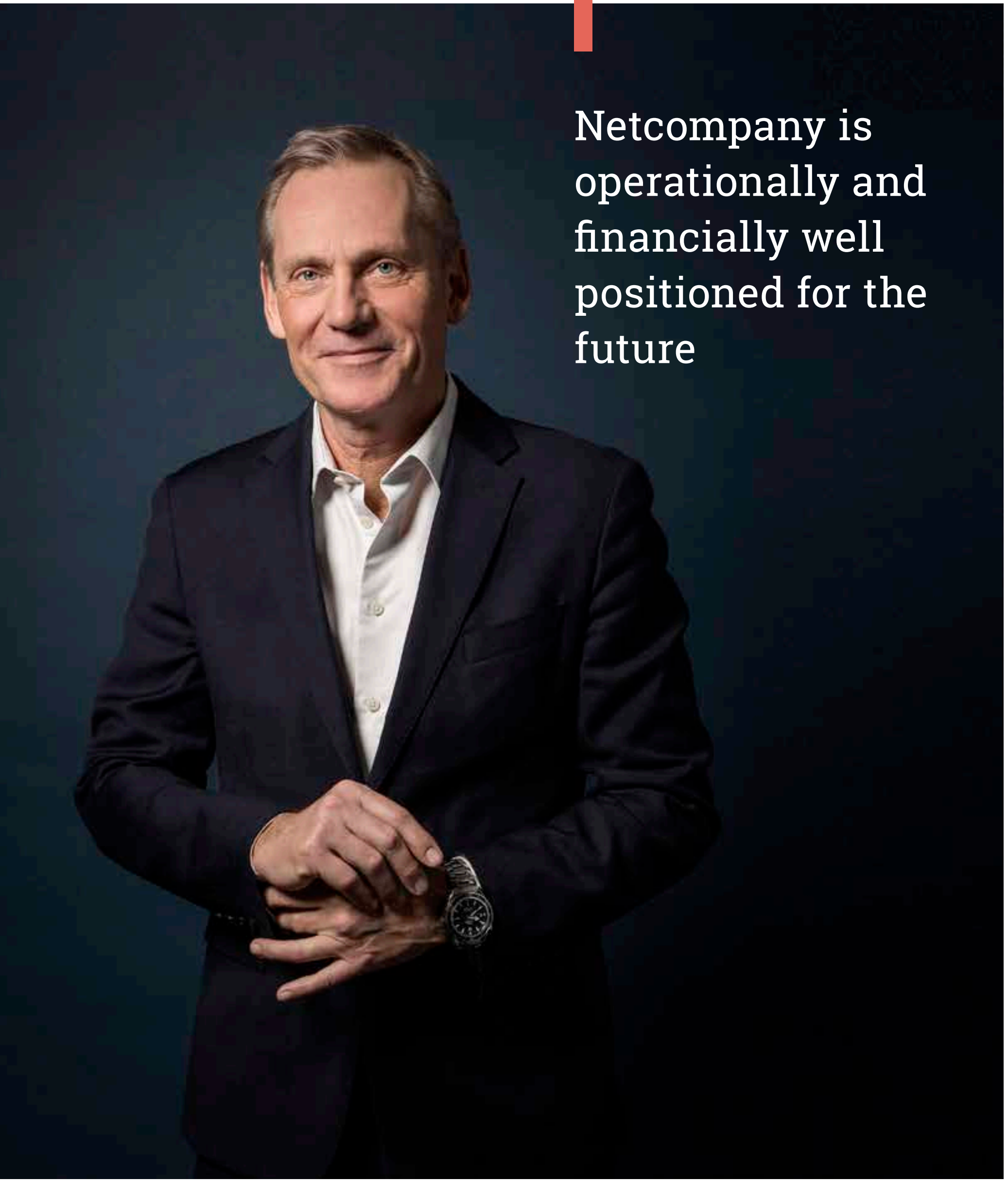
The leading **digital challenger** in Northern Europe

Key numbers

25.2%
Adjusted EBITA margin

93.2%
Cash conversion

~2,500
Employees at year-end



Letter from the Chairman

Sustainable growth will always be our priority

During 2019, Netcompany delivered some of the most complex systems that we have ever developed and we did so on time, budget and scope. This is a key prerequisite for our long term strategic aspiration of becoming a Northern European market leader in our Industry. It requires continued and relentless focus on quality in all aspects of our operation which also includes an ongoing prioritisation of projects and engagements.

During the year, we experienced delay in the start up of a number of large scale projects in the public sector in Denmark. But rather than substituting these delayed projects with short term engagements of non strategic importance, we chose to accept a temporary dip in our utilisation during the fall, as that was the right thing to do for the business, from a long term perspective.

We strive to be **open**, **direct** and **transparent** in our communication and also to be available for **discussions** and **dialogue** with our shareholders.

This resulted in a performance that was slightly lower than our initial expectations for top line growth, but fully in line with margin targets and in addition, with increased learning in the organisation from the delivery of complex quality solutions too.

This also ensured that our platform for continued growth in revenue and margins is intact and with a good illustration of our focus on always doing what is right for the company, on a long-term basis.

We strive to be open, direct and transparent in our communication and also to be available for discussions and dialogue with our shareholders. I believe this has been a key factor in making sure that the trust from our shareholders has remained intact.

Our work as Board of Directors
During the year, we have made a number of changes to the Board. Pekka Ala-Pietilä stepped down as chairman and left the Board during the year as a consequence of potential overboarding. Thomas Broe-Andersen left the Board as a natural consequence of FSN having sold all of their shares and finally Carsten Gomard left the Board of Directors to make room for a more international exposure in the Board of Directors to better reflect the joint competencies needed with the addition of another country – the Netherlands.

We have welcomed Scanes Bentley, a UK citizen resident in the UK and Robbert Kuppens, a Dutch citizen resident in the Netherlands. With these changes to the Board of Directors, we believe the competencies present are suited to support the company in setting and executing its strategy and objectives.

In addition to ensure discussions and prioritisations around strategic direction, we also oversee the financial management, risk management and general governance within the Group. During the year, we have conducted a detailed self-evaluation to ensure that we at all times – as a collective body – possess the competencies needed to fulfil our fiduciary obligations. Our conclusion is that we do.

Capital structure
For 2019, we will not be paying out dividend, however we plan to introduce dividend payments from 2021 based on the annual report 2020. Free cash flow is strong and the need for cash for M&A activities will – all other things equal – be limited as we are not targeting large acquisitions.

Leverage will during 2020 be comfortably within our target of between 0.5 and 1 times EBITA which will allow us to redistribute cash to our shareholders without lowering our growth aspirations.

Bo Rygaard
Chairman of the Board of Directors

17.7%
Organic revenue growth

23.2%
FTE growth

Letter from the CEO

Delivering on time, budget and scope while growing around 20%

2019 has been another remarkable year for Netcompany. We have delivered outstanding results for our customers as well as shareholders. Our market position is stronger than ever, and we continue to deliver complex and top quality technology transformation – critical to our customers, society and citizens.

During 2019, we delivered some of the most complex society critical and business critical systems introduced recently in Denmark – systems like the new system for child support, housing benefits, system for handling of distressed children and youth, the new debt collection system for the Danish Tax authorities and the new digital schooling platform in Denmark. Across our geographies we have improved and refined our delivery excellence and I firmly believe that there is now no complex IT system we cannot deliver.

Increased international footprint

Our vision for Netcompany is to become a Northern European leader in how digital transformation can create strong, sustainable societies, successful companies and improve the quality of life for all. In May, we took another important step towards our goal when we welcomed yet another member to the Netcompany family. With the acquisition of the successful Dutch IT Services company QDelft we have found the right key to the attractive Dutch IT market welcoming close to 100 highly skilled new colleagues to Netcompany.

Our great performance across all geographies proves, that we are capable of successfully integrating our acquisitions into the Netcompany model and win market share in new markets. Therefore, I am fully convinced that we have every opportunity to achieve our goal to become a leading digital challenger through stable growth in the markets we know and by positive development in our international expansion, kickstarted by acquisitions and followed by organic growth in new promising markets.

Ongoing strong sustainable growth

2019 marked the first full year for Netcompany as a listed company. I am thankful for the great trust a broad and diversified investor base has shown us. We will continue to work hard and dedicated to meet expectations from our investors by delivering solid, sustainable growth while maintaining a strict focus on the key pillars of our business model.

Looking back at 2019, we have continued our strong growth trajectory delivering industry leading growth and profitability growing by close to 20%, in a year where several external factors impacted our business growth in a manner that could not have been predicted.

While we grew at a slower pace in 2019 than the year before our adjusted EBITA margin is still solid at 25.2%.

I am proud to see Netcompany being so resilient when it comes to both growth and margins and believe this is a clear result of the top quality in all of our project deliveries.

Based on the market outlook, our expectations for 2020 remain strong with organic revenue growth of around 18 - 20 % in constant currencies and an adjusted EBITA margin from the organic business in constant currencies of around 26%. This is a growth pace we know and consider as ambitious, responsible and sustainable while securing our top quality delivery capabilities.

Digitalising the core of business

The world is currently in the middle of one of the most significant changes as digital transformation is fundamentally changing societies, businesses and the way we live our lives. As a trusted strategic partner, we help businesses and societies succeed in this transformation and ensure that we build the framework for a sustainable future and success in a digital world.

Netcompany's customers are embarking on digital transformation journeys where old legacy IT systems are replaced by more differentiated, innovative parts of the future IT system landscape, so-called "next generation IT". This includes aspects such as self-service, Artificial Intelligence, workflow automation and robotisation. Old systems and technologies are being replaced with new innovative solutions and services to optimise customer experiences and secure better usage of public funds for welfare benefits.

Constructing a new digital core is a trend of digital transformation that we believe will be dominant in the years to come. For both large private and public enterprises the advantages in building a digital core are real, tangible and can be a crucial enabler for a successful and sustainable business model in a digital world.

With our undisputed track record of delivering some of the most complex IT solutions we are capable and well-positioned to gain from this new wave of digitalisation as customers across sectors and geographies now use a greater part of their IT spend on strategic core business enablers.

There is no doubt. The societies and businesses that seize the new digital opportunities will prosper in the future. If we do it right, we will hand over a society to our coming generations that both we and they can be proud of. A society where innovation, growth, welfare, sustainability and political stability go hand in hand.

Success driven by unique talent

During 2019, we have welcomed more than 500 new employees. As a result, we have added 23% more client facing FTEs to our talented employee base. As an international company, we are now around 2,500 employees across six countries and 10 offices. Our future success is defined by our ability to continuously attract, develop and retain top talent in all markets. Therefore, I am pleased by our employees reporting high job satisfaction and with our reputation as an attractive workplace.

During the year, we have continued to invest heavily in our employees personal and professional skills and we will continue to do so in the future. It is our firm believe that we offer an exceptional career path to IT professionals in an industry leading IT services company that continues to be led by the best IT professionals. Our reputation as a leading IT company with exceptional career opportunities supports our high demand for new recruits.

Looking ahead to the opportunities in 2020, I see another exciting year for Netcompany. For now, a warm thank you to all of our employees, customers, shareholders and partners.

Let's all take responsibility and encourage each other to be role models and advocates for the opportunities that the wave of digitalisation will bring. I look forward to the onwards journey.

André Rogaczewski
CEO and Co-Founder

Financial highlights and key figures

DKK million	2019	2018	2017	2016[1]
Income statement				
Revenue				
Public	1,455.5	1,152.1	730.2	368.3
Private	998.3	901.1	685.9	531.3
Revenue by segments, total	**2,453.9**	**2,053.2**	**1,416.1**	**899.6**
Development	1,257.7	1,005.4	646.9	438.4
Maintenance	1,196.1	1,047.8	769.2	461.2
Revenue by type, total	**2,453.9**	**2,053.2**	**1,416.1**	**899.6**
Organic	2,416.5	1,777.5	1,232.0	887.9
Acquisition	37.4	275.7	184.0	11.7
Revenue by growth, total	**2,453.9**	**2,053.2**	**1,416.1**	**899.6**
Special items	-4.4	-34.5	-32.9	-35.5
EBITA	613.0	479.7	369.0	212.9
Adjusted EBITA	617.4	514.2	402.0	248.0
Operating profit (EBIT)	511.3	364.3	273.2	139.1
Net financials	-14.0	-108.7	-72.1	-62.7
Net profit	388.5	181.2	141.6	32.8
Financial position				
Investment in tangible assets	24.6	22.9	16.7	13.6
Investments in intangible assets	0	0	11.1	8.3
Total assets	3,727.6	3,485.4	3,469.5	2,860.4
Equity	2,071.7	1,806.3	1,643.9	1,260.5
Dividends paid	0.0	0.0	0.0	0.0
Net increase in cash and cash equivalents	32.1	-85.3	137.0	-107.0

DKK million	2019	2018	2017	2016[1]
Cash flow figures				
Cash flow from operation activities	460.3	186.4	195.3	68.1
Cash flow from investing activities	-64.8	-27.2	-150.5	-2,539.4
Cash flow from financing activities	-363.4	-244.6	92.2	2,243.6
Free cash flow	435.8	163.6	307.3	213.6
Net increase in cash and cash equivalents	32.1	-85.3	137.0	-107.0
Earnings per share				
Earnings per share (DKK)	7.91	3.65	N/A	N/A
Diluted Earnings per share (DKK)	7.89	3.65	N/A	N/A
Employees				
Average number of full-time employees	2,293	1,861	1,256	877

%				
Financial ratios				
Gross profit margin	40.6%	39.8%	43.3%	41.4%
EBITA margin	25.0%	23.4%	26.1%	23.7%
Adjusted EBITA margin	25.2%	25.0%	28.4%	27.6%
Operating profit margin	20.8%	17.7%	19.3%	15.5%
Effective tax rate	21.9%	29.1%	29.6%	57.1%
Return on equity	20.0%	10.5%	9.8%	5.2%
Solvency ratio	55.6%	51.8%	47.4%	44.1%
Revenue growth	19.5%	45.0%	57.4%	18.7%
Return on invested capital (ROIC)	13.6%	6.6%	5.5%	2.5%
Cash conversion ratio	93.2%	60.3%	76.4%	91.6%

[1] The Group was established on 1 February 2016; prior to this date Netcompany only consisted of Netcompany A/S. To allow for a meaningful comparison between the full-year numbers, the financial highlights and key figures of 2016 shows the consolidation between the 11-months reported figures in NC TopCo A/S and the one month of January 2016 reported in Netcompany A/S, which in total, comprise the Group. Please refer to the Prospectus for further information.

Our business

Netcompany see great opportunity for **continued growth** in all our markets

Equity Story

Outstanding **talent** & **career development model**

Young workforce with outstanding talent

Disruptive **management model** & integrated **sales approach**

IT people leading IT people

Unique, **agile, deliverable-driven** methodology & toolkit

Execution on time and on budget

Netcompany is a pure play next generation IT provider, which means that in the solutions we develop, maintain and operate, we:

- Use new technologies to develop solutions
- Are technology agnostic
- Focus on mission critical and complex solutions with our clients
- Have no legacy systems in our portfolio

In doing so we enable our client's digital transformation making them more competitive, more efficient and bring them into a position to lead the industries or services they operate in.

Our business is split between public and private customers with roughly half of our revenues stemming from development of new solutions and the other half stemming from maintaining and running them.

We achieve our financial metrics by having a relentless focus on always delivering our projects on time, budget and scope. We have done so since we were founded in 2000 by ensuring that we always have IT people leading IT people, by employing top talent and by adhering to the same methodology on all projects in all parts of the company.

When we enter new geographies, we aim to transition the acquired company into the Netcompany operating model in 3 years.

Financially Netcompany is anchored around three pillars:

~20%

High organic growth rate

+25%

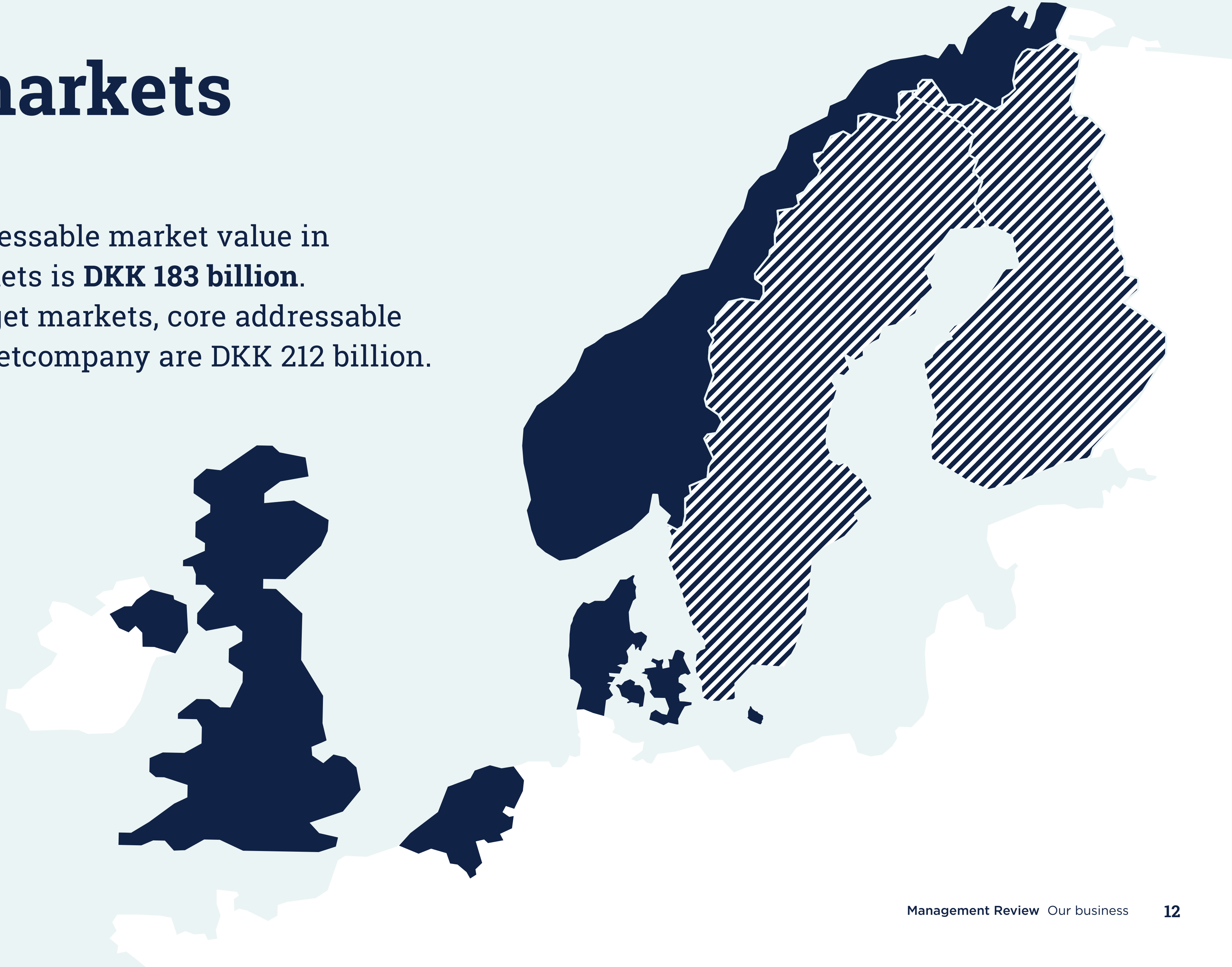
Industry leading margin

~100%

High cash conversion

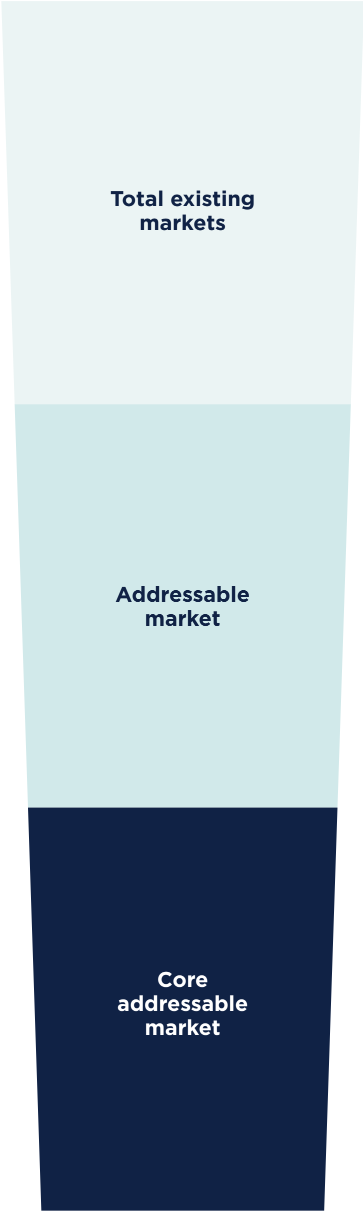
Our markets

The core addressable market value in existing markets is **DKK 183 billion**. Including target markets, core addressable markets for Netcompany are DKK 212 billion.



Existing markets

Target markets



The total IT services market

The total IT services market is defined as the expected IT market spend within the countries where Netcompany operates or plans to operate in the future. The total expected IT spend in these countries is based on market analysis conducted by the International Data Corporation (IDC) and includes total expected IT spend across all potential IT services, not limited to the ones in which Netcompany operates.

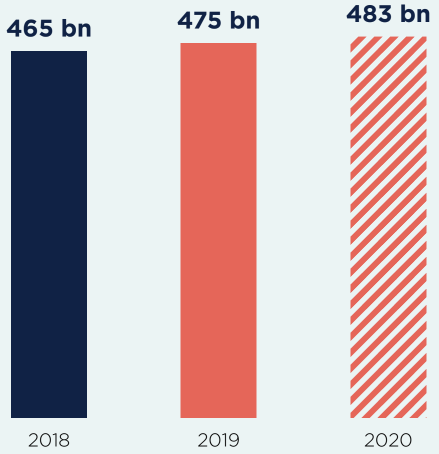
The addressable IT services market

The addressable IT services market is derived from the total IT services market, but limited to the services in which Netcompany operates such as; systems integration, IT consulting, custom application development, application management, hosted application management and hosting infrastructure services. Furthermore, the addressable market has been narrowed using the pace layers; systems of innovation, systems of differentiation and systems of records as defined by Gartner.

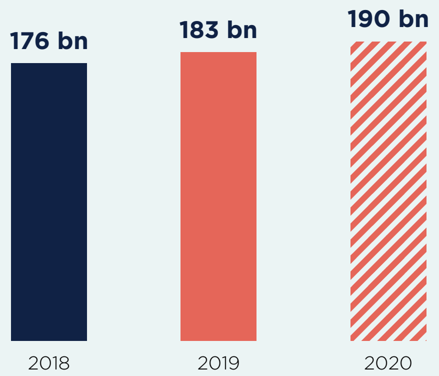
The core addressable IT services market

The core addressable IT services market is defined as the part of the addressable market which is dominated by medium and large companies with significant annual IT budgets, with strategic focus on using digitalisation as a competitive advantage by implementing complex projects where sophisticated IT capabilities are required.

Total IT spend (DKK)



Core addressable IT spend (DKK)



The total IT services market

The total IT services market was worth approximately DKK 475 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the IT services market where Netcompany operates, the addressable market was worth approximately DKK 222 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The core market was worth approximately DKK 183 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022.

The public market

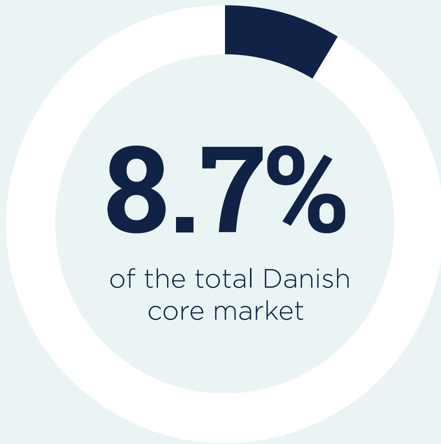
The total public IT services market was worth approximately DKK 112 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the public IT services market where Netcompany operates, the addressable market was worth approximately DKK 54 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. The core public market was worth approximately DKK 53 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Public sector revenue accounted for 56.1% and 59.3% of Netcompany's total revenue for the year ended 31 December 2018 and the year ended 31 December 2019 respectively.

The private market

The total private IT services market was worth approximately DKK 363 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the private IT services market where Netcompany operates, the addressable market was worth approximately DKK 167 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The core private market was worth approximately DKK 131 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. Private sector revenue accounted for 43.9% and 40.7% of Netcompany's total revenue for the year ended 31 December 2018 and the year ended 31 December 2019 respectively.

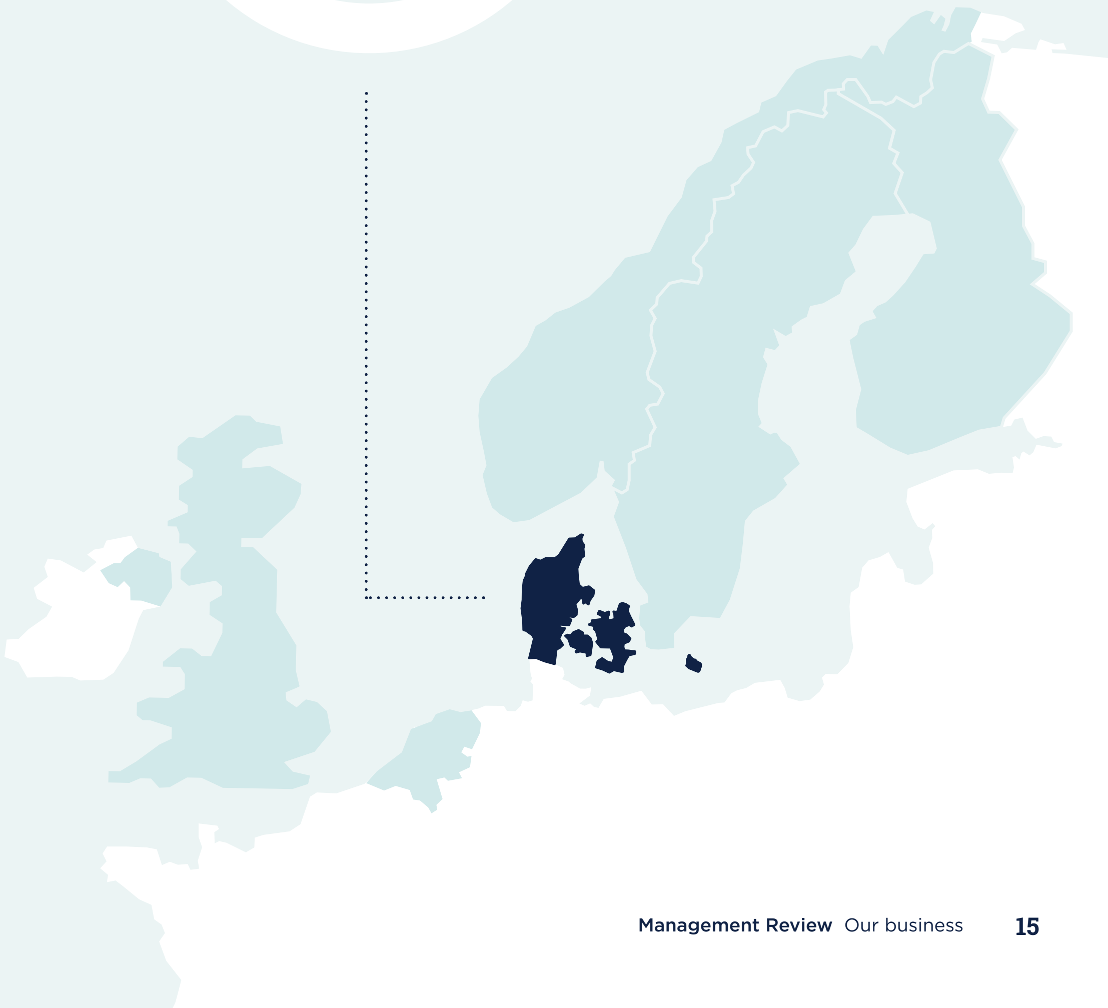
Our markets

The Danish IT services market



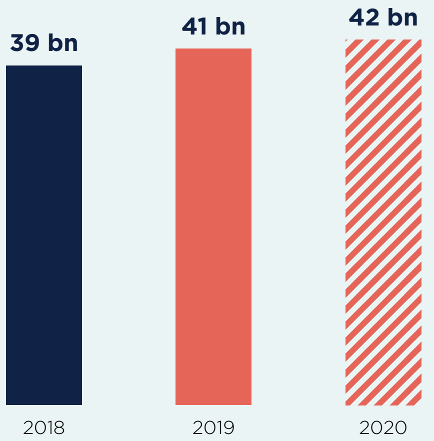
Denmark is an advanced market for IT services and has been striving to digitalise many old processes and systems in both the private and public market for years.

Denmark is one of the most digitalised countries in the European Union and has the most digitised public sector according to the EU.[1] In 2018, the Danish Government launched the Strategy For "Denmark's Digital Growth" with the aim of remaining one of the frontrunners of digital developments, and to ensure that the Danish society is the most digitalised in Europe.[2] In 2019, the Danish Government launched its National Strategy for Artificial Intelligence with the aim to provide a human and ethical foundation for Artificial Intelligence in order to implement Artificial Intelligence within both the public and private sector. In addition, the strategy will establish several initiatives to further strengthen Denmark's development and application of Artificial Intelligence.[3] The Danish market is defined as Netcompany's home market and remains an important strategic focus.

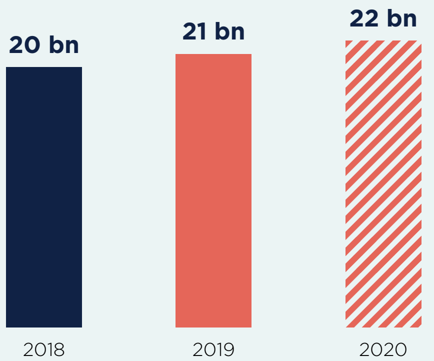


[1] The Digital Economy and Society Index (DESI) 2019.
[2] *https://eng.em.dk/media/10566/digital-growth-strategy-report_uk_web-2.pdf*
[3] *https://investindk.com/insights/the-danish-government-presents-national-ai-strategy*

Total IT spend (DKK)



Core addressable IT spend (DKK)



The Danish IT services market

The total Danish IT services market was worth approximately DKK 41 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Danish IT services market where Netcompany operates, the addressable market was worth approximately DKK 25 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. The core market was worth approximately DKK 21 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022.

The Danish public market

The total Danish public IT services market was worth approximately DKK 12 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the Danish public IT services market, where Netcompany operates, the addressable market was worth approximately DKK 11 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. The Danish core public market was worth approximately DKK 11 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022.

The Danish private market

The total Danish private IT services market was worth approximately DKK 29 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Danish private IT services market where Netcompany operates, the addressable market was worth approximately DKK 14 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The Danish core private market was worth approximately DKK 10 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

Our markets

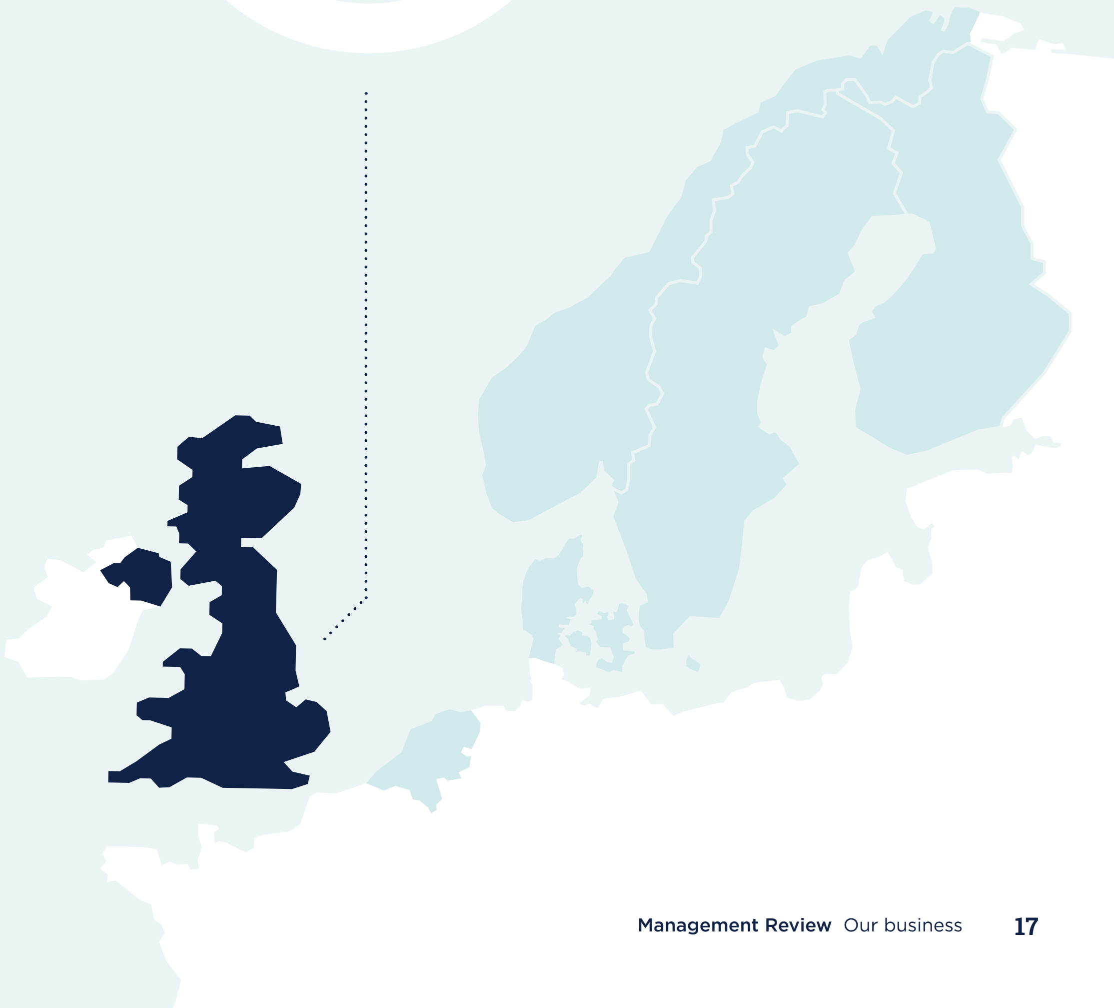
The UK IT services market

0.3%
of the total UK core market

The UK represents the **single largest market in Europe** and is a highly interesting market for Netcompany.

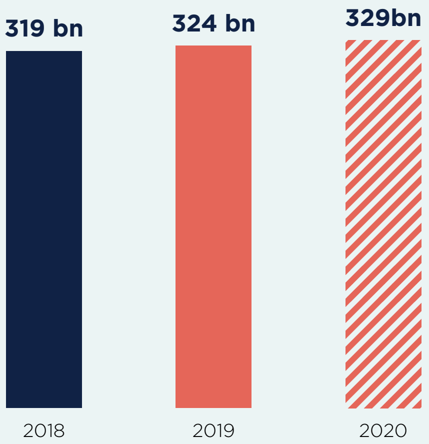
In recent years the UK has become more digitalised compared to other European countries and has advanced from being ranked number seven in 2018, to being ranked number five in 2019 in the DESI (Digital Economy and Society Index) studies among European countries.[1]

The UK is an advanced market for IT services and is the largest in Europe and the largest market within the Netcompany Group, but the least advanced in digitisation within existing and target markets. There is a need for updated and agile systems within the UK government, that will need to be capable of delivering innovative and differentiated systems in the future. In connection to Brexit, the UK government will most likely require IT services in order to transfer regulatory frameworks to upgraded platforms, and thereby provide Netcompany with vast opportunities to gain a larger market share.

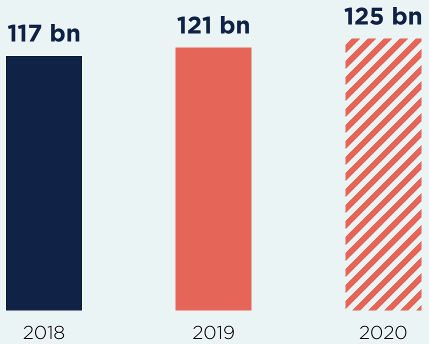


[1] The Digital Economy and Society Index (DESI) 2018 and 2019

Total IT spend (DKK)



Core addressable IT spend (DKK)



The UK IT services market

The total UK IT services market was worth approximately DKK 324 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the UK IT services market where Netcompany operates, the addressable market was worth approximately DKK 144 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The UK core market was worth approximately DKK 121 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022.

The UK public market

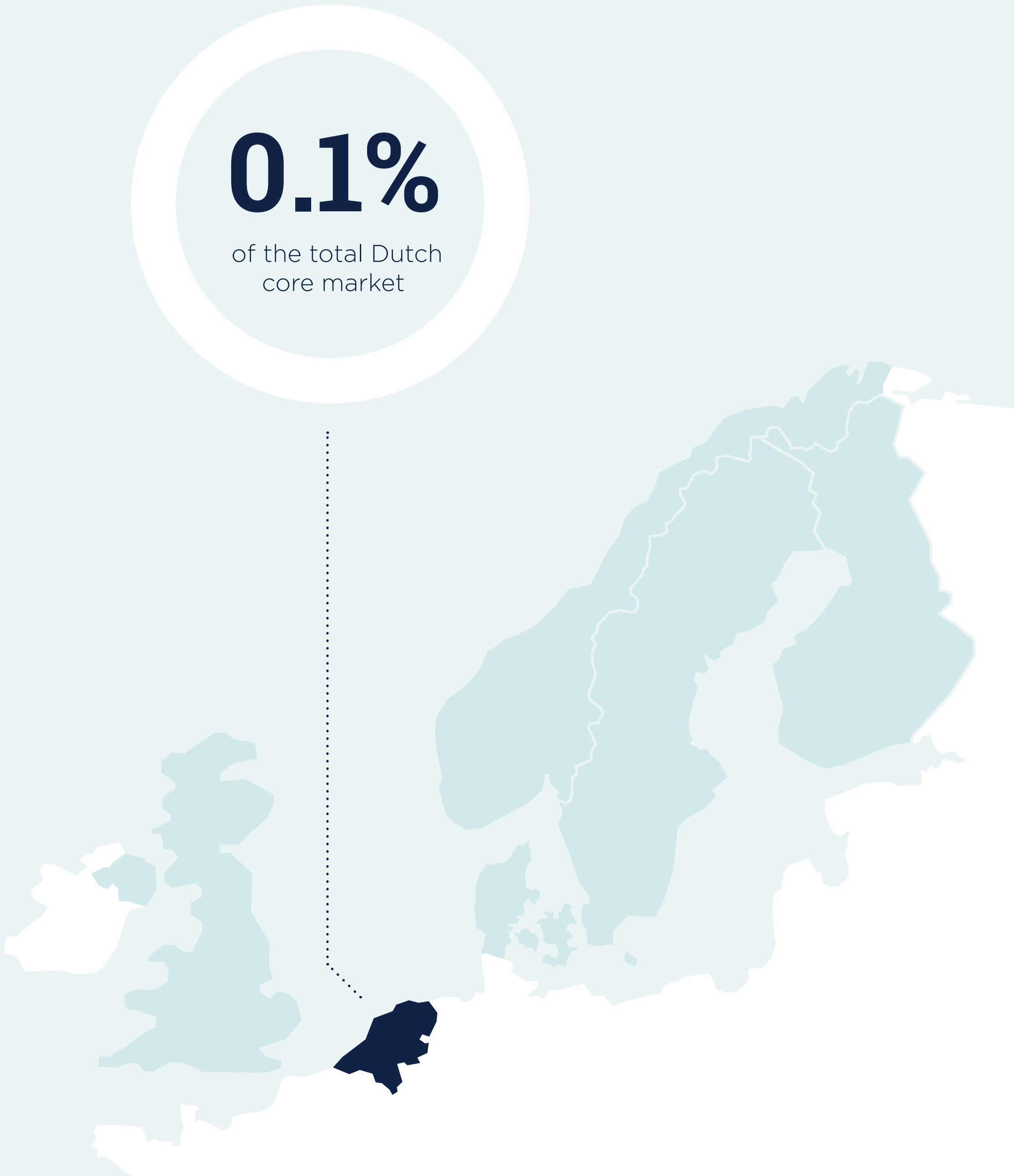
The total public UK IT services market was worth approximately DKK 73 billion in 2019 and is expected to grow by a CAGR of 0-1% from 2019 to 2022. Within the UK public IT services market where Netcompany operates, the addressable market was worth approximately DKK 30 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. The UK core public market was worth approximately DKK 29 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022.

The UK private market

The total UK private IT services market was worth approximately DKK 252 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the UK private IT services market where Netcompany operates, the addressable market was worth approximately DKK 114 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The UK core private market was worth approximately DKK 92 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022.

Our markets

The Dutch IT services market



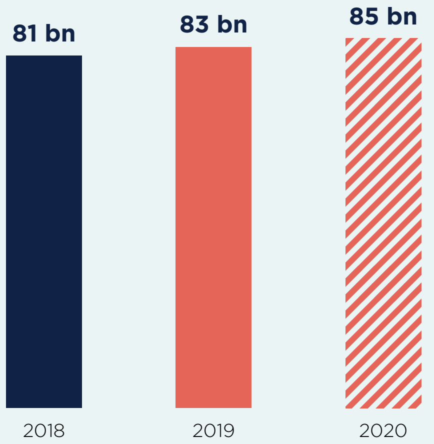
The Netherlands is one of the more digitalised countries within Europe and has many similarities to the Danish market.

The Netherlands is slightly more digitalised than Denmark[1] and has ambitions of keeping digitalisation high on the agenda in both the public and private sector. The Dutch government adopted a Digitalisation Strategy in 2018 that was designed to enable the country to capitalise on economic and social opportunities associated with digital transformation and especially taking fundamental questions regarding privacy protections and future jobs into consideration.

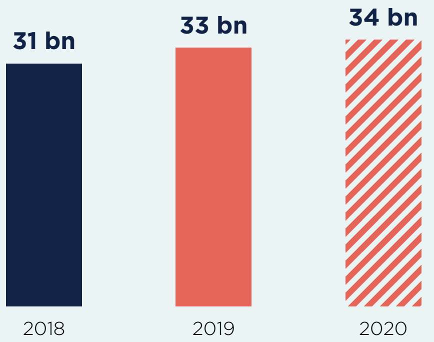
The Dutch IT services market is one of the largest in Europe and the second largest market within the countries where Netcompany operates. The Dutch government has through the Dutch Digitalisation Strategy proposed a number of new targeted initiatives which for instance includes digitalisation of the agriculture industry to make it more sustainable and the programme 'Accelerating the Digitalisation of SMEs' ('Versnelling digitalisering mkb'). The Dutch strategy to strengthen the foundations of digitisation will provide Netcompany with opportunities to gain a higher public market share.

[1] The Digital Economy and Society Index (DESI) 2018 and 2019

Total IT spend (DKK)



Core addressable IT spend (DKK)



The Dutch IT services market

The total Dutch IT services market was worth approximately DKK 83 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Dutch IT services market- where Netcompany operates, the addressable market was worth approximately DKK 40 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The core market was worth approximately DKK 33 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

The Dutch public market

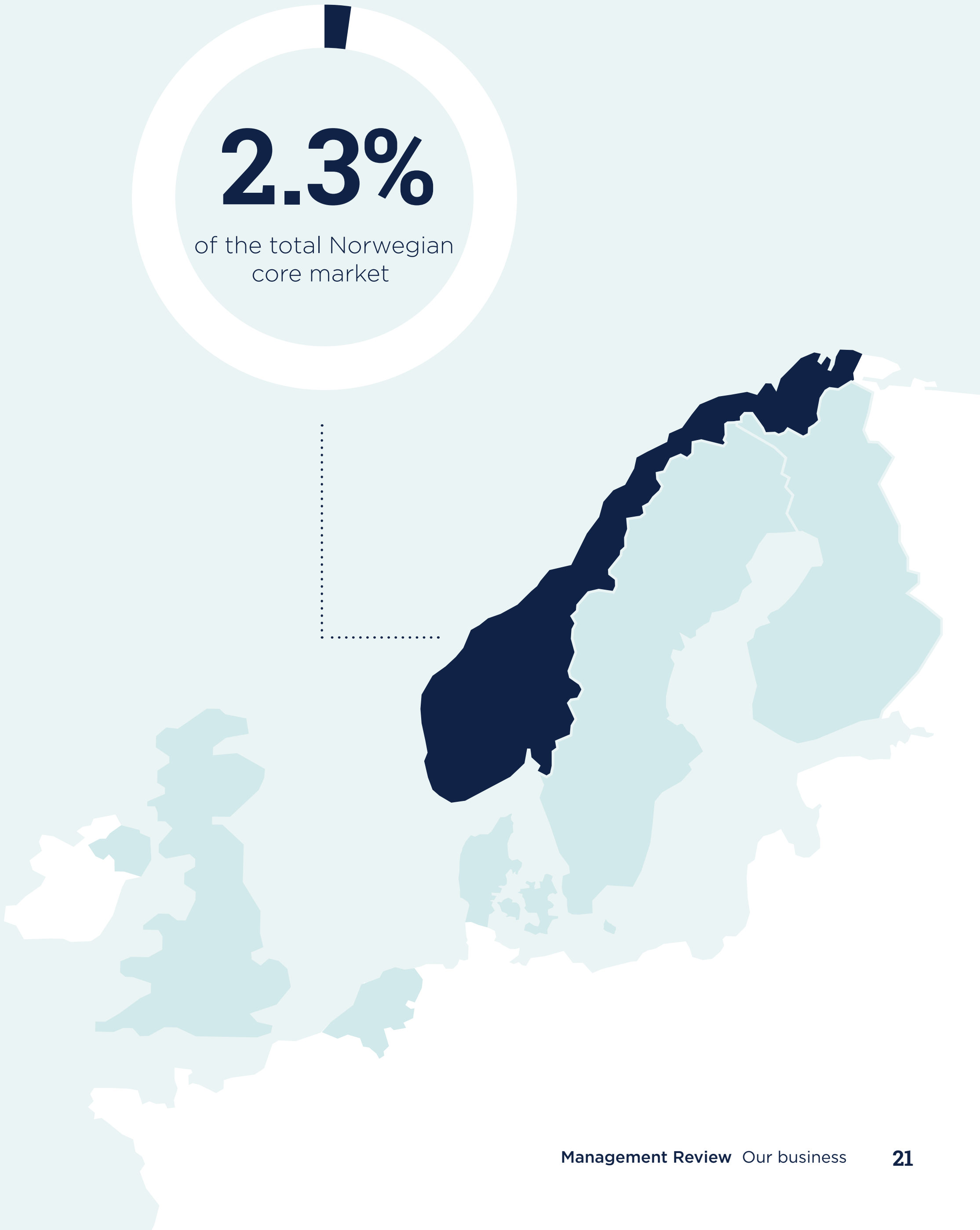
The total Dutch public IT services market was worth approximately DKK 20 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the Dutch public IT services market where Netcompany operates, the addressable market was worth approximately DKK 9 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The Dutch core public market was worth approximately DKK 9 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022.

The Dutch private market

The total Dutch private IT services market was worth approximately DKK 63 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Dutch private IT services market where Netcompany operates, the addressable market was worth approximately DKK 31 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The Dutch core private market was worth approximately DKK 24 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

Our markets

The Norwegian IT services market



Norway is similar to Denmark amongst the **most digitalised** countries in Europe.

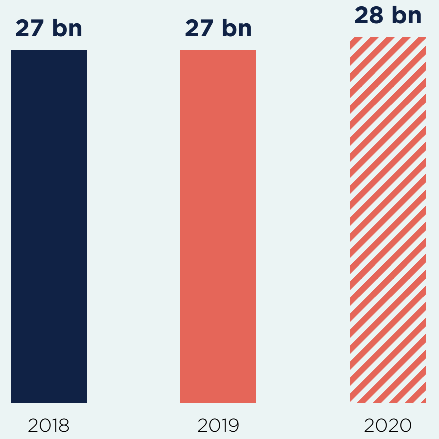
In 2018, the Norwegian government announced a Norwegian Digital Strategy with the objective of implementing technology and innovation through digitalisation of the public infrastructure.

The Norwegian government holds high ambitions for simplifying, modernising and improving the public sector through digitalisation and has also succeeded in its efforts to digitise Norwegian public services.

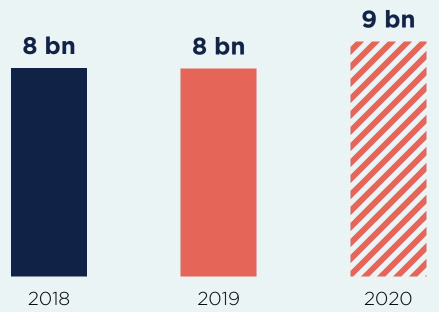
The Norwegian IT services market continues to be dynamic and offers opportunities to get involved in future selected projects within both the public as well as the private sector.

Public sector in Norway is expected to go through a similar process of digitalisation as the Danish public sector has gone through in recent years.

Total IT spend (DKK)



Core addressable IT spend (DKK)



The Norwegian IT services market

The total Norwegian IT services market was worth approximately DKK 27 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Norwegian IT services market where Netcompany operates, the addressable market was worth approximately DKK 12 billion in 2019 and is expected to grow by a CAGR of 4% from 2019 to 2022. The Norwegian core market was worth approximately DKK 8 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022

The Norwegian public market

The total Norwegian public IT services market was worth approximately DKK 8 billion in 2019 and is expected to grow by a CAGR of 1-2% from 2019 to 2022. Within the Norwegian public IT services market where Netcompany operates, the addressable market was worth approximately DKK 3 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The Norwegian core public market was worth approximately DKK 3 billion in 2019 and is expected to grow by 3-4% from 2019 to 2022.

The Norwegian private market

The total Norwegian private IT services market was worth approximately DKK 19 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within Norwegian private IT services market where Netcompany operates, the addressable market was worth approximately DKK 9 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The Norwegian core private market was worth approximately DKK 5 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

Our markets - potential new markets

The Swedish IT services market

Sweden is a highly digitised market with similarities to Denmark with vast opportunities to gain market share.

In mid-2017, the Swedish government launched a Digital Strategy with the vision for sustainable digital transformation in Sweden.[1] The overall objective for the strategy is for Sweden to become the world leader in exploiting the opportunities of digital transformation.

In 2018, the government adopted a roadmap for Artificial Intelligence, with the aim of making Sweden the world leader while improving Swedish welfare and competitiveness through digitalisation.[2]

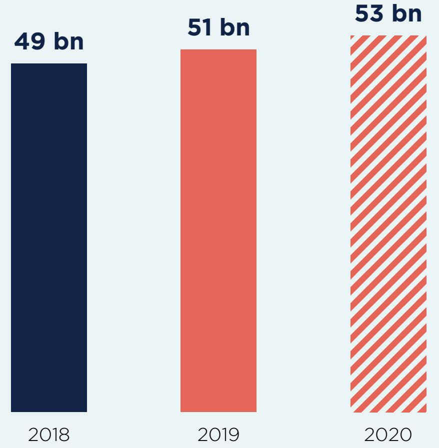
The Swedish government holds high ambitions for the improvement of the public sector through digitalisation and has in recent years succeeded in its efforts to digitise Swedish public services.

The Swedish government's effort to digitalise the public sector has resulted in increased digital services offered by government agencies and municipalities.

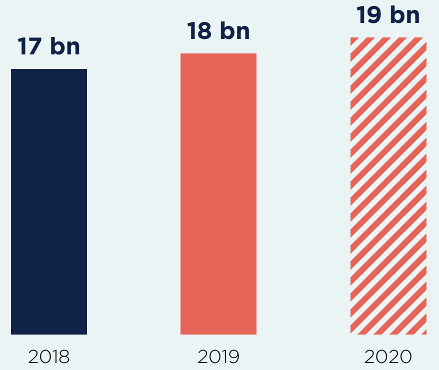
The Swedish government has put big efforts in digitalisation into the public service market. Further, there are only a few larger incumbent companies already dominating the market, making it attractive to enter and gain market share in the Swedish core public and private markets.

[1] *https://www.government.se/information-material/2017/06/fact-sheet-for-sustainable-digital-transformation-in-sweden--a-digital-strategy/*
[2] The Digital Economy and Society Index (DESI) 2019

Total IT spend (DKK)



Core addressable IT spend (DKK)



The Swedish IT services market

The total Swedish IT services market was worth approximately DKK 51 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Swedish IT services market where Netcompany would operate, the addressable market was worth approximately DKK 24 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The Swedish core market was worth approximately DKK 18 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

The Swedish public market

The total Swedish public IT services market was worth approximately DKK 13 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Swedish public IT services market where Netcompany would operate, the addressable market was worth approximately DKK 6 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022. The Swedish core public market was worth approximately DKK 5 billion in 2019 and is expected to grow by a CAGR of 3-4% from 2019 to 2022.

The Swedish private market

The total Swedish private IT services market was worth approximately DKK 38 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Swedish private IT services where Netcompany would operate, the addressable market was worth approximately DKK 18 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022. The Swedish core private market was worth approximately DKK 13 billion in 2019 and is expected to grow by a CAGR of 4-5% from 2019 to 2022.

Our markets - potential new markets

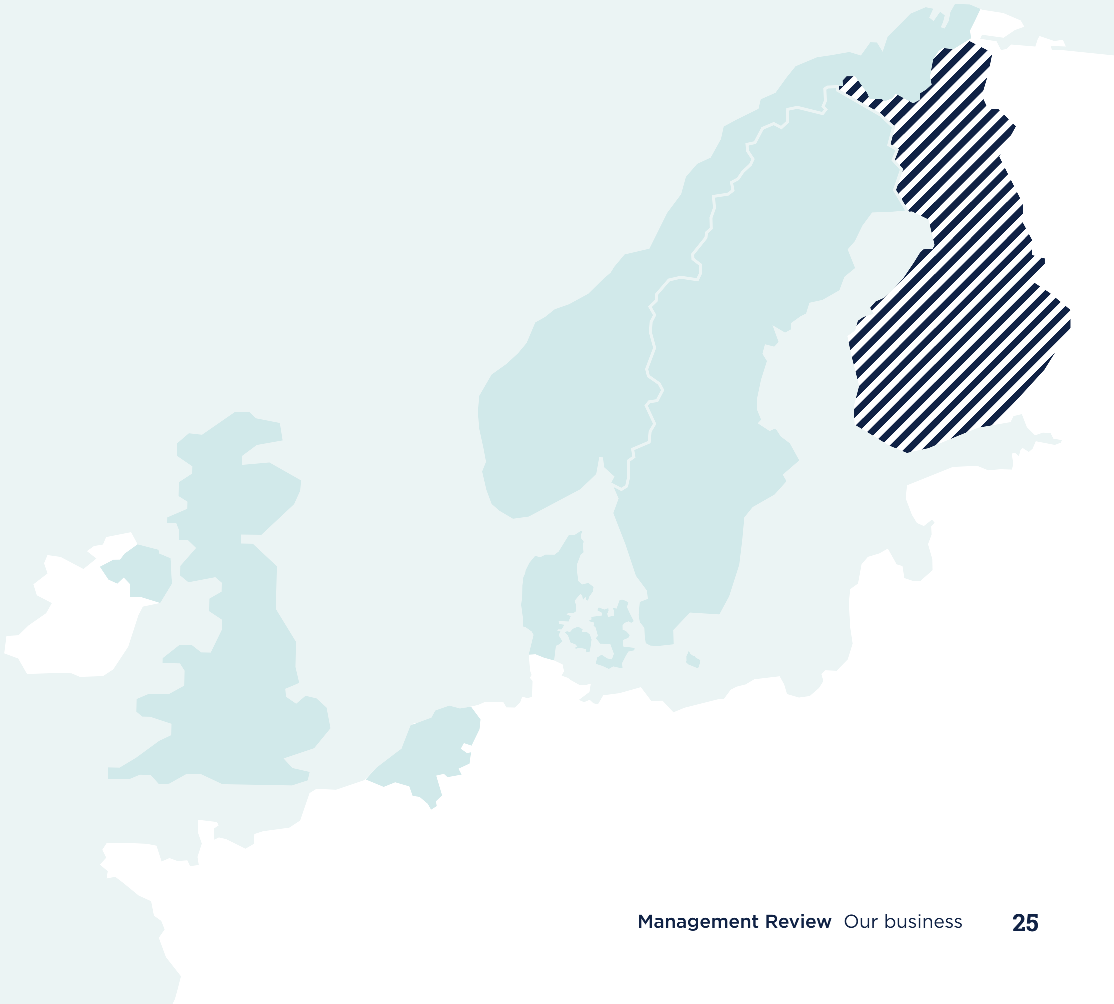
The Finnish IT services market

In 2019, Finland was **ranked first** out of all the European countries and is the **fastest growing** market in Europe.[1]

Finland remains a world leader in digitisation and belongs to the high-performing cluster of countries in the EU.[2] Finland ranks high in digital public service and human capital and is excelling in digital public services and integration of digital technologies, which gives Finland one of the strongest competitive advantages concerning human capital, as most of the population have basic or advanced digital skills well above the European average.

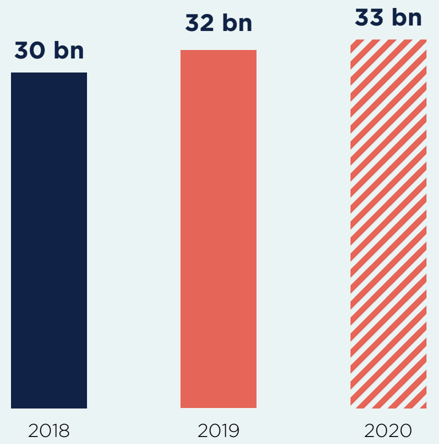
In 2017, the Finnish government presented their national Artificial Intelligence strategy, with the aim of becoming one of the frontrunners among countries that apply Artificial Intelligence. In its efforts to reach that goal, the government launched a free online course on Artificial Intelligence targeting anyone learning about Artificial Intelligence. Furthermore, the government allocated more than DKK 750 million to support various digital projects being run by local authorities between 2018-2022.[3] The Finnish government have high ambitions for the digitisation of all public services with the objective of creating a framework between central government and municipalities. The Finnish IT services market is dynamic and offers good opportunities within both the public as well as the private sector.

It is attractive to enter and gain market share in the Finnish core market, as there are only a few larger incumbent companies already in the market.

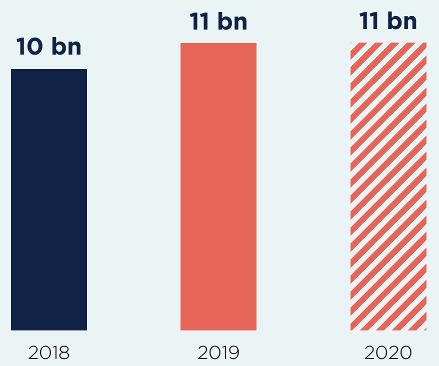


1 The Digital Economy and Society Index (DESI) 2018 and 2019
2 High-performing countries are Denmark, Finland, Ireland, Luxembourg, the Netherlands, Norway, Sweden, UK, Belgium and Estonia
3 *http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/160391/TEMrap_47_2017_verkkojulkaisu.pdf*

Total IT spend (DKK)



Core addressable IT spend (DKK)



The Finnish IT services market

The total Finnish IT services market was worth approximately DKK 32 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Finnish IT services market where Netcompany would operate, the addressable market was worth approximately DKK 15 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022. The Finnish core market was worth approximately DKK 11 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022.

The Finnish public market

The total Finnish public IT services market was worth approximately DKK 7 billion in 2019 and is expected to grow by a' CAGR of 3-4% from 2019 to 2022. Within the Finnish public IT services market where Netcompany would operate, the addressable market was worth approximately DKK 3 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022. The Finnish core public market was worth approximately DKK 3 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022.

The Finnish private market

The total Finnish private IT services market was worth approximately DKK 24 billion in 2019 and is expected to grow by a CAGR of 2-3% from 2019 to 2022. Within the Finnish private IT services market where Netcompany would operate, the addressable market was worth approximately DKK 11 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022. The Finnish core private market was worth approximately DKK 8 billion in 2019 and is expected to grow by a CAGR of 5-6% from 2019 to 2022.

Case story

Topdanmark - turning change into future opportunity

It is in Topdanmark's DNA to be a responsible and major player in society. But in order to retain that role in an increasingly digital world, the insurance and pension company needed to go through a digital transformation. Netcompany is delivering platforms that will enable Topdanmark's continued growth in an ever more digital future.

As a major pension provider and the second largest insurance company in Denmark, Topdanmark safeguards livelihoods and property for over half a million households and more than a hundred thousands corporate clients.

Netcompany is supporting Topdanmark on a strategic level to design new customer engagement and core insurance platforms that will enable the company to continue as an efficient growth business. Currently in the first delivery phase, the platforms will optimise workflows, improving daily work for approximately 50% of Top- danmark employees, while greatly enhancing the service and user experience for its customers. Setting new standards is key to success.

We have tailored the agile delivery model to fit Topdanmark's 'Nytland' strategy and are in the process of developing a brand-new platform, based on standard platforms, that will provide end-to-end support for Topdanmark's agricultural businesses.

Much more will follow in the years to come to ensure Topdanmark's tech- nology infrastructure remains cus- tomer centric and 'digital first'. Thanks to our advanced knowhow and philosophy of 'IT-people leading IT-people', these projects have all run according to plan – with continuous on-time delivery.

Case story

AULA - a communication platform you can trust

In October 2019, AULA was launched in Denmark: A uniform and future-proof communication platform, bridging schools, day-care institutions and homes, with millions of users spread all over Denmark. Netcompany is the proud provider of the platform and is currently involved in its vast nation-wide implementation.

AULA is a communication platform that brings homes, schools and day-care institutions closer together – in order to improve the quality of education, while enhancing work and home life for professionals and families.

Designed to embrace the future, AULA will have a great impact on the lives of children living in Denmark, from their first years in day care to their last day in school.

While setting a new benchmark for digital communication, AULA requires a huge implementation project to ensure the system is adopted successfully at more than 1,700 schools and 2,500 day-care providers located around the country.

Used daily by millions of people with widely different needs – from year-one pupils and their parents to teachers and school secretaries – stability, security and GDPR compliance have been key in building AULA. All users must feel safe sharing crucial and personal information – and be able to rely on the system accordingly.

AULA was developed in co-operation with 98 Danish municipalities and in close collaboration with its daily users. Supported by Netcompany's unique, agile, deliverable-driven methodology.

Financial review

Netcompany continued to deliver **industry leading financial performance** in 2019

2019 financial performance and 2020 guidance

In 2019, the Group delivered a revenue growth of 19.5% in reported currencies (19.5 % constant), 17.7% organic revenue growth and an adjusted EBITA margin of 25.2%. Reported revenue growth in constant currencies was in line with the latest revised guidance for the year of around 20% and organic revenue growth was also in line with the latest revised guidance of the year of around 18.25%. Adjusted EBITA margin of 25.2% was in line with the latest revised guidance too.

During the year, the Group changed its expectations to top line growth twice. First time in connection with the Q2 reporting where Netcompany narrowed the range for organic revenue expectations from 20-25% to 20-22% and second time in connection with the Q3 reporting where the Group lowered its expectations to organic revenue growth to be around 18.25%, but at the same time increased its expectation to non-organic revenue growth from 0.75% - 1.25% to be around 1.75% resulting in revised expectations to reported revenue growth in constant currencies of around 20%. No changes

Financial performance 2019

19.5%
Revenue growth

25.2%
Adjusted EBITA margin

497.3m
Profit before tax

Financial metrics in constant currencies	Target 2020	Actual performance 2019	Updated target Q3	Updated target Q2	Original target 2019
Organic revenue growth	~18-20%	17.7%	~18.25%	20-22%	20-25%
Adjusted EBITA margin from organic revenue	~26%	25.9%	~26%	~26%	~26%
Non-organic revenue growth	~1 %	1.82%	~1.75%	0.75-1.25%	N/A
Reported revenue growth	~19-21%	19.5%	~20%	20.75-23.25%	N/A
Adjusted EBITA margin	~26%	25.2%	~25.4%	~25.7%	N/A

were made to the expectation for adjusted EBITA margin from organic revenue growth.

During 2019, Netcompany acquired the Dutch based IT services company QDelft. Integration into the Netcompany operating model is progressing well and rapidly and expectations for 2020 are positive when it comes to both revenue and margin improvements.

In the UK, a new piece of employment legislation has been introduced regarding the tax status of independent contractors, which is expected to have a significant impact on the UK labour market for IT professionals in general and on Netcompany in particular, as we have a high proportion of independent contractors employed. The transition into this new piece of legislation will mean significant short-term risk to revenue growth, but will however have a positive impact on margins in the UK in the longer run.

In Netcompany Norway, growth in 2020 is dependent on winning one or two large new projects to accelerate and complete the transition into the full Netcompany operating model. We see a strong pipeline supporting this and are optimistic about our ability to win such new projects.

Finally, we continue to see growth in the Danish market driven by continued digitalisation in the public sector, but also supported by an increased number of large scale projects emerging in the private sector. There are still a number of large tenders in the Danish public sector that need to follow the outlined timetable to support the expected revenue growth in the Danish operation.

Guidance for 2020

Netcompany expects organic revenue growth of around 18-20% in constant currencies. Depending on the transition of independent contractors to permanent employees in the UK, or unexpected delays in large public tenders in Denmark or Norway, organic revenue growth could potentially be towards the lower end of the range. In addition, Netcompany expects non-organic revenue from the Dutch acquisition in 2019 to be 1 % of total revenue in constant currencies, bringing expected reported revenue growth to be around 19-21% in constant currencies.

Adjusted EBITA margin for both organic and reported revenue is expected to be around 26% in constant currencies, and tax rate is expected to be around 22% for 2020.

Target leverage for external bank debt is between 0.5-1, relative to adjusted EBITA. When target leverage is met, and there is no significant cash requirements for M&A, part of the free cash flow surplus may be distributed to the shareholders as dividends or share buybacks.

Netcompany expects **organic revenue growth** of **around 18-20%** and reported revenue growth of around 19-21% in constant currencies

Performance overview

Revenue increased by 19.5% from DKK 2,053m to DKK 2,454m in 2019 corresponding to an organic revenue growth of 17.7%. Organic revenue growth was fairly evenly distributed between the Danish, Norwegian and UK market that each grew between 15.8% and 18.1%. As in 2018 the growth was mainly generated in the public sector which grew by 26.3% in 2019 including the impact from the acquisition of the Dutch operation. Revenue from the private sector increased by 10.8% in 2019.

Public sector growth was driven by a combination of both new contracts won as well as delivering and prolonging existing engagements throughout all geographies. Private sector revenue growth was mainly driven by the Danish organisation as a result of new large scale contracts won at the start of the year. Compared to 2018, both sectors grew at a slower rate due to the full inclusion of the UK operation in the 2018 numbers compared to only two months in 2017 as well as a slower growth in all countries in general. In Denmark, growth was negatively

DKK million	2019	2018	Change (reported)	Non-organic impact from Netcompany Netherlands BV.
Revenue	2,453.9	2,053.2	19.5%	1.8pp
Cost of service	-1,458.1	-1,236.7	17.9%	2.4pp
Gross profit	**995.8**	**816.5**	**22.0%**	**1.0pp**
Gross profit margin	*40.6%*	*39.8%*	*0.8pp*	*-0.3pp*
Sales and marketing costs	-11.7	-11.9	-1.1%	1.7pp
Administrative costs	-366.7	-290.4	26.2%	5.0pp
Adjusted EBITA	**617.4**	**514.2**	**20.1%**	**-1.3pp**
Adjusted EBITA margin	*25.2%*	*25.0%*	*0.1pp*	*-0.7pp*
Special items	-4.4	-34.5	-87.2%	0.1pp
EBITA	**613.0**	**479.7**	**27.8%**	**-1.4pp**
EBITA margin	*25.0%*	*23.4%*	*1.6pp*	*-0.7pp*
Amortisation	-101.7	-115.4	-11.9%	1.7pp
Operating profit (EBIT)	**511.3**	**364.3**	**40.3%**	**-2.3pp**
Operating profit margin	*20.8%*	*17.7%*	*3.1pp*	*-0.7pp*
Net financials	-14.0	-108.7	-87.1%	0.6pp
Profit before tax	**497.3**	**255.7**	**94.5%**	**-3.6pp**
Tax	-108.8	-74.5	46.1%	-5.4pp
Effective tax rate	*21.9%*	*29.1%*	*-7.2pp*	*-0.4pp*
Profit	**388.5**	**181.2**	**114.4%**	**-2.8pp**

Adjusted EBITA increased by 20.1% from **DKK 514.2m** in 2018 to **DKK 617.4m** in 2019

impacted by the Danish general election which delayed a number of large public projects.

In Norway, the loss of a couple of large tenders led to lower utilisation and finally, in the UK the move from independent contractors towards permanent employees reduced top line growth.

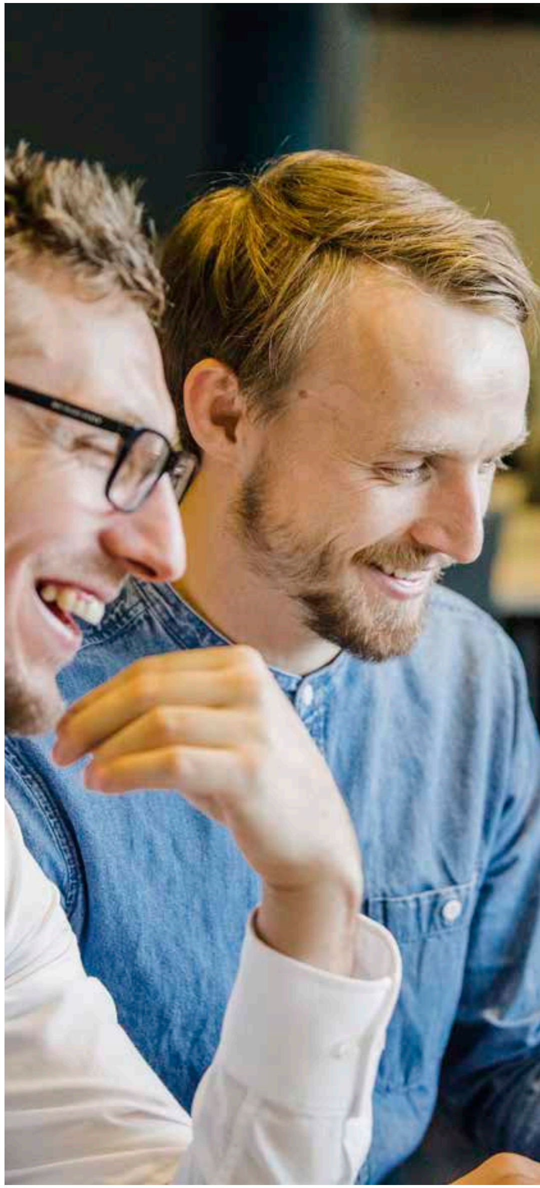
Costs of services increased by 17.9% from DKK 1,236.7m to DKK 1,458.1m. The lower increase in cost of services relative to revenue was mainly driven by the reduction in usage of independent contractors in the UK which was reduced to 42.5% of the total workforce compared to 64.5% in 2018. In addition, the usage of freelancers in the Danish operation decreased too. As a result, gross margin increased from 39.8% to 40.6% in 2019, despite the drop in utilisation realised in Q3 which was around 5 percentage points lower than expected. This development in utilisation was primarily driven by the delay in public sector projects as a consequence of the Danish general election in the spring of 2019 and the loss of tenders in Norway. The underlying delivery of projects during 2019 was strong and all major projects were delivered according to time, budget and scope which improved the gross profit margin offsetting the loss of utilisation in Q3.

Sales and marketing costs decreased around 1% in 2019 from DKK 11.9m to DKK 11.7m. Netcompany operates in B2B markets and costs for sales and marketing activities are low as the best marketing activity is undoubtedly our ability to deliver our projects on time, budget and scope.

Administrative costs grew by some 26.2% which was over and above the increase we saw in revenue for 2019, however in line with the growth in FTEs which grew by 23.2% from 1,861 to 2,293 in 2019. The amount of FTEs is the main driver of administrative costs as it drives hours spent on training and certifications, the need for computers and other infrastructure costs such as office space and so forth. In addition, the increase in administration costs were driven by the increase in remuneration to the Executive Management including cost for share based remuneration post IPO. The share based remuneration (LTIP programme) will not be fully loaded from an annual cost perspective before end of 2021 as the shares vest in a three year period.

The acquisition of the Dutch operation has added relatively more administrative costs as that operating entity is not yet running as efficiently as the rest of the Group.

Adjusted EBITA increased by more than DKK 100m from DKK 514.2m in 2018 to DKK 617.4m in 2019 corresponding to an increase of 20.1%. The acquisition of the Dutch operation in May impacted adjusted EBITA margin negatively by 0.7 percentage point. Adjusted for this, margin increased by 0.8 percentage point during 2019. This increase was a result of improved performance in the Danish and especially the UK business operations following a strong year when it comes to delivery of complex projects. The continued delivery of complex projects has also led to a reduction of the general risk reserve which has been reduced by DKK 32.6m to DKK 3.5m by the end of 2019. The reduction in the contingency reserve amounted to around 1 % of total revenue and impacted adjusted EBITA margin of around 1 percentage point in 2019.



Net profit more than **doubled** in 2019 and reached DKK 388.5 million.

Special items were DKK 4.4m in 2019 which was significantly lower than in 2018. However, the majority of special items in 2018 were related to the IPO of Netcompany. Excluding costs related to the IPO in 2018 special items in 2019 were DKK 2.9m higher than in 2018. Special items in 2019 mainly related to the acquisition of QDelft in May 2019.

EBITA increased by 27.8% from DKK 479.7m to DKK 613m yielding an EBITA margin of 25% compared to 23.4% last year. The main improvement in EBITA margin was related to the reduction in special items as well as the increase in gross profit margin.

Operating profit – EBIT – increased from DKK 364.3m to DKK 511.3m which was an increase of 40.3%. In addition to the improvement to the operating margins and lower special items, amortisations were also reduced as some intangible assets from the original transaction with FSN in 2016 has been fully amortised. EBIT margin was 20.8% compared to 17.7% in 2018.

Net financial costs were reduced from DKK 108.7m in 2018 to DKK 14m in 2019. The reduction in financial costs was driven by the refinancing done in connection with the IPO which reduced interest rates on external debt from 4.5% annually to around 1.5%. In addition, external debt was reduced by DKK 150m during 2019. Right of use assets increased financial costs by around DKK 3.3m reflecting the calculated interest cost related to the capitalised right to use assets.

19.5%

Revenue growth

Profit before tax increased from DKK 255.7m in 2018 to DKK 497.3m in 2019 – which is an increase of 94.5% driven by the factors described above, of which the reduced financial costs have had a significant impact.

Net tax for the year was DKK 108.8m which was equivalent to an effective tax rate of 21.9% compared to an effective tax rate of 29.1% last year. The main reduction in the effective tax rate was related to the reduced financial costs and reduced special items.

Net profit for the year was DKK 388.5m which was more than twice the amount compared to last year where net profit was DKK 181.2m.

Business segments

26.3%

Public revenue increase

Private segment

40.7%

998.3 mDKK
Revenue in the private segment increased by 10.8% from DKK 901.1m in 2018 to DKK 998.3m in 2019.

Public segment

59.3%

1,455.5 mDKK
Revenue in the public segment increased by 26.3% from DKK 1,152.1m in 2018 to DKK 1,455.5m in 2019.

10.8%

Private revenue increase

Public business segment

Public (DKK millon)	**2019**	**2018**	**Change (reported)**	**Non-organic impact from Netcompany Netherlands BV.**
Revenue	1,455.5	1,152.1	26.3%	3.0pp
Cost of services	-907.8	-692.1	31.2%	4.0pp
Gross profit	**547.8**	**459.9**	**19.1%**	**1.5pp**
Gross profit margin	*37.6%*	*39.9%*	*-2.3pp*	*-0.4pp*
Allocated costs	-244.1	-185.3	31.7%	7.5pp
Adjusted EBITA	**303.6**	**274.6**	**10.6%**	**-2.6pp**
Adjusted EBITA margin	*20.9%*	*23.8%*	*-3.0pp*	*-1.0pp*
Special items	-2.7	-19.2	-86.0%	0.1pp
EBITA	**300.9**	**255.4**	**17.8%**	**-2.8pp**
EBITA margin	*20.7%*	*22.2%*	*-1.5pp*	*-1.0pp*
Amortisation	-62.8	-65.2	-3.7%	2.9pp
Operating profit (EBIT)	**238.1**	**190.2**	**25.2%**	**-4.8pp**
Operating profit margin	*16.4%*	*16.5%*	*-0.1pp*	*-1.0pp*

Revenue in the public segment increased by 26.3% to DKK 1,455.5m in 2019, of which the non-organic revenue related to the acquisition of Netcompany Netherlands on 13 May 2019, increased revenue by 3 percentage points.

The increase in revenue was primarily driven by high activity at both Danish and UK customers such as the Danish Ministry of Taxation, KOMBIT, ATP and the UK Home Office and Highways England. During 2019, five out of a total of seven major public implementation projects were successfully put into production – among others the AULA communication platform for schools in Denmark.

Cost of services increased by 31.2% from DKK 692.1m in 2018 to DKK 907.8m in 2019, which was higher than the relative increase in revenue growth. As a result, gross profit margin decreased by 2.3 percentage points to 37.6% in 2019. This development was principally driven by the change in the geographical revenue split, as a higher percentage of revenue growth in the public sector came from the UK and Dutch operations, but also driven by lower utilisation in the Norwegian operation towards the latter half of 2019. The low utilisation in the Danish public sector in Q3 was offset by a strong performance in the delivery of a number of complex development projects during 2019, which led to a more efficient use of resources that more than offset the low utilisation.

Allocated costs increased by 31.7% to DKK 244.1m, which was higher than the relative increase in revenue growth. This development was primarily driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in 2019 compared to the same period last year.

Adjusted EBITA increased by 10.6% to DKK 303.6m in 2019. This led to an adjusted EBITA margin of 20.9% in 2019, which was a decrease of 3 percentage points. The decrease in margin was driven by the decrease in gross profit margin and the increase in allocated costs.

Private business segment

Private (DKK millon)	2019	2018	Change (reported)	Non-organic impact from Netcompany Netherlands BV.
Revenue	998.3	901.1	10.8%	0.3pp
Cost of services	-550.3	-544.6	1.1%	0.3pp
Gross profit	**448.0**	**356.6**	**25.6%**	**0.4pp**
Gross profit margin	*44.9%*	*39.6%*	*5.3pp*	*0.0pp*
Allocated costs	-134.3	-117.0	14.8%	0.6pp
Adjusted EBITA	**313.7**	**239.6**	**30.9%**	**0.3pp**
Adjusted EBITA margin	*31.4%*	*26.6%*	*4.8pp*	*0.0pp*
Special items	-1.7	-15.3	-88.8%	0.0pp
EBITA	**312.0**	**224.3**	**39.1%**	**0.3pp**
EBITA margin	*31.3%*	*24.9%*	*6.4pp*	*0.0pp*
Amortisation	-38.9	-50.1	-22.5%	0.2pp
Operating profit (EBIT)	**273.1**	**174.1**	**56.9%**	**0.4pp**
Operating profit margin	*27.4%*	*19.3%*	*8.0pp*	*0.0pp*

Revenue in the private segment increased by 10.8% to DKK 998.3m in 2019, of which the non-organic revenue relating to the acquisition of Netcompany Netherlands on 13 May 2019, increased revenue by 0.3 percentage point.

Growth in the private segment was primarily driven by the Danish and Norwegian business operations, which grew by 13.1% and 41.2% respectively, while the UK operation decreased by 4.8% due to more hours spend in the public segment.

Revenue growth in the Norwegian and Danish business operations followed the same tendency as in 2018, with the Norwegian revenue growth coming from existing customers prolonging their framework agreements and expansion of previously contracted framework agreements, while revenue growth in the Danish private segment was driven by an increased number of large scale projects, among others the Topdanmark engagement.

Cost of services increased by 1.1% to DKK 550.3m. This led to a gross profit margin of 44.9%, which was an increase of 5.3 percentage points compared to the same period last year, largely attributable to the change in the geographical split as a higher percentage of revenue growth came from Denmark and Norway, but also driven by a significant margin improvement in the UK private segment compared to last year.

Allocated costs increased by 14.8% to DKK 134.3m, driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in 2019.

Adjusted EBITA increased by 30.9% to DKK 313.7m in 2019. This lead to an adjusted EBITA margin of 31.4% in 2019, which was an increase of 4.8 percentage points. The increase in margin was driven by an increase in gross profit margin, which was somewhat offset by the increase in allocated costs.

Revenue types

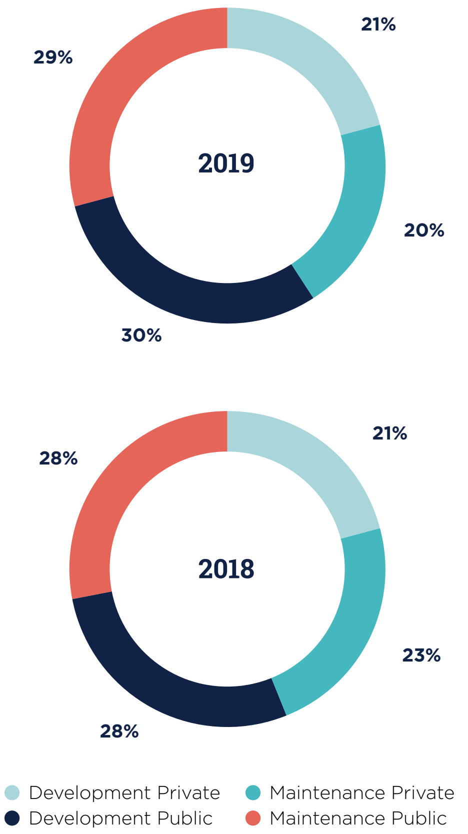
The relative share of development and maintenance revenue shifted towards a lower proportion of maintenance in 2019 compared to 2018. Development increased from 49% in 2018 to 51.3% in 2019 and maintenance decreased from 51% in 2018 to 48.7% in 2019.

While the relative share of maintenance decreased by 2.3 percentage points compared to 2018, the nominal amount of maintenance revenue increased by DKK 148.3m. This development was mainly driven by the public sector in the Danish and UK business operations. In the Danish operation, several large public projects were set in production towards the back-end of 2019, while one large public project in the UK operation was set in production in the beginning of Q3 2019. This development was however more than offset by a higher relative amount of revenue coming from development on large scale projects in both the Danish and UK private sector.

DKK millon	Public	Private	Total	Non-organic impact from Netcompany Netherlands BV.
2019				
Revenue				
Development	737.8	520.0	1,257.7	29.5
Maintenance	717.8	478.4	1,196.1	7.9
Revenue by types, total	**1,455.5**	**998.3**	**2,453.9**	**37.4**

DKK million	Public	Private	Total
2018			
Revenue			
Development	575.3	430.1	1,005.4
Maintenance	576.8	471.1	1,047.8
Revenue by types, total	**1,152.1**	**901.1**	**2,053.2**

Revenue by type



Information related to operating entities

Revenue in constant currencies increased by DKK 400.9m from DKK 2,053.2m in 2018 to DKK 2,454.1m in 2019. The non-organic revenue from the Dutch operation amounted to DKK 37.4m.

In the Danish operation, revenue increased by DKK 275m equivalent to 17.8% compared to 2018. Revenue in Norway increased by DKK 31.8m (18.6%) while revenue in the UK increased by DKK 56.6m (16.7%). Normalised revenue in the Dutch operation was DKK 50.7m in all of 2019 – including the period prior to Netcompany´s acquisition of QDelft – compared to total revenue of DKK 51.3m for QDelft in 2018 which means that the Dutch operation on a like for like basis decreased by 1.2%.

The win ratio in Denmark in 2019 was 73% compared to 58% in 2018.

Gross profit margin in the Danish operation increased slightly to 45.4% compared to 45.3% in 2018. The increase in gross profit in Denmark was driven by strong performance in the delivery of a number of complex development projects during 2019. This led to a more efficient use of

2019 in constant currencies (DKK million)	Denmark	Norway	United Kingdom	Netherlands	Total
Revenue from external customers	1,818.8	203.2	394.7	37.4	2,454.1
Gross profit	**826.0**	**66.8**	**95.7**	**8.1**	**996.6**
Gross profit margin	*45.4%*	*32.9%*	*24.2%*	*21.6%*	*40.6%*
Local admin costs	-256.2	-31.6	-40.1	-13.9	-341.8
Adjusted EBITA before allocated cost from HQ	**569.8**	**35.2**	**55.6**	**-5.9**	**654.7**
Adjusted EBITA margin before allocated cost from HQ	*31.3%*	*17.3%*	*14.1%*	*-15.7%*	*26.7%*
Allocated costs from HQ	-25.5	-2.7	-7.5	-0.7	-36.4
Special items, allocated	-3.1	-0.3	-0.9	0.0	-4.4
EBITA	**541.1**	**32.1**	**47.2**	**-6.5**	**613.9**

2018 in reported currencies (DKK million)	Denmark	Norway	United Kingdom	Total
Revenue from external customers	1,543.8	171.3	338.1	2,053.2
Gross profit	**699.2**	**61.0**	**56.3**	**816.5**
Gross profit margin	*45.3%*	*35.6%*	*16.7%*	*39.8%*
Local admin costs	-218.7	-28.1	-27.1	-273.8
Adjusted EBITA before allocated cost from HQ	**480.6**	**32.9**	**29.3**	**542.7**
Adjusted EBITA margin before allocated cost from HQ	*31.1%*	*19.2%*	*8.7%*	*26.4%*
Allocated costs from HQ	-20.0	-2.2	-6.3	-28.5
Special items, allocated	-24.6	-2.6	-7.3	-34.5
EBITA	**436.0**	**28.1**	**15.7**	**479.7**

resources which offset the lower utilisation, which was driven by the delay of public sector projects in Q3 2019.

In Norway, gross profit margin was reduced by 2.7 percentage points from 35.6% in 2018 to 32.9% in 2019. The lower margin was driven by lower utilisation in particular in the second half of 2019 driven by the absence of new large orders that was anticipated to be won, hence new employees were recruited in anticipation of them being utilised to a higher degree than realised.

In the UK, gross profit margin increased by 7.6 percentage points from 16.7% in 2018 to 24.2% in 2019. The improvement in the margin was driven by a combination of changes to the project portfolio and the mix in the employee base. During 2019, the UK operation discontinued a number of smaller subtarget margin projects and instead won a couple of large outcome based development projects. In addition, the proportion of independent contractors realtive to total workforce in the UK was reduced from 64.5% in 2018 to 42.5% in 2019 leading to better margins.

Gross profit margin in the Dutch operation was 21.6%. Compared to previous performance for the Dutch operation this margin level was somewhat

lower impacted by more hours used for integration activities in the Dutch operation. Furthermore, the Dutch operation delivered a couple of larger fixed price legacy projects which led to the usage of more hours than orginally included in the budget thereby impacting margins negatively.

Adjusted EBITA before HQ costs in Denmark increased by DKK 89.2m yielding an adjusted EBITA margin of 31.3% - in line with the level in 2018.

In Norway, adjusted EBITA before HQ costs was in line with 2018 but on a higher revenue topline, which led to a reduction in margin from 19.2% in 2018 to 17.3% in 2019 as a consequence of the lower than anticipated utilisation as already discussed.

Adjusted EBITA margin before HQ costs in the UK increased from 8.7% in 2018 to 14.1% in 2019. The improved gross margin was somewhat offset by increased costs to the office location in London and increased infrastructure – and training costs following the increase in permanent employees over independent contractors.

In the Netherlands adjusted EBITA margin was negative as a result of accelerated costs related to integration activities and the acceleration of hiring of new employees leading to increased housing costs and infrastructure costs.

Total HQ costs to be allocated was DKK 36.4m compared to DKK 28.5m in 2018. The increase in HQ costs was related to the remuneration of Executive Management and costs for share based remuneration. Special items was DKK 4.4m compared to DKK 34.5m in 2018 where costs related to the IPO impacted special items with DKK 33m.

Revenue visibility

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

Revenue visibility for 2020 amounts to **DKK 1,827.8m**

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

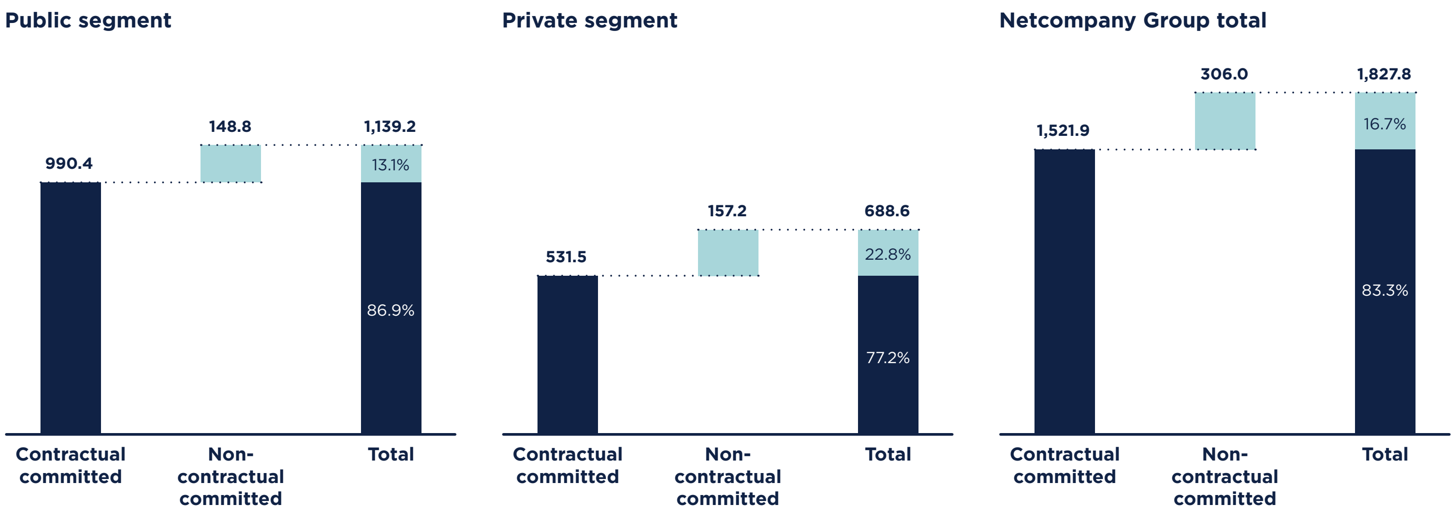
Revenue visibility for 2020 amounts to DKK 1,827.8m. Of this, contractual committed revenue amounts to DKK 1,521.9m and non-contractual committed engagements amounts to DKK 306m.

Revenue visibility for 2020 in the public segment amounts to DKK 1,139.2m. Of this, contractual committed revenue amounts to DKK 990.4m and non-contractual committed engagements amounts to DKK 148.8m.

Revenue visibility for 2020 in the private segment amounts to DKK 688.6m. Of this, contractual committed revenue amounts to DKK 531.5m and non-contractual committed engagements amounts to DKK 157.2m.

Revenue visibility increase 15.7% from DKK 1,579.4m for 2019 to DKK 1,827.8m for 2020.

Revenue visibility, mDKK



Revenue criteria

POC-accounting for fixed price projects and the connection to cash flow

Netcompany operates within a billing framework of two different setups; Time and Material contracts and fixed price contracts.

Revenue from Time and Material contracts is recognised as hours are delivered and direct expenses are incurred, whereas 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 hours to fulfil the contract.

In Time and Material projects, customers are usually invoiced by the end of each month, which means that the invoicing, typically follows the income recognition, as all hours spend are invoiced by the end of a given month.

Contrary to this, hours spend on fixed price contracts are income recognised in the months the hours are delivered under the percentage-of completion method, but instead of being invoiced the hours are allocated to the work in progress balance until the milestone allowing the hours to be invoiced is reached. Once the milestone is reached, the hours will be invoiced – subsequently decreasing the work in progress balance and increasing trade receivables until the payment is received from the customers.

During 2019, the work in progress balance was in the range of 10-15% of revenue measured on a last twelve-months basis, which is the normal expected level, based on the current backlog and pipeline of fixed price projects. Q4 2019, showed the lowest relative base compared to revenue, principally driven by the production setting of several major fixed price projects such as AULA and milestones reached on other projects which was subsequently invoiced. Compared to Q3, the work in progress balance decreased as expected in Q4 as milestonses were reached on several fixed price projects. However, this development was somewhat offset by new wins in Q4 with milestones to be reached in 2020.

1

Project agreement

Agreement between Netcompany and the customers

2

Project start

Hours spent on a project

3

Month closing

Hours spent on projects are allocated to work in progress and revenue at the month-end closing of the financials

4

Project milestone

Once milestones are completed Netcompany will create invoices

5

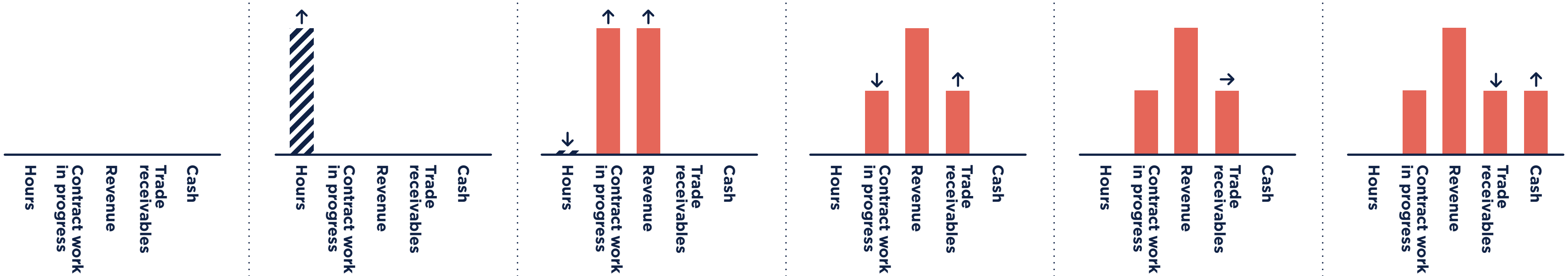
Project invoicing

The invoices are sent to the customers

6

Accounting

Payment of the invoices are received



Cash flow, liquidity and other significant balance sheet items

Work in progress, prebilled invoices and trade receivables

The combined value of work in progress, prebilled invoices and trade receivables increased by 12.2% compared to a revenue growth of 19.5% in 2019. The combined value of contract work in progress, prebilled invoices and trade receivables as a percentage of revenue fell from 34.7% in 2018 to 32.6% in 2019, which was an improvement of 2.1 percentage points, while days sales outstanding improved from 81 days in 2018 to 79 days in 2019.

Free cash flow and cash conversion ratio

Netcompany generated a free cash flow of DKK 435.8m, an increase of DKK 272.2m, which led to a cash conversion ratio of 93.2% compared to 60.3% in 2018. The increase in cash conversion ratio was driven by a combination of the factors described above, as the improvement in days sales outstanding, decrease in contract work in progress and increase in prebilled invoices – both relative to revenue growth, all had a positive impact on the cash conversion ratio.

In addition, 2018 was impacted by a unusually large amount of company taxes paid, as the Group was not able to pay company taxes for the Danish operation covering the period from 2015-2017 due the Danish tax authorities not being able to handle the change in ownership structure.

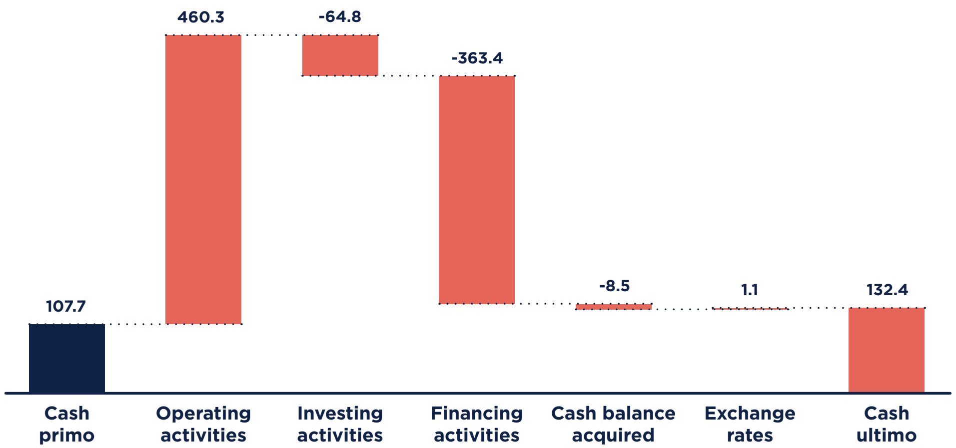
Funding and liquidity

By the beginning of 2019, Netcompany had drawn DKK 1,115m of the total committed facilities of DKK 1,500m, which relates to FSN acquiring the majority of shares in Netcompany in 2016 as well as the acquisition of Netcompany Norway in 2016 and Netcompany UK in 2017.

In May and June 2019, Netcompany entered into two separate agreements with Danske Bank to purchase Netcompany shares in order to honor the Group's future commitments under its LTIP programmes (RSU). The first agreement was settled in May and constituted a total of 577,233 shares at a price of DKK 216.55, while the second agreement settled in June constituted 322,580 shares at a price of DKK 155. The total purchase price of the shares amounted to DKK 175m, of which DKK 75m was financed by increasing the total outstanding credit facility to DKK 1,190m by the end of June 2019. Netcompany subsequently paid back the DKK 75m in September 2019 and made another repayment of DKK 150m in December 2019, thus the total outstanding credit facility was DKK 965.2m as of 31 December 2019.

Net financial costs decreased from DKK 108.7m in 2018 to DKK 14m in 2019, as a result of the refinancing done in connection with the IPO as well as lower leverage in 2019 compared to 2018. As a result, external interest rates were reduced from 4.5% annually in 2018 to around 1.5% annually in 2019. Based on a target leverage for net debt between 0.5-1, relative to adjusted EBITA ratio for 2020, the annual interest rate on external debt will be around 1%-1.5% in 2020.

Cash flow development in 2019 (DKK million)



Governance

Netcompany **fully complies** with all 47 Recommendations on Corporate Governance

Environmental, Social and Governance

Netcompany is helping customers implement new technologies to further digitalise their respective businesses and operations, which indirectly have a positive impact on the environment as these new solutions are significantly more efficient in relation to energy consumption than old legacy systems.

The impact of these systems are difficult to measure, however they do exist and contribute positively to an improved environment. In addition, Netcompany measures its direct impact on the environment as outlined here.

Netcompany has a strong focus on its employees to ensure that they are continually educated. We measure our employees satisfaction with working at Netcompany and can proudly report an eNPS of 42 across the Group. We have an equal pay policy meaning that women and men with equal experiences, competencies and performance receive the same salary.

We aim to raise the percentage of the underrepresented gender in our Group and even though we to a certain extent are operating in an industry that historically has been male dominated we see progress here too.

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, and our Communication on Progress report to the UN Global Compact, which Netcompany joined in 2013 in the form of an ESG report.

ESG-head- and key figures overview	Unit	Goal (2020)	2019	2018	2017
Environment - data					
CO_2e, scope 1	Tons per FTE	<0.03	0.03	0.03	0.01
CO_2e, scope 2	Tons per FTE	<0.39	0.39	0.44	0.39
Energy consumption	GJ per FTE	<10.48	10.48	11.16	6.99
Water consumption	m^3 per FTE	<7.51	7.51	9.00	6.72
Social - data					
Full-time employees incl. freelancers and contractors	FTE		2,293	1,861	1,256
Gender diversity	f/m	20%/80%	19%/81%	19%/81%	17%/83%
Gender diversity for other management teams	f/m	13%/87%	12%/88%	10%/90%	9%/91%
Sick leave	%	<3.0	2.7	3.5	2.9
Employee satisfaction	eNPS	above 20	42	36	48
Customer satisfaction	NPS	above 20	22	26	11
Governance - data					
Gender diversity - Board of Directors (BoD)	f/m	20%/80%	20%/80%	17%/83%	0%/100%
Attendance at the BoD meetings	%	>97	97	95	99

https://www.netcompany.com/int/About-us/ESG

Corporate Governance

Management Structure
Netcompany has a two-tier management structure, which is comprised of the Board of Directors and the Executive Management. The Board of Directors supervises the work of the Executive Management and is responsible for the overall and strategic management and proper organisation of the Company's activities, while the Executive Management is responsible for the Company's day-to-day management. The division of responsibility between the Board of Directors and the Executive Management is set out in the Rules of Procedures for the Board of Directors and Executive Management Instructions.

Board of Directors and Executive Management
The Board of Directors of Netcompany Group A/S currently consists of five members.

According to the Articles of Association, the Board of Directors must consist of at least three and not more than seven members elected at the general meeting. The Board of Directors appoints a Chairman and a Deputy Chairman among its members. Each member is elected for a one-year term, and members may be re-elected. The composition of the Board of Directors is intended to ensure that the Board of Directors has a diverse competency profile enabling the Board of Directors to perform its duties in the best possible manner. All five members of the Board of Directors are considered independent under the "Recommendations on Corporate Governance". The Board of Directors meets at least five times a year and holds extraordinary meetings when required.

During 2019, the Board of Directors conducted an evaluation of the Board of Directors and the individual members. The evaluation included among others effectiveness, performance, achievements and composition of the Board of Directors, including an evaluation of the performance of the individual members of the Board of Directors as well as the collaboration with the Executive Management.

The members of the Executive Management currently consist of the CEO, COO and CFO. Together, they form the management registered with the Danish Business Authority.

Board Committees
In order to support the Board of Directors in Netcompany Group A/S, Netcompany has established three board committees: Audit Committee, Remuneration Committee and Nomination Committee.

The committees perform preparatory tasks and make recommendations to the Board of Directors, who in turn will take the final decision on subjects at hand. The main tasks and duties for each committee are set out in separate committee charters. The charters are reviewed, and if deemed appropriate updated, and approved by the Board of Directors annually.

As a listed company, **Netcompany** observes the Recommendations on Corporate Governance, which are based on the **comply-or-explain principle**

The members of the Board committees, including the committee chairman, are appointed by the Board of Directors among its own members.

Audit Committee

The Audit Committee consists of three members of the Board of Directors, Pernille Fabricius (Chairman), Scanes Bentley and Robbert Kuppens and its purpose is to assist the Board of Directors with the oversight of the financial and statutory audit matters and internal control and risk management systems of the Netcompany Group. Further, the Audit Committee supervises the whistleblowing procedures and complaints, the external auditor's independence and the procedure for election of external auditor.

The Audit Committee meets at least four times a year.

Remuneration Committee

The Remuneration Committee consists of two members of the Board of Directors, Juha Christensen (Chairman) and Bo Rygaard and its purpose is to assist the Board of Directors by preparing and presenting proposals and recommendations on matters related to the remuneration of the Company's Board of Directors and Executive Management.

The Remuneration Committee meets at least two times a year.

Nomination Committee

The Nomination Committee consists of two members of the Board of Directors, Juha Christensen (Chairman) and Bo Rygaard and its purpose is to assist the Board of Directors by preparing and presenting decision proposals and recommendations on matters related to the composition of the Company's Board of Directors and Executive Management, including the nomination of candidates and evaluates the composition of the Board of Directors and Executive Management.

The Nomination Committee meets at least two times a year.

Recommendations on Corporate Governance

As a listed company, Netcompany observes the Recommendations on Corporate Governance. Netcompany fully complies with 47 out of the 47 recommendations.

According to the Danish Financial Statements Act section 107b, a statement on corporate governance for the financial year is prepared. This statement forms part of the Management's Review and can be viewed at:

https://www.netcompany.com/int/Investor-Relations/Governance

Whistleblower

In 2017, Netcompany implemented a whistleblower system, where the purpose is to provide a possibility to report serious offences or suspected serious offences with full anonymity that may impact Netcompany Group as a whole or the life or health of an individual.

The whistleblower system allows persons related to Netcompany, such as employees, members of the Executive Management and Board of Directors, auditors, lawyers, suppliers and other business partners of Netcompany, to report serious offences or suspected serious offences.

The whistleblower system is an independent and autonomous channel and the independency is secured by using an external law firm (Plesner) to receive reports submitted. The law firm will forward any reports to the Chairman of the Audit Committee who will investigate the matter promptly and take appropriate action.

In 2019, three reports were submitted via the whistleblower system. However, the external law firm assessed the reports to be out of scope.

Executive Management

From left:

Claus Jørgensen
Claus Jørgensen is a co-founder of Netcompany and Chief Operating Officer since 2000. Claus is a Danish citizen and born in 1967. He holds a M.Sc. Economics from the University of Southern Denmark.

Thomas Johansen
Thomas Johansen is Partner and Chief Financial Officer in Netcompany, a position he has held since he joined the company in 2017. He is a Danish citizen and born in 1970. Thomas holds a M.Sc. Auditing and Business Economics, and several management degrees incl. an MBA from Rotterdam School of Management.

André Rogaczewski
André Rogaczewski is a co-founder of Netcompany since 2000 and Chief Executive Officer. He is a Danish citizen and born in 1968. André is a board member of Fire Eater A/S, Auction Group A/S, and PAYProff Holding A/S. He is also a member of the Danish Government's Disruption Council, non-executive board member of the Confederation of Danish Industries (DI), and chairman of its Digital Federation (DI Digital). André holds a M.Sc. Computer Science from Aalborg University.

Board of Directors

Non applicable   Attended meeting   Unattended meeting

*(c) chairman, (vc) vice chairman, (m) board member

Bo Rygaard
Chairman

First elected	2016[1]
Term	2019
Nationality	Danish
Born (year)	1965
Board committee memberships	Remuneration Committee, Nomination Committee
Independent	Yes

Executive positions
Executive officer in Margot og Thorvald Dreyers Fond, Bo Rygaard Consulting and NC ShareCo 4 ApS

Non-executive positions
Skamol A/S (c), Parken Sport & Entertainment A/S (c), KFI Retail ApS, Kavi Invest A/S (m), Margot og Thorvald Dreyers Fond (m), Tatin ApS (m), Ejendomsaktieselskabet Vest (m), Racina ApS (m), Det Rytmiske Musikhus' fond (m), Statens ejendomssalg A/S (m), Krista og Viggo Petersens Fond (c), Marie & M.B. Richters Fond (m), KFI Erhvervsdrivende Fond (c), Ejendomsselskabet af 1.11.1979 ApS (m), Lalandia A/S (c), Lalandia Billund A/S (c), Accomodation Services A/S (c), EET A/S (c), ES North A/S (m).

Special competencies
Strategy, General business management and M&A

Educational background(s)
M.Sc. Economics, Copenhagen Business School

Board meetings attended

Committee meetings attended

[1] Bo Rygaard has been a member of the Board of Directors of NC TopCo A/S since November 2016

Pernille Fabricius
Vice Chairman

First elected	2017[2]
Term	2019
Nationality	Danish
Born (year)	1966
Board committee memberships	Audit Committee
Independent	Yes

Executive positions
Group CFO at John Guest International

Non-executive positions
MT Højgaard A/S (m), Højgaard Holding A/S (m), Royal Greenland A/S (m), Gabriel Holding A/S (m), Gabriel A/S (m), Gabriel Ejendomme A/S (m), Gabriel Innovation A/S (m), Zenxit A/S (m), John Guest International Ltd (m), John Guest Limited (m), John Guest Engineering (m) and John Guest Speedfit (m).

Special competencies
Accounting and audit, financing/refinancing and M&A

Educational background(s)
M.Sc. Business Administration and Auditing and an MBA, both from Copenhagen Business School, M.Sc. Finance and LL.M. in European Union Law, both from Leicester University.

Board meetings attended

Committee meetings attended

[2] Pernille Fabricius has been a member of the Board of Directors of NC TopCo A/S since October 2017

Board of Directors

Non applicable · Attended meeting · Unattended meeting

*(c) chairman, (vc) vice chairman, (m) board member

Juha Christensen

First elected	2016[1]
Term	2019
Nationality	Danish
Born (year)	1964
Board committee memberships	Remuneration Committee, Nomination Committee
Independent	Yes

Executive positions
CEO of Truly ApS (own Holding company)

Non-executive positions
Star Global Consulting, Inc and subsidiaries (c), CloudMade Holding Ltd. And subsidiaries (c), Bang & Olufsen A/S (vc)

Special competencies
Technology market insight, business development, consulting, M&A

Educational background(s)
Studied Business Administration, London Business School

Board meetings attended

Committee meetings attended

[1] Juha Christensen has been a member of the Board of Directors of NC TopCo A/S since November 2016

Scanes Bentley

First elected	2019
Term	2019
Nationality	British
Born (year)	1957
Board committee memberships	Audit Committee
Independent	Yes

Executive positions
Managing Director, Scanes Bentley & Associates (own portfolio management company)

Non-executive positions
Emergeadapt Ltd (c), Vizolution (c), Wealth Wizards Ltd (m), Twizzletwig Ltd (m) (dormant company)

Special competencies
Strategic and commercial knowledge, Technology market insight and UK corporate market expertise

Educational background(s)
B.Sc., Political Science, University of Bristol

Board meetings attended

Committee meetings attended

Robbert Kuppens

First elected	2019
Term	2019
Nationality	Dutch
Born (year)	1965
Board committee memberships	Audit Committee
Independent	Yes

Executive positions
Senior Advisor to BCG, Chief Digital & Information Officer at Egon Zehnder

Non-executive positions
None

Special competencies
Strategic IT and IT Roadmapping, Digital transformation, Agile DevSecOps, Cloud, RPA and IoT technologies, Cybersecurity and Dutch market expertise

Educational background(s)
M.Sc. in Computer Science and Economics, Utrecht University

Board meetings attended

Committee meetings attended

Remuneration report

The current Remuneration Policy of Netcompany aims to set market-based salary levels for the Board of Directors as well as Executive Management with a clear link to the creation of long term shareholder value. The current remuneration packages were put in place in connection with the IPO in June 2018.

The current remuneration package consists of the elements shown on the right.

The overall remuneration structure
The overall remuneration level of the Board of Directors proposed to the Annual General Meeting, is assessed to be in line with market practice of companies of similar market capitalisation and size to Netcompany.

An updated Remuneration Policy based on the new requirements in the Shareholders Rights Directive will be presented at the Annual General Meeting for approval.

The Remuneration Policy of Netcompany can be found on our homepage at *https://www.netcompany.com/int/Investor-Relations/Governance*

Remuneration	BoD	EM	Comments
Fixed fee / Fixed base salary	●	●	
Fee for Committee work	●		Fee for Audit Committee, Remuneration Committee and Nomination Committee work
Short Term Incentive Plan		●	Up to 60% of fixed base salary against defined objectives and target
Long Term Incentive Plan		●	Up to 80% of fixed base salary measured at the time of grant
Travel allowances and other expenses	●		
Benefits		●	Company car, phone etc. comprising up to 10% of fixed base salary
Severence pay		●	In accordance with the employment contract, the Executive Management cannot request a severance payment

Board of Directors Fee	DKK'000
Board fee	
Chairman	1.050
Vice-Chairman	700
Member	350
Audit Committee fee	
Chairman	175
Member	88
Remuneration Committee fee	88
Nomination Committee fee	88

Fees of the Board of Directors
The fees and fixed base salaries are unchanged in 2019 from what were reported in the prospectus forming the basis of the IPO on 7 June 2018. There exists no model for the Board to achieve short term bonuses related to the financial performance of the Company, as well as the Board is not remunerated in shares. However, three out of five Board members have invested directly into Netcompany as per 31 December 2019.

Fees for Committee work
All fees for Board work and Board committee work are based on fixed fees.

In the event that the Chairman or Vice-Chairman of the Board of Directors also serves as members of the Remuneration Committee or the Nomination Committee, no additional fee is payable.

Travel expenses and other relevant expenses
Netcompany reimburses all relevant and reasonable travel costs for any Board member for travel related to Board meetings or Board committee meetings. All other relevant and reasonable out of pocket costs are also reimbursed.

Carsten Gomard performed consulting work for the Board amounted to DKK 0.4m in 2019, for which he has been remunerated separately in addition to the Board fee.

Remuneration structure of the Executive Management
In line with the Remuneration Policy, the Board of Directors proposes the remuneration of the Executive Management for the coming year.

The remuneration model for Executive Management is set to reflect market-based remuneration for similar publicly traded companies in respect to

Board of Directors remuneration (DKK'000)	Board fee 2019	Board fee 2018	Committee fee 2019	Committee fee 2018	Travel Allowance 2019	Travel Allowance 2018	Other fee 2019	Other fee 2018	Total Remuneration 2019	Total Remuneration 2018	Number of shares[3]
Bo Rygaard, *Chairman*	604	350	56	88	1	0	0	0	661	438	10,203
Pernille Fabricius, *Vice-Chairman*	629	350	175	175	50	21	0	0	855	546	15,023
Juha Christensen	350	350	157	88	116	65	0	0	624	502	27,195
Scanes Bentley	279	-	108	-	7	-	0	-	394	-	0
Robbert Kuppens	127	-	32	-	10	-	0	-	168	-	0
Pekka Ala-Pietilä[1]	669	1,050	0	0	52	7	0	0	721	1,057	N/A
Thomas Broe-Andersen[2]	0	0	0	0	0	0	0	0	0	0	N/A
Carsten Gomard[1]	223	350	56	88	0	0	358	563	637	1,000	N/A
Total	**2,882**	**2,450**	**584**	**438**	**236**	**93**	**358**	**563**	**4,060**	**3,543**	**52,421**

[1] Retired from the Board of Directors
[2] Has waived all fees and retired from the Board of Directors
[3] There has been no changes to the number of shares for the Board of Directors in 2019

growth, profitability, size and international reach. The total remuneration is constructed to be aligned with the long term objectives of the shareholders with Executive Management incentives.

The target salary for Executive Management assumes a full allocation of variable incentives, and will at full pay out of incentives be a total of 250% including the fixed base salary.

The STIP is based on targets ensuring focus on day-to-day operations, while LTIP grants are tied with targets in line with the long term strategy of Netcompany to grow around 20% organically, and move margins from 25-29%, before any impact from new acquisitions.

Fixed base salary and benefits

The fixed base salary includes all contributions to pension schemes. Other benefits such as company car, phone etc. may not exceed 10% of the fixed base salary.

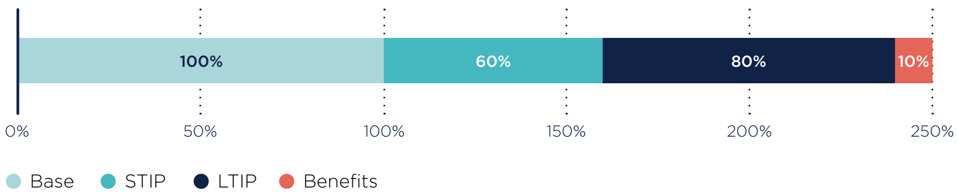
Short Term Incentive Plan (STIP)

The STIP is a cash-based bonus of up to 60% of the fixed base salary, granted annually on basis of performance in the year that has past. Targets in the STIP vary from year to year and are set by the Board of Directors at the beginning of a year.

Financial Performance (DKK'000)	**Targets 2019**	**Actual 2019**
Organic revenue gorwth	20-25%	17.7%
Adjusted EBITA margin	26%	25.9%

The 2020 STIP targets are based on organic revenue growth, and adjusted EBITA before acquisitions.

Executive Management remuneration structure (based on full allocation)



Long Term Incentive Plan (LTIP)

The LTIP is a share-based incentive programme that is granted annually, and vests after three years pending performance in the given three year period. The programme is revolving in character. The value of the annual grant is transferred into Restricted Stock Units (RSU) based on the weighted average share price the first three days following the release of the annual report.

The targets in the LTIP are based on top line growth and operating profit, in the three year period each grant covers. The targets are in line with the strategic objectives of the Group.

For each year, the Board of Directors grants RSUs to the Executive Management with a maximum value of 80% of the fixed base salary.

Notice and severance

The Executive Management may terminate their employment by giving Netcompany a nine months' notice. Netcompany may terminate the employment of the Executive Management by giving them a twelve months' notice.

According to the Remuneration Policy Netcompany may pay severance payment to the members of the Executive Management, not exceeding the individual's total remuneration of the last year. In accordance with the employment contract, the Executive Management cannot request a severance payment.

Granted RSUs to Executive Management (DKK'000)	1 January 2019	Granted	Cancelled	Outstanding	Value at grant date	Vesting date
	No.	No.	No.	No.	DKK'000	
André Rogaczewski, CEO						
Allocated in 2018	13,162	0	0	13,162	2,040	30 June 2021
Allocated in 2019	0	17,454	0	17,454	3,600	31 December 2021
Total	**13,162**	**17,454**	**0**	**30,616**	**5,640**	
Claus Jørgensen, COO						
Allocated in 2018	13,162	0	0	13,162	2,040	30 June 2021
Allocated in 2019	0	17,454	0	17,454	3,600	31 December 2021
Total	**13,162**	**17,454**	**0**	**30,616**	**5,640**	
Thomas Johansen, CFO						
Allocated in 2018	7,313	0	0	7,313	1,134	30 June 2021
Allocated in 2019	0	9,697	0	9,697	2,000	31 December 2021
Total	**7,313**	**9,697**	**0**	**17,010**	**3,134**	
Total granted RSUs to Executive Management	**33,637**	**44,605**	**0**	**78,242**	**14,414**	

Remuneration for the Executive Management

In accordance with the above described remuneration package, the total remuneration for the Executive Management has increased 26% to DKK 26.2m in 2019 from DKK 20.8m in 2018. The share based part of total remuneration accounts for 73.1% of the total increase.

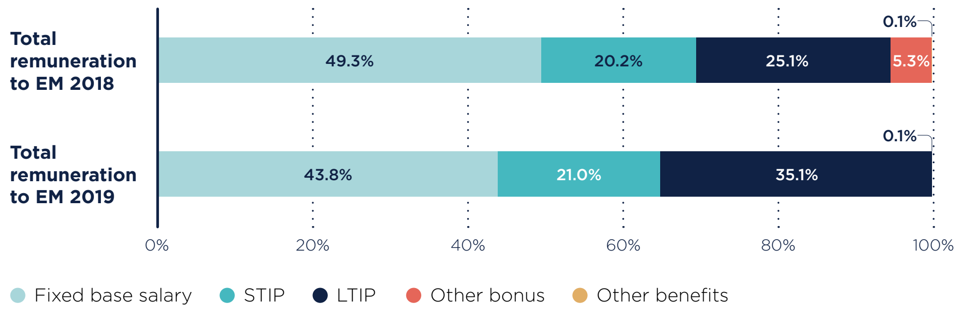
In 2019, 43.8% of the total remuneration constituted the fixed based salary which is a decrease of 5.5 percentage points compared to 49.3% in 2018. The fixed based salary increased 12.2% to DKK 11.5m from DKK 10.2m.

As not all financial targets for the 2019 STIP were met (2018 100%), STIP bonus has been reduced to 80% of the maximum payout for 2019. The STIP for the Executive Management amounted to DKK 5.5m in 2019, corresponding to 21% of the total remuneration. Compared to 2018 the STIP increased by 31.3% in 2019 from DKK 4.2m .

No other bonus has been granted in 2019, compared to 2018, where an extraordinary bonus of DKK 1.1m was granted to the CFO in connection with the IPO on 7 June 2018.

The Executive Management was granted 44,605 shares in the LTIP in 2019, which equals to a total of DKK 9.2m. Compared to 2018, the LTIP for the Executive Management increased 63% in number of granted shares, corresponding to 76.4% in nominal amount in 2019. The LTIP thereby covers 35.1% of their total remuneration in 2019 which is an increase of 10 percentage points compared to the remuneration split in 2018.

Remuneration split



Executive Management remuneration (DKK'000)	Fixed base salary 2019	Fixed base salary 2018	STIP 2019	STIP 2018	Other Bonus 2019	Other Bonus 2018	Benefits[1] 2019	Benefits[1] 2018	Granted value in LTIP[2] 2019	Granted value in LTIP[2] 2018	Total Remuneration 2019	Total Remuneration 2018	Number of shares
André Rogaczewski, CEO	4,500	4,005	2,160	1,523	0	0	7	7	3,600	2,040	10,267	7,575	2,575,294
Claus Jørgensen, COO	4,500	4,005	2,160	1,523	0	0	7	7	3,600	2,040	10,267	7,575	2,575,294
Thomas Johansen, CFO	2,500	2,235	1,200	1,160	0	1,100	7	7	2,000	1,134	5,707	5,636	14,329
Total	**11,500**	**10,245**	**5,520**	**4,205**	**0**	**1,100**	**21**	**21**	**9,200**	**5,214**	**26,241**	**20,786**	**5,164,917**

[1] The Executive Management are entitled to spend up to 10% of their fixed base salary on a company car. The CEO has utilised DKK 365k (DKK 203k), the COO has utilised DKK 235k (DKK 415k) and the CFO has utilised DKK 213k (DKK 157k).

[2] The granted value in LTIP recognised is the full award value which will cover a three year period, and vest following the release of the Annual report three years after granted.

Risk Management

Risk/Root cause	Lack of quality in deliveries	Competitive landscape	Market changes/ global economic trends	Hacking/ cybercrime	Complex contract regimes	Mitigating actions
Loss of existing clients	●	●		●		●
Not able to attract and retain talent	●	●	●			●
Unable to generate new business	●	●			●	●
Cyberattack	●		●	●	●	●
General data protection regulation	●			●		●

Risk management is anchored locally under the guidelines and methodology set out by the Board of Directors.

Netcompany has over the past two decades continuously delivered high growth rates. Such growth rates in an evidently changing environment command a diligent and structured approach towards risk management to ensure a strong foundation for continued profitable growth. Risk management has always been an integral part of doing business in Netcompany. Whether it be entering new business lines, onboarding new customers, embracing new technologies or ensuring new employees to understand and adhere to the Group´s risk management, the philosophy has always been to anchor responsibility locally with the operational units based on methodology and processes defined centrally.

With expansion into new business segments and with increased business complexity the natural inherent risk in the Group has increased during the past years. Entering into multi-year development contracts, running mission-critical infrastructure and expanding coverage to new countries, naturally increases the need for a more comprehensive risk management framework.

Netcompany continuously improves the risk management framework, with the aim of strengthening management of risks across the Group. The framework consists of a Risk Governance structure, defining the overall roles and mandates across Netcompany.

The following pages gives an overview of Netcompany's key risks, including root causes and mitigation actions taken throughout the Group in 2019.

Each quarter, the main risks and accompanying mitigating actions are presented to the Audit Committee and Board of Directors, who discuss the overall risk level for the Group and ensures that Executive Management implements mitigating actions if required and continuously oversees the net risk exposure to the Group.

Loss of existing clients

Root cause
More than 90% of Netcompany's business is generated from existing customers at the beginning of the year. Maintaining the current level of repeat customer revenue is thus a prerequisite for the continued growth for Netcompany.

Risk
Failing to meet the target of being "on time, on budget and in scope" may lead to loss of reputation in the marketplace hindering Netcompany's ability to generate new business.

Inability to answer tenders and business requests due to resource constraints may lead to a perception in the market that Netcompany is not able to deliver on the committed obligations.

Mitigating actions
Ensuring that projects are monitored and assessed on an ongoing basis so that potential issues and problems are identified before they escalate.

Continued allocation of sufficient time for senior staff to conduct "business development" and allowing time to be used for answering tenders and business requests to ensure that a healthy pipeline is maintained at all time.

Not able to attract and retain talent

Root cause
Netcompany is built on talent and as an IT services company, future growth is directly linked to the ability to continuously attract, develop and retain talent.

Failure to continue to grow the employee base will limit the growth opportunities.

Further, the progression of newly hired consultants to become managers, principals and eventually partners represents an equally high risk, as the continued development of the hierarchy is also a prerequisite for future growth.

Risk
The implementation of IR35 in the UK from April 2020 represents a significant change to the UK labour market and can potentially impact Netcompany revenue negatively if independent contractors are not converted to permanent employees as expected.

Losing the close relationship with universities and other institutions may lead to a less favourable perception of Netcompany among graduates, thereby reducing the applicant pool for new hires.

A discontinuation of the Netcompany Academy may lead to fewer new applicants wanting to apply as career progression would be perceived limited.

Further, the lack of ongoing development of talented people may lead to loss of more experienced consultants, which in turn will have a negative impact on Netcompany's ability to hire new graduates, as the senior and manager level in the career pyramid is crucial for continued growth.

Mitigating actions
Early adoption programme to convert from independent contractors to permanent employees and extensive analysis around IR35 is in progress.

Continued building and maintaining relationships with leading universities in all countries where Netcompany is represented.

Continued funding for the Netcompany Academy. In case of potential short term declines in revenues, the Academy will be one of the last resorts for spending cuts as it is a key pillar for continued growth.

Established presence in other countries with large pools of available relevant IT professionals like in Poland and Vietnam.

Unable to generate new business

Root cause
While Netcompany has a high degree of repeat customers generating a solid foundation for its annual revenues, the continued successful addition of new costumers is also an important growth factor. New costumers in new segments and new markets is an integral part of Netcompany's growth strategy.

Risk
Failing to meet the target of being "on time, on budget and in scope" may lead to loss of reputation in the marketplace hindering Netcompany's ability to generate new business.

Inability to answer tenders and business requests due to resource constraints may lead to a perception in the market that Netcompany is not able to deliver on the committed obligations.

Mitigating actions
Ensuring that projects are monitored and assessed on an ongoing basis so that potential issues and problems are identified before they escalate.

Continued allocation of sufficient time for senior staff to conduct "business development" and allowing time to be used for answering tenders and business requests to ensure that a healthy pipeline is maintained at all time.

Cyberattack

Root cause
As Netcompany is hosting solutions for customers, cyberattacks will always be a potential risk which Netcompany has the responsibility to ensure adequate protection against. The customer base and the types of services delivered are rising in criticality and exposure, which may lead to an increase in the risk of cyberattacks.

Risk
Cyberattacks, including unauthorised access to network and data, could potentially damage the reputational image.

System down time also includes attacks due to a breach or leak at the external supplier. Unexpected down time for a system could result in data breach, loss of customers and increased costs for Netcompany and its customers.

Mitigating actions
Netcompany has various controls implemented to handle both internal and external risks, including storage platforms with georedundant mirroring capabilities as well as established backup procedures for internally system failure.

External suppliers to Netcompany are obliged to deliver an ISAE 3402 Type II audit statement to Netcompany annually to ensure compliance for the external suppliers.

Netcompany continuously access the level of security in both its solutions and internal IT environments.

General data protection regulation

Root cause
The general data protection regulation (GDPR) was implemented in May 2018 with the purpose to protect EU citizens privacy. The regulation sets forth the requirements for processing personal data.

Netcompany provides IT solutions to both private and public customers, which involves personal and sensitive data.

Risk
Netcompany must at all times be compliant with all requirements, and it is crucial that no information leak or breach can occur.

If Netcompany is unable to demonstrate compliance with GDPR or in the unlikely event, that there is a breach of personal data, Netcompany could potentially be fined and will suffer reputational damage.

Mitigating actions
In the beginning of 2018 Netcompany implemented and communicated an internal data privacy policy including methodology framework. Furthermore, security policies including security technology, to ensure effective protection, has been implemented.

Shareholder information

The share
Netcompany shares were priced at DKK 317 (DKK 220) per share at 31 December 2019, equal to a market capitalisation of DKK 15,850m (DKK 11,000m). The share price increased by 44.1% during 2019. By comparison, the Nasdaq Copenhagen blue chip index (OMXC25 CAP) increased by 27.4%, while the index for large-sized companies (OMXC Large Cap), of which Netcompany is a component, increased by 26.7%.

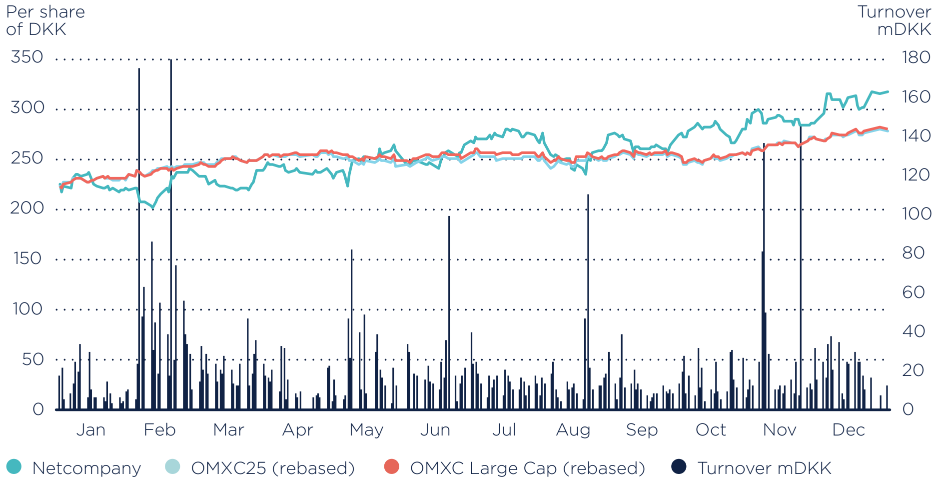
Share capital
Netcompany´s share capital is DKK 50m divided into 50 million shares. At the beginning of 2019 Netcompany held an option to acquire 322,580 treasury shares at the IPO price of DKK 155 per share, which Netcompany exercised in May 2019. Additionally 577,233 treasury shares at the price of DKK 216.55 per share were acquired in 2019. At the end of 2019 Netcompany holds a total of 899,813 treasury shares. The treasury shares are equivalent to 1.8% of the share capital and is used to remunerate Partners & Principals through LTIP.

Shareholder structure
At 31 December 2019, Netcompany had more than 4,300 registered shareholders. Approximately 35% of the share capital was held or managed by the 5 largest shareholders, and around 58% of the registered share capital was held by shareholders based outside Denmark. Around 10% of the company's share capital was held by the company's Executive Management.

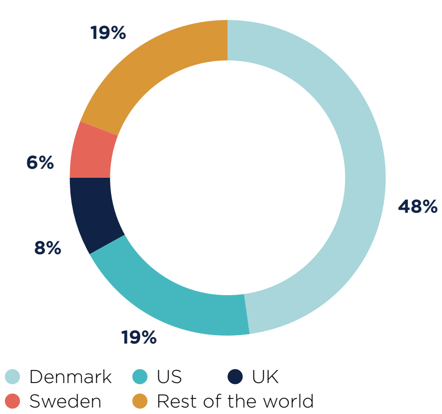
Netcompany estimates that Danish and foreign funds and institutional investors held some 56% of the company's shares. In pursuance of section 55 of the Danish Companies Act the following investors have reported holding by more than 5 % of Netcompanys share capital at 31 December 2019:

- AC NC Holding ApS (10.19%)
- FMR LLC (9.80%)
- Kapitalforening Danske Invest Institutional/Danske Bank (5.92%)
- The Capital Group Companies (5.26%)

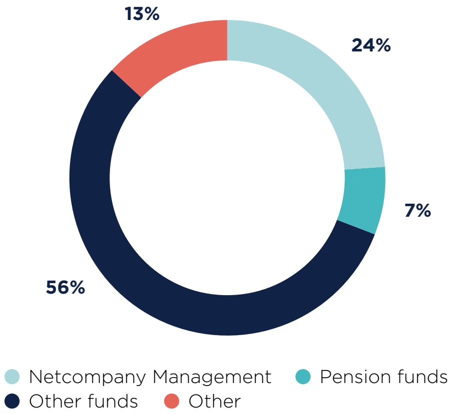
Netcompany share price development 2019



Shareholder structure by geography



Shareholder structure by category



Share-based incentive schemes/ restricted stock units

In total, 105,470 restricted stock units were granted during 2019 of which 44,605 were granted to Executive Management and 60,865 were granted to other Key Management Personnel and other employees. The fair value of the restricted stock units at grant was DKK 21.8m. The cost associated herewith is expensed over the vesting period.

Netcompany holds 899,813 treasury shares to be delivered in the future as restricted stock units vest during various LTIP programmes. Additional information on the holdings of Netcompany shares and restricted stock units by members of the Board of Directors and Executive Management Board is disclosed in the Remuneration report and in note 7 of the financial statements.

Increase of share capital

In the period until 21 May 2023, the Board of Directors is authorised to increase the company's share capital without pre-emption rights for the company's existing shareholders by up to a nominal amount of DKK 10m. However, the Board of Directors may not exercise this authorisation for an amount higher than 20% of the outstanding share capital at the time of exercise of the authorisation. The capital increase shall take place at market price and shall be effected by cash payment, by contribution in kind or by debt conversion.

In the period until 21 May 2023, the Board of Directors is authorised to increase the company's share capital with pre-emption rights for the company's existing shareholders by up to a nominal amount of DKK 5m. However, the Board of Directors may not exercise this authorisation for an amount higher than 10% of the outstanding share capital at the time of exercise of the authorisation. The capital increase may take place at a subscription price set by the Board of Directors, including a potential favourable price. Any new shares shall have the same rights as the existing shares of the company.

Dividends and share buyback

For 2019, Netcompany will not pay out dividends as free cash flow will be used to deleverage and for potential acquisitions. For 2020 and onwards Netcompany may, when leverage is between 0.5-1, redistribute up to 50 % of free cash flow, after debt payments, to the shareholders as dividends or share buybacks.

Investor relations

Netcompany seeks full transparency and an open dialogue with all investors and analysts about the company's business and financial performance. Netcompany aims to ensure equal, timely and adequate information for all investors by publishing all information on Netcompanys homepage, where users can also subscribe to Netcompany's announcement service.

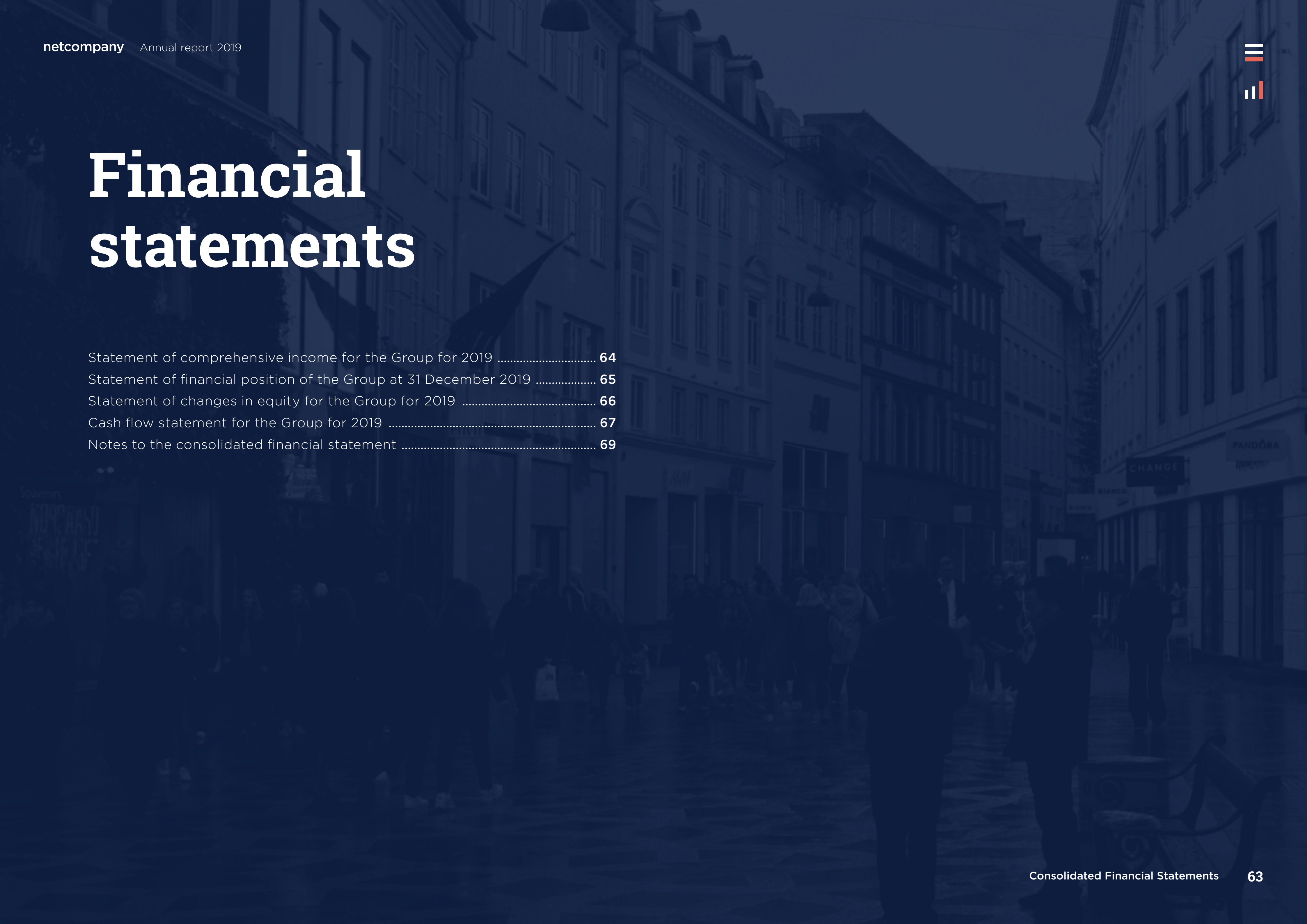
Financial calender 2020

28 January 2020	Deadline for shareholders to submit proposals for the agenda of the Annual General Meeting 2020
6 February 2020	Annual Report for the financial year 2019
11 March 2020	Annual General Meeting 2020
6 May 2020	Interim report for the first 3 months of 2020
19 August 2020	Interim report for the first 6 months of 2020
6 November 2020	Interim report for the first 9 months of 2020

Share data

Stock exchange	Nasdaq Copenhagen A/S
Index OMX	LargeCap
Sector	Technology
ISIN code	DK0060952919
Short code	NETC
Share capital	DKK 50.000.000
Nominal size	DKK 1
Number of shares	No. 50.000.000
Restriction in voting rights	No

Financial statements



Financial statements

Statement of comprehensive income for the Group for 2019

DKK'000	Notes	2019	2018
Revenue	3	2,453,853	2,053,216
Cost of services	4	-1,458,102	-1,236,699
Gross profit		**995,751**	**816,516**
Sales and marketing costs	5	-11,742	-11,871
Administrative costs	6	-366,658	-290,428
Special items	8	-4,398	-34,488
EBITA (non-IFRS)		**612,954**	**479,729**
Amortisation	9	-101,674	-115,389
Operating profit (EBIT)		**511,280**	**364,340**
Financial income	10	39,930	22,245
Financial expenses	10	-53,954	-130,903
Profit before tax		**497,256**	**255,682**
Tax on profit for the year	11	-108,786	-74,465
Profit for the year		**388,470**	**181,217**
Earnings per share (DKK)	20	7.91	3.65
Diluted earnings per share (DKK)	20	7.89	3.65
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value adjustment of interest rate swap		0	5,083
Settlement of interest swap reclassified to financial expenses	10	0	33,392
Exchange rate adjustments on translating foreign subsidiaries		-11,928	817
Change in deferred cost of hedging reserve		0	-2,699
Settlement of hedging instrument reclassified to financial expenses	10	0	-10,649
Tax of other comprehensive income	11	0	-5,528
Other comprehensive income / loss		**-11,928**	**20,415**
Comprehensive income for the year		**376,542**	**201,632**

There are no non-controlling interests as all entities are fully owned by the Group.

Statement of financial position of the Group at 31 December 2019

DKK'000	Notes	2019	2018
Goodwill	13, 14	2,264,065	2,108,688
Other intangible assets	13, 14	286,495	375,753
Intangible assets		**2,550,560**	**2,484,441**
Leasehold improvements	15	11,023	4,103
Equipment	15	34,351	30,529
Right of use asset	15	100,850	82,651
Property, plant and equipment		**146,223**	**117,284**
Other receivables		15,980	13,053
Deferred tax	11	3,526	1,162
Financial assets		**19,506**	**14,215**
Non-current assets		**2,716,290**	**2,615,940**
Trade receivables	16	531,402	457,518
Contract work in progress	17	319,354	284,717
Other receivables		422	467
Prepayments		27,759	19,044
Receivables		**878,938**	**761,746**
Cash	18	**132,350**	**107,666**
Current assets		**1,011,288**	**869,412**
Assets		**3,727,577**	**3,485,352**

DKK'000	Notes	2019	2018
Share capital	19	50,000	50,000
Treasury shares		-175,000	0
Share-based remuneration		17,724	3,818
Exchange rate adjustments on translating foreign subsidiaries		-14,044	-2,116
Retained earnings		2,193,018	1,754,548
Equity		**2,071,699**	**1,806,251**
Borrowings	21	958,642	1,105,780
Leasing		64,621	54,149
Other payables	22	31,140	0
Deferred tax liability	11	73,341	89,387
Non-current liabilities		**1,127,745**	**1,249,316**
Leasing		39,359	29,325
Prebilled invoices	17	51,016	29,610
Trade payables		44,055	54,185
Other payables	22	363,274	266,089
Provisions	23	3,525	36,087
Income tax payable	11	26,905	14,490
Current liabilities		**528,135**	**429,785**
Liabilities		**1,655,879**	**1,679,101**
Equity and liabilities		**3,727,577**	**3,485,352**

Statement of changes in equity for the Group for 2019

DKK'000	Share capital	Treasury shares	Share-based remuneration	Fair value adjustment of interest rate swap	Exchange rate adjustments on translating foreign subsidiaries	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 January 2019	**50,000**	**0**	**3,818**	**0**	**-2,116**	**0**	**1,754,548**	**1,806,251**
Treasury shares acquired in the year (note 19)	0	-175,000	0	0	0	0	50,000	-125,000
Share-based remuneration for the year (note 7)	0	0	13,906	0	0	0	0	13,906
Profit for the year	0	0	0	0	0	0	388,470	388,470
Other comprehensive income / loss for the year	0	0	0	0	-11,928	0	0	-11,928
Equity at 31 December 2019	**50,000**	**-175,000**	**17,724**	**0**	**-14,044**	**0**	**2,193,018**	**2,071,699**

DKK'000	Share capital	Treasury shares	Share-based remuneration	Fair value adjustment of interest rate swap	Exchange rate adjustments on translating foreign subsidiaries	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 January 2018	**49,637**	**0**	**0**	**-30,011**	**-2,932**	**10,411**	**1,616,745**	**1,643,851**
Capital increase	363	0	0	0	0	0	6,585	6,949
Obligation to purchase treasury shares for the year (note 19)	0	0	0	0	0	0	-50,000	-50,000
Share-based remuneration for the year (note 7)	0	0	3,818	0	0	0	0	3,818
Profit for the year	0	0	0	0	0	0	181,217	181,217
Other comprehensive income / loss for the year	0	0	0	30,011	817	-10,411	0	20,415
Equity at 31 December 2018	**50,000**	**0**	**3,818**	**0**	**-2,116**	**0**	**1,754,548**	**1,806,251**

Cash flow statement for the Group for 2019

DKK'000	Notes	2019	2018
Operating profit (EBIT)		511,280	364,340
Depreciation and amortisation	9	157,946	155,737
Non-cash		19,160	209
Working capital changes	24	-86,706	-132,597
		601,679	**387,689**
Income taxes paid		-115,669	-166,935
Financial income received		3,816	11,095
Financial expenses paid		-29,497	-45,410
Cash flows from operating activities		**460,329**	**186,439**
Net cash outflow on acquisition of subsidiaries	14	-37,325	0
Acquisition of property, plant and equipment		-24,578	-22,866
Other receivables (deposits)		-2,880	-4,336
Cash flows from investing activities		**-64,784**	**-27,202**
Proceeds from issue of share capital		0	6,949
Payments of share buyback		-175,000	0
Proceeds from borrowings		75,000	1,229,539
Repayment of borrowings		-225,000	-1,433,865
Repayment of interest and currency swaps		0	-22,743
Repayment of leasing debt		-38,414	-24,432
Cash flows from financing activities		**-363,414**	**-244,551**
Increase in cash and cash equivalents		**32,131**	**-85,314**
Cash and cash equivalents at 1 January		107,666	194,479
Cash and cash equivalents at acquisition date of subsidiaries	14	-8,519	0
Effect of exchange rate changes on the balance of cash held in foreign currencies		1,072	-1,501
Cash and cash equivalents at 31 December	18	**132,350**	**107,666**

Cash flow statement for the Group for 2019 (continued)

Reconciliation of liabilities arising from financing activities (DKK'000)	Borrowings (note 21)	Leasing	Interest rate swaps fair value hedging or economically hedging financing liabilities	Total
Opening balance 1 January 2019	**1,105,780**	**83,474**	**0**	**1,189,254**
Proceeds from borrowings	75,000	0	0	75,000
Repayments	-225,000	-38,414	0	-263,414
Acquired entities (non-cash)	0	9,777	0	9,777
Leasing (non-cash)	0	49,144	0	49,144
Amortisation of loan costs (non-cash)	2,862	0	0	2,862
Closing balance 31 December 2019	**958,642**	**103,981**	**0**	**1,062,622**

Reconciliation of liabilities arising from financing activities (DKK'000)	Borrowings (note 21)	Leasing	Interest rate swaps fair value hedging or economically hedging financing liabilities	Total
Opening balance 1 January 2018	**1,264,895**	**31,219**	**28,007**	**1,324,121**
Proceeds from borrowings	1,229,539	0	0	1,229,539
Repayments	-1,433,865	-24,432	-22,743	-1,481,040
Fair value adjustments (non-cash)	0	0	-5,264	-5,264
Leasing (non-cash)	0	76,687	0	76,687
Amortisation of loan costs (non-cash)	38,635	0	0	38,635
Exchange rate adjustments (non-cash)	6,576	0	0	6,576
Closing balance 31 December 2018	**1,105,780**	**83,474**	**0**	**1,189,254**

Notes to the consolidated financial statements

SECTION 1

Basis of preparation

SECTION 2

SECTION 3

SECTION 4

SECTION 5

NOTE 1

Accounting policies

On 7 June 2018 Netcompany Group A/S became listed at the Nasdaq OMX Copenhagen. At the same date all shareholders of NC TopCo A/S exchanged their shares in NC TopCo A/S for new shares in Netcompany Group A/S via a share-for-share exchange and from which date Netcompany Group A/S became the parent company of the Group.

Netcompany Group A/S is regarded in reality to be a continuation of the former NC TopCo A/S Group and considering that the shareholder structure until completion of the IPO was identical with NC TopCo A/S, the share-for-share exchange has been regarded as a transaction between common control parties exempted from IFRS 3 "Business Combinations".

On this basis, the consolidated financial statements for Netcompany Group A/S are prepared on the basis of the historical financial information of NC TopCo A/S as if Netcompany Group A/S had always been the parent of the Group and hence no revaluations of the underlying identifiable assets and liabilities of the NC TopCo A/S Group has been reflected in the consolidated financial statements of Netcompany Group A/S.

Netcompany Group 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 applicable to the 2019 financial year.

Netcompany Group A/S is an entity with its registered office in Denmark.

The financial statements are presented in DKK, which is considered the functional currency of the Group's activities.

Consolidated financial statements

The consolidated financial statements comprise Netcompany Group A/S (Parent) and the entities (subsidiaries) that are controlled by the Parent. Control is achieved when the Parent is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to use its power over the entity to affect those returns.

Consolidation principles

The consolidated financial statements are prepared on the basis of the financial statements of Netcompany Group A/S and its subsidiaries. The consolidated financial statements are prepared by adding together financial statement items of a uniform nature. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated entities are eliminated.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Netcompany Netherlands B.V. is recognised from 13 May 2019, when the Group acquired full control of the entity.

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 as financial income or financial expenses. Property, plant and equipment, intangible assets, and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

When subsidiaries, which prepare their financial statements in a functional currency different from DKK are consolidated into the consolidated financial statements, the items of the income statement are translated at the average exchange rates. Exchange differences arising out of the translation of foreign subsidiaries' balance sheet items at the beginning of the year using the balance sheet date exchange rates as well as out of the translation of income statements from average rates to the exchange rates at the balance sheet date are recognised in other comprehensive income.

NOTE 1

Accounting policies (continued)

Revenue recognition
Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

The Group'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 on a 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.

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 adjusted for non-cash operating items, working capital changes as well as financial income received and financial expenses and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition of subsidiaries, activities and fixed asset investments and proceeds from the sale of property, plant and equipment. In the parent financial statements, investing activities also include receipt of dividends from subsidiaries.

Cash flows from financing activities comprise cash from changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, instalments on interest bearing debt, payments relating to leasing obligations and dividend payments to shareholders.

Cash and cash equivalents comprise cash.

For a detailed specification of the Group's accounting policies, please see relevant notes in the consolidated financial statements.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

When applying the accounting policies, Management has to make judgements, estimates 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 that are believed to be reasonable under the circumstances. The actual results may deviate from these estimates under different assumptions or conditions.

Estimates and the underlying assumptions are reassessed on a regular basis.

Any changes in the accounting estimates 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 2019, it is particularly important to note the following judgements, estimates and assumptions. These are described in further detail adjacent to the relevant disclosed notes:

- Special items (note 8)
- Impairment (note 13)
- Business combinations (note 14)
- Contract work in progress (note 17)
- Other payables (note 22)
- Provisions (note 23)

NOTE 2

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 2019, 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 are not expected to have a significant impact on the Group.

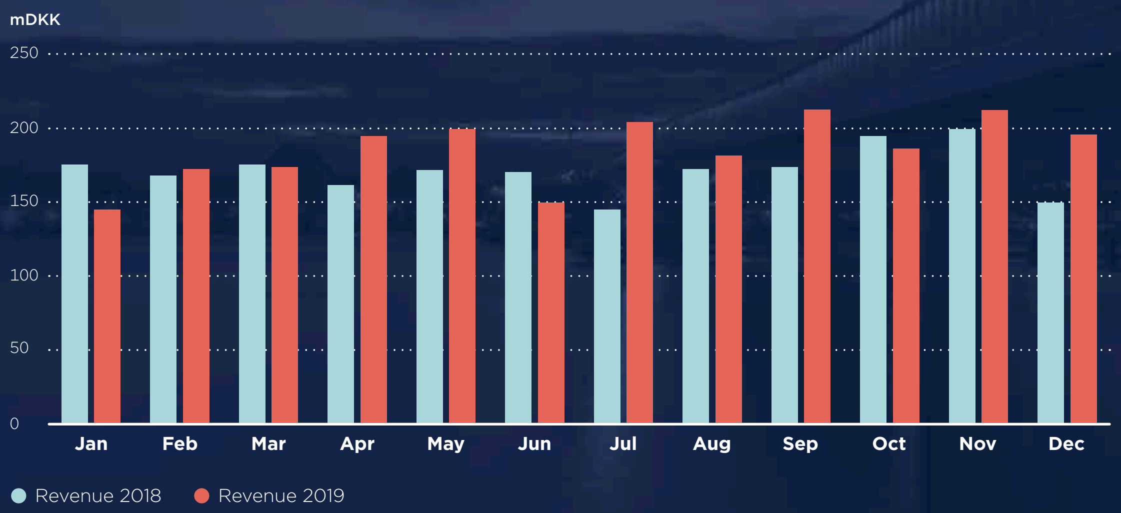
As of 1 January 2019, Netcompany adopted the interpretation IFRIC 23, which clarifies the accounting treatment for uncertainties in income taxes within the scope of IAS 12" Income taxes". The application of IFRIC 23 had no effect on Netcompany's consolidated financial statements.

There have been no further changes in accounting policies in 2019.

SECTION 2

Results for the year

This section covers notes related to the performance for the financial year, including segment information showing operating entities revenue and EBITA-margin, which are two of Netcompany's key performance measures.



19.5% Revenue growth

17.7% Organic revenue growth

25.0% EBITA margin

25.6% Organic EBITA margin

IN THIS SECTION

NOTE 3

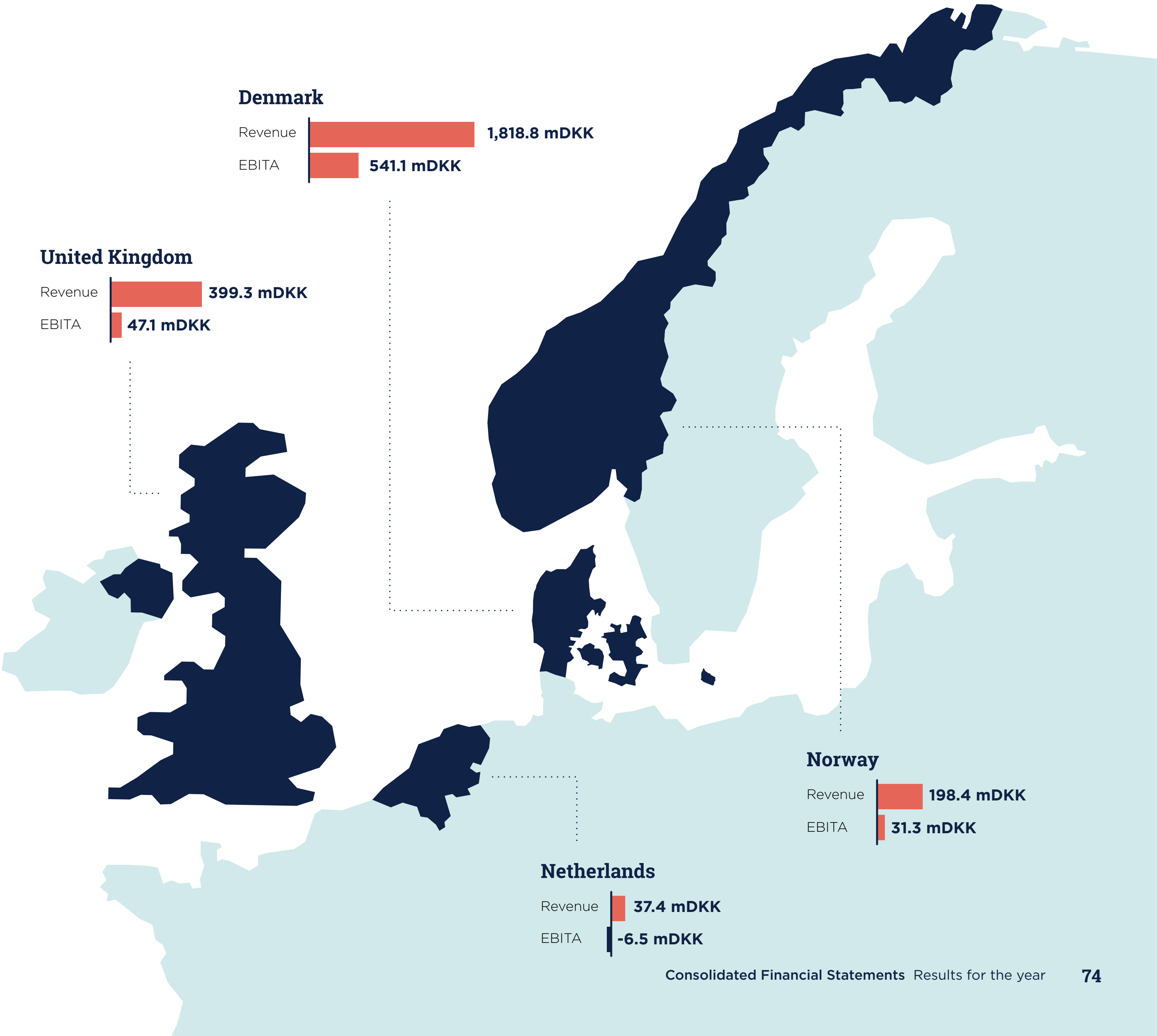
Segment information

Business segments have been identified as operating segments which are consistent with the internal reporting to Executive Management and the 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 is geographically represented in Denmark, Norway, UK, Netherlands, Poland & Vietnam.



NOTE 3

Segment information (continued)

Revenue types (DKK'000)	Public 2019	Private 2019	Total 2019	Public 2018	Private 2018	Total 2018
Development	737,782	519,960	1,257,743	575,326	430,060	1,005,386
Maintenance	717,761	478,350	1,196,111	576,768	471,061	1,047,829
Revenue by type, total	**1,455,543**	**998,311**	**2,453,853**	**1,152,094**	**901,121**	**2,053,216**

Business segments (DKK'000)	Public 2019	Private 2019	Total 2019	Public 2018	Private 2018	Total 2018
Revenue	1,455,543	998,311	2,453,853	1,152,094	901,121	2,053,216
Cost of services	-907,779	-550,323	-1,458,102	-692,146	-544,553	-1,236,699
Gross profit	**547,764**	**447,988**	**995,751**	**459,948**	**356,569**	**816,517**
Sales and marketing costs	-7,818	-3,923	-11,742	-7,251	-4,621	-11,872
Administrative costs	-236,323	-130,335	-366,658	-178,079	-112,349	-290,428
Adjusted EBITA (non-IFRS)	**303,623**	**313,729**	**617,352**	**274,618**	**239,599**	**514,217**
Adjusted EBITA margin (non-IFRS)	*20.9%*	*31.4%*	*25.2%*	*23.8%*	*26.6%*	*25.0%*
Special items	-2,684	-1,713	-4,398	-19,172	-15,316	-34,488
EBITA (non-IFRS)	**300,939**	**312,016**	**612,954**	**255,446**	**224,283**	**479,729**
EBITA margin	*20.7%*	*31.3%*	*25.0%*	*22.2%*	*24.9%*	*23.4%*
Amortisation	-62,805	-38,869	-101,674	-65,245	-50,144	-115,389
Operating profit	**238,134**	**273,147**	**511,280**	**190,201**	**174,139**	**364,340**
Operating profit margin	*16.4%*	*27.4%*	*20.8%*	*16.5%*	*19.3%*	*17.7%*

NOTE 3

Segment information (continued)

Segment information related to operating entities (DKK'000)	Denmark 2019	Norway 2019	United Kingdom 2019	Netherlands 2019	Total 2019
Revenue from external customers	1,818,811	198,396	399,286	37,360	2,453,853
EBITA, operating entities (non-IFRS)	**541,145**	**31,306**	**47,053**	**-6,549**	**612,954**

Segment information related to geographical areas (DKK'000)	Denmark 2019	Norway 2019	United Kingdom 2019	Netherlands 2019	Poland 2019	Vietnam 2019	Subtotal 2019	Elimination 2019	Total 2019
Revenue from external customers	1,818,811	198,396	399,286	37,360	0	0	2,453,853	0	2,453,853
Revenue from internal sales	73,495	2,107	0	0	122,610	27,840	226,051	-226,051	0
Revenue, legal entities	**1,892,306**	**200,503**	**399,286**	**37,360**	**122,610**	**27,840**	**2,679,904**	**-226,051**	**2,453,853**
Internal cost allocation	-152,905	-13,348	-50,176	-3,711	-4,050	-1,963	-226,154	226,154	0
Other costs	-1,184,484	-159,813	-323,060	-41,847	-108,245	-23,346	-1,840,797	-103	-1,840,899
EBITA, legal entities (non-IFRS)	**554,917**	**27,341**	**26,049**	**-8,198**	**10,314**	**2,530**	**612,954**	**0**	**612,954**

Non-current assets	Denmark 2019	Norway 2019	United Kingdom 2019	Netherlands 2019	Poland 2019	Vietnam 2019	Total 2019	Other non-current assets 2019	Reconciled to financial statements 2019
Intangible assets	2,550,560	0	0	0	0	0	2,550,560	0	2,550,560
Tangible assets	84,049	1,120	19,136	18,418	8,393	15,107	146,223	0	146,223
Financial assets	13,122	0	741	0	904	1,213	15,980	3,526	19,506
Total	**2,647,731**	**1,120**	**19,878**	**18,418**	**9,297**	**16,321**	**2,712,764**	**3,526**	**2,716,290**

NOTE 3

Segment information (continued)

Segment information related to operating entities (DKK'000)	Denmark 2018	Norway 2018	United Kingdom 2018	Total 2018
Revenue from external customers	1,543,764	171,312	338,139	2,053,216
EBITA, operating entities (non-IFRS)	**435,959**	**28,094**	**15,676**	**479,729**

Segment information related to geographical areas (DKK'000)	Denmark 2018	Norway 2018	United Kingdom 2018	Poland 2018	Vietnam 2018	Subtotal 2018	Elimination 2018	Total 2018
Revenue from external customers	1,543,764	171,312	338,139	0	0	2,053,216	0	2,053,216
Revenue from internal sales	45,096	1,215	1,000	91,757	20,395	159,463	-159,463	0
Revenue, legal entities	**1,588,861**	**172,527**	**339,139**	**91,757**	**20,395**	**2,212,678**	**-159,463**	**2,053,216**
Internal cost allocation	-105,682	-11,972	-38,623	-2,679	-557	-159,512	159,512	0
Other costs	-1,043,003	-136,638	-290,495	-85,348	-17,953	-1,573,437	-50	-1,573,487
EBITA, legal entities (non-IFRS)	**440,175**	**23,917**	**10,020**	**3,730**	**1,886**	**479,729**	**0**	**479,729**

Non-current assets	Denmark 2018	Norway 2018	United Kingdom 2018	Poland 2018	Vietnam 2018	Total 2018	Other non-current assets 2018	Reconciled to financial statements 2018
Intangible assets	2,484,441	0	0	0	0	2,484,441	0	2,484,441
Tangible assets	87,567	3,830	11,315	13,277	1,295	117,284	0	117,284
Financial assets	9,777	1,493	645	894	243	13,053	1,162	14,215
Total	**2,581,785**	**5,323**	**11,961**	**14,171**	**1,539**	**2,614,778**	**1,162**	**2,615,940**

There is one customer who accounted for more than 10% of Group revenue in 2018. This customer is situated in Denmark.

NOTE 4

Cost of services

DKK'000	2019	2018
Project costs	341,354	371,496
Staff costs (note 7)	1,103,599	853,669
Depreciation (note 9)	13,149	11,534
Total cost of services	**1,458,102**	**1,236,699**

§ ACCOUNTING PRINCIPLES

Project costs comprise external consultants/freelancers, subscriptions etc. Staff costs comprise wages and salaries for consultants incurred to achieve revenue. Depreciation comprises of depreciation relating to non-current assets used for projects that are directly incurred to achieve revenue for the year.

Costs of services are expensed as the projects progress.

NOTE 5

Sales and marketing costs

DKK'000	2019	2018
Sales and marketing costs	9,028	8,830
Staff costs (note 7)	2,714	3,042
Total sales and marketing costs	**11,742**	**11,871**

§ ACCOUNTING PRINCIPLES

Sales and marketing costs comprise expenses incurred for sale of the Group's projects. Staff costs comprise of wages and salaries for sales staff. In addition, sales and marketing costs comprise advertising costs, travelling and entertainment expenses, etc.

NOTE 6

Administrative costs

DKK'000	2019	2018
Administrative costs	181,372	155,763
Staff costs (note 7)	142,164	105,851
Depreciation (note 9)	43,122	28,815
Total administrative costs	**366,658**	**290,428**

§ ACCOUNTING PRINCIPLES

Administrative costs comprise costs incurred for the Group's administrative functions, including wages and salaries for administrative staff and management, general corporate cost, IT cost as well as depreciation relating to property, plant and equipment used for administration.

NOTE 7

Staff costs and remuneration

DKK'000	2019	2018
Salary and wages	1,181,535	922,518
Pension contributions	10,024	11,280
Other social security costs	42,983	17,373
Other staff costs	13,935	11,391
Total staff costs	**1,248,477**	**962,561**
Presented as follows in income statement:		
Costs of services	1,103,599	853,669
Sales and marketing costs	2,714	3,042
Administrative costs	142,164	105,851
Total staff costs	**1,248,477**	**962,561**
Average number of employees	**2,293**	**1,861**

§ ACCOUNTING PRINCIPLES

Staff costs comprise salaries and wages including the value of share-based incentive programmes and cash bonus arrangements as well as social security costs, pension contributions, etc for the Group's staff.

NOTE 7

Staff costs and remuneration (continued)

DKK'000	2019	2018
Remuneration to the Board of Directors		
Bo Rygaard	660	438
Pernille Fabricius	804	525
Juha Christensen	507	438
Scanes Bentley	387	-
Robbert Kuppens	159	-
Pekka Ala-Pietilä	669	1,050
Thomas Broe-Andersen	0	0
Carsten Gomard[1]	637	1,000
Total	**3,824**	**3,450**

[1] Including consulting fee paid to legal entity controlled by the Board member, see note 28.

DKK'000	2019	2018
Remuneration to the Executive Management		
André Rogaczewski	7,032	5,737
Claus Jørgensen	6,902	5,949
Thomas Johansen	3,919	4,659
Total short term remuneration	**17,853**	**16,345**
André Rogaczewski	1,777	379
Claus Jørgensen	1,777	379
Thomas Johansen	987	211
Total share-based remuneration expensed	**4,541**	**969**
Total	**22,394**	**17,314**
Remuneration to Key Management Personnel	**10,195**	**6,649**

Remuneration to Executive Management and Board of Directors is recognised as administrative costs.

The Group does not have post-employment benefits or termination obligations.

For further description of Remuneration to the Executive Management and Board of Directors, please refer to the Remuneration Report.

NOTE 7

Staff costs and remuneration (continued)

During 2019, 105,470 RSUs (142,055 RSUs) were granted of which 44,605 (33,637) were granted to Executive Management and 60,865 (108,418) were granted to Key Management Personnel and other employees.

The fair value of the granted RSUs at grant date was DKK 43.5 million (DKK 22.0 million). The cost associated herewith is expensed over the vesting period with DKK 13.9 million in 2019 (DKK 3.8 million)

The number of shares granted is determined by the stock price on the grant day, measured against the value of grant for each person.

The share-based incentive programme based on RSUs will continue in 2020. The Group's share-based incentive schemes are further detailed in the Remuneration report.

DKK'000	2019	2018
Share-based remuneration expenses:		
Management	4,541	969
Employees	9,365	2,848
Total	**13,906**	**3,818**

Restricted stock units in Netcompany shares	1 January 2019	Issued	Expensed	Cancelled	Outstanding	Value at grant date	Vesting date
	No.	No.	No.	No.	No.	DKK´000	
2018 Shares allocated (management)	27,385	0	-10,972	0	16,413	5,214	30 June 2021
2018 Shares allocated (employees)	88,190	0	-32,147	0	56,043	16,800	31 December 2021
2019 Shares allocated (management)	0	44,605	-13,770	0	30,835	9,200	31 December 2021
2019 Shares allocated (employees)	0	60,865	-20,792	-1,278	38,795	12,290	31 December 2021
Total allocated shares	**115,575**	**105,470**	**-77,680**	**-1,278**	**142,086**	**43,505**	

Restricted stock units in Netcompany shares	1 January 2018	Issued	Expensed	Cancelled	Outstanding	Value at grant date	Vesting date
	No.	No.	No.	No.	No.	DKK´000	
2018 Shares allocated (management)	0	33,637	-6,252	0	27,385	5,214	30 June 2021
2018 Shares allocated (employees)	0	108,418	-18,292	-1,936	88,190	16,800	31 December 2021
Total allocated shares	**0**	**142,055**	**-24,544**	**-1,936**	**115,575**	**22,014**	

NOTE 8

Special items

DKK'000	2019	2018
Costs related to IPO	0	33,002
Costs related to M&A	4,398	1,486
Total special items	**4,398**	**34,488**

ACCOUNTING PRINCIPLES

Special items are non-recurring costs or income recorded in the income statement which cannot directly be attributed to the Group´s ordinary activities.

Such costs and income comprise expenses for restructuring, fundamental structural changes in the business, M&A and IPO related costs. They are therefore presented separately to provide a more comparable basis for assessing the underlying performance.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Key assumptions involve judgement from Management in identifying and separating special income or expense items from other items in the income statement. These items are carefully considered in order to ensure correct presentation.

NOTE 9

Amortisation and depreciation

DKK'000	2019	2018
Amortisation		
Technology and software[1]	10,876	10,582
Trademark	8,390	8,389
Order back-log	15,366	31,569
Customer relationships	67,042	64,850
Total amortisation	**101,674**	**115,389**
Depreciation		
Technology and software[1]	0	4,088
Leasehold improvements	2,030	1,672
Equipment	17,700	11,001
Right of use assets	36,543	23,587
Total depreciation	**56,272**	**40,349**

[1] Amortisation of technology and software derives from amortisation of assets identified in business acquisitions, whereas depreciation of technology and software derives from purchases of assets as part of the ongoing business.

NOTE 9

Amortisation and depreciation (continued)

Depreciation and amortisation presented as follows in the income statement: (DKK'000)	**2019**	**2018**
Cost of services	13,149	11,534
Administrative costs	43,122	28,815
Amortisation	101,674	115,389
Total depreciation and amortisation	**157,946**	**155,737**

ACCOUNTING PRINCIPLES

Please refer to notes 13 & 15.

NOTE 10

Financial income and expenses

DKK'000	**2019**	**2018**
Financial income		
Interest on corporate income tax	0	3
Exchange rate adjustments	39,873	8,329
Settlement of deferred cost of hedging reserve	0	10,649
Other interest income	57	3,264
Total Financial income	**39,930**	**22,245**
Financial expenses		
Interest expense, borrowings	18,788	38,881
Interest, leasing	3,313	1,244
Exchange rate adjustments	23,974	14,446
Settlement of interest rate swap	0	33,392
Other loan costs	0	34,922
Other finance charges	7,879	8,018
Total Financial expenses	**53,954**	**130,903**

ACCOUNTING PRINCIPLES

Financial income and expenses comprise interest income and expenses, currency gains and losses, amortisation of loan costs, tax surcharge and tax relief under the Group's Tax Schemes.

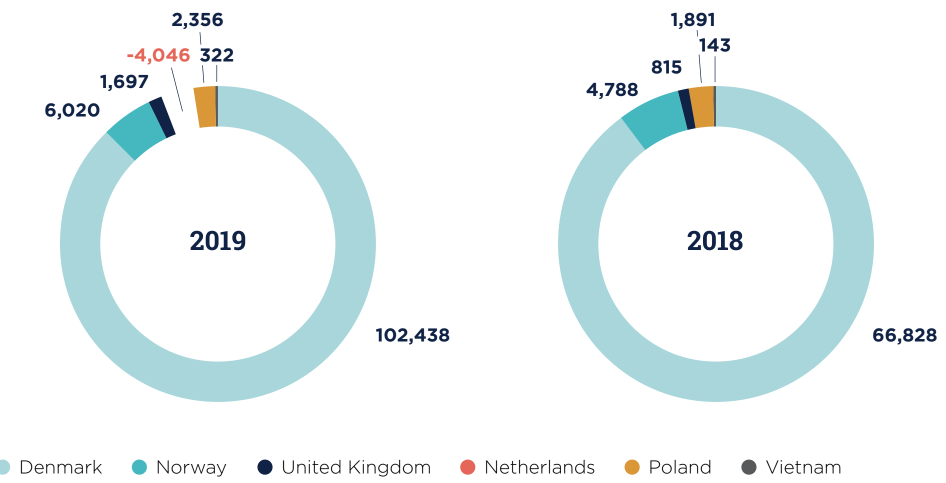
NOTE 11

Tax

Current Tax (DKK'000)	2019	2018
Current tax	128,317	97,395
Prior year	-145	1,204
Change in deferred tax	-19,386	-24,134
Total current tax	**108,786**	**74,465**
Profit before tax	497,256	255,682
Tax at a rate of 22%	109,396	56,250
Tax-based value of non-deductible expenses	1,361	18,387
Tax-based value of non-taxable income	0	-429
Changes to previous years	-145	1,204
Changes in tax rates	0	-364
Acquisition of subsidiaries	-1,495	0
Effect of different tax rates in foreign subsidiaries	-331	-583
Total current tax	**108,786**	**74,465**
Effective tax rate	**21.9%**	**29.1%**
Tax payable and tax receivable		
Tax payable at 1 January, net	**-14,490**	**-76,833**
Foreign exchange adjustments	475	-464
Addition, acquisition of entity	-395	0
Changes to previous years	145	-1,204
Payment relating to prior years	14,044	75,300
Current tax for the year	-128,317	-97,395
Current tax interest for the year	8	0
Current tax for the year recognised in other comprehensive income for the year	0	-5,528
Payments relating to the current year	101,625	91,635
Total tax receivable / payable, net	**-26,905**	**-14,490**

DKK'000	2019	2018
Current tax is presented as follows in the balance sheet		
Tax receivable (assets)	0	0
Tax payable (liabilities)	-26,905	-14,490
Total tax receivable / payable, net	**-26,905**	**-14,490**

Current Tax (DKK'000)



NOTE 11

Tax (continued)

DKK'000	2019	2018
Deferred tax has been presented as follows in the balance sheet:		
Deferred tax asset	3,526	1,162
Deferred tax liability	-73,341	-89,387
Total deferred tax	**-69,816**	**-88,225**

DKK'000	2019	2018
Deferred tax:		
Non-current assets	-55,739	-76,145
Work in progress	-23,663	-13,239
Other current assets	5,851	-46
Current liabilities	3,734	1,206
Total deferred tax	**-69,816**	**-88,225**

Deferred tax (assets/liabilities): (DKK'000)	Property, plant & equipment	Right of use assets	Intangible assets	Work in progress	Other current assets	Current liabilities	Share-based payments	Total
Opening balance 1 January 2019	**3,741**	**161**	**-80,046**	**-13,239**	**-46**	**398**	**807**	**-88,225**
Recognised in profit / loss	1,192	268	21,257	-10,423	4,574	-447	2,966	**19,386**
Effect of currency exchange adjustments	35	12	0	0	3	0	10	**60**
Acquisitions	0	0	-2,359	0	1,322	0	0	**-1,037**
Closing balance 31 December 2019	**4,968**	**441**	**-61,148**	**-23,663**	**5,851**	**-49**	**3,783**	**-69,816**

Deferred tax (assets/liabilities): (DKK'000)	Property, plant & equipment	Right of use assets	Intangible assets	Work in progress	Other current assets	Current liabilities	Share-based payments	Total
Opening balance 1 January 2018	**3,195**	**40**	**-105,458**	**-10,763**	**567**	**0**	**0**	**-112,418**
Recognised in profit / loss	521	118	25,412	-2,476	-623	398	785	**24,134**
Effect of currency exchange adjustments	24	3	0	0	10	0	22	**59**
Closing balance 31 December 2018	**3,741**	**161**	**-80,046**	**-13,239**	**-46**	**398**	**807**	**-88,225**

NOTE 11

Tax (continued)

§ ACCOUNTING PRINCIPLES

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

Current tax payable and current tax receivable are recognised in the statement of financial position, 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 amounts and tax-based values 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 statement of the financial position 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.

NOTE 12

Income statement classified by function

(DKK'000)	2019	2018
Income statement		
Revenue	2,453,853	2,053,216
Cost of services, incl. depreciation and amortisation	-1,458,102	-1,236,699
Gross profit	**995,751**	**816,516**
Sales and marketing costs	-11,742	-11,871
Administrative costs, incl. depreciation and amortisation	-472,729	-440,306
Operating profit (EBIT)	**511,280**	**364,340**
Financial income	39,930	22,245
Financial expenses	-53,954	-130,903
Profit before tax	**497,256**	**255,682**
Tax on the profit	-108,786	-74,465
Net profit for the period	**388,470**	**181,217**

Depreciation and amortisation have been presented as follows in the above income statement: (DKK'000)	2019	2018
Cost of services	-13,149	-11,534
Administrative costs	-144,796	-144,203
Depreciation and amortisation	**-157,946**	**-155,737**

SECTION 3

Invested capital

This section comprises tangible and intangible assets, showing in which assets Netcompany has invested capital.

In 2019, Netcompany acquired QDelft - a Dutch company - for a **value of DKK 158m.** At the time of acquisition QDelft had **more than 80 full time employees** and delivered a **turnover exceeding DKK 50m** in all of 2019.

IN THIS SECTION

NOTE 13

Intangible assets

DKK'000	Goodwill	Technology and software	Trademark	Order back-log	Customer relationships	Total other intangible assets
Cost at 1 January 2019	**2,108,688**	**65,729**	**167,776**	**95,911**	**344,276**	**673,692**
Additions, acquisition of subsidiaries	155,377	0	0	6,034	6,382	12,416
Disposals	0	0	0	-64,430	0	-64,430
Cost at 31 December 2019	**2,264,065**	**65,729**	**167,776**	**37,514**	**350,658**	**621,678**
Amortisation at 1 January 2019	**0**	**-43,684**	**-24,467**	**-72,794**	**-156,994**	**-297,939**
Amortisation for the year	0	-10,876	-8,390	-15,366	-67,042	-101,674
Disposals	0	0	0	64,430	0	64,430
Amortisation at 31 December 2019	**0**	**-54,559**	**-32,857**	**-23,730**	**-224,036**	**-335,183**
Carrying amount at 31 December 2019	**2,264,065**	**11,170**	**134,919**	**13,784**	**126,622**	**286,495**

DKK'000	Goodwill	Technology and software	Trademark	Order back-log	Customer relationships	Total other intangible assets
Cost at 1 January 2018	**2,108,688**	**65,729**	**167,776**	**95,911**	**344,276**	**673,692**
Cost at 31 December 2018	**2,108,688**	**65,729**	**167,776**	**95,911**	**344,276**	**673,692**
Amortisation at 1 January 2018	**0**	**-29,014**	**-16,079**	**-41,226**	**-92,144**	**-178,462**
Amortisation for the year	0	-14,670	-8,389	-31,569	-64,850	-119,477
Amortisation at 31 December 2018	**0**	**-43,684**	**-24,467**	**-72,794**	**-156,994**	**-297,939**
Carrying amount at 31 December 2018	**2,108,688**	**22,045**	**143,309**	**23,117**	**187,282**	**375,753**

§ ACCOUNTING PRINCIPLES

Goodwill

On initial recognition, goodwill is recognised and measured as the difference between, on one hand, the cost of the acquired subsidiary and, on the other hand, the fair value of the acquired identifiable assets, liabilities and contingent liabilities. The recognised goodwill amount is allocated to the activities of the Group generating separate payments, which represents the lowest level of cash generating units (CGUs). Determination of CGUs complies with the management structure and management accounting and reporting of the Group.

Goodwill is not amortised but tested at least once a year for impairment. Goodwill derives from business acquisitions.

NOTE 13

Intangible assets

Other intangible assets

Other intangible assets acquired in a business combination consists of technology, order back-log, customer relationships and trademark. Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost). Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised on a straight-line basis over their estimated useful lives:

- Technology: 5 years
- Order back-log: 3 years
- Customer relationships: 5 - 7 years
- Trademark: 20 years

Software

The cost of developed software comprises costs such as salaries, depreciation and amortisation that are directly attributable to the development projects and are needed to complete the project, recognised from the time at which the development project first qualifies for recognition as an asset.

Amortisation is recognised on a straight-line basis over their estimated useful lives:

- Software: 3-5 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment

Goodwill and other intangible assets which are acquired through business combinations are impairment tested at least annually or when circumstances indicate that the carrying amount may be impaired. The tests are performed at the lowest level of the CGUs representing different business acquisitions.

The carrying amount of intangible assets with definite useful life is examined at the balance sheet date in order to determine whether there is any indication of impairment. If this is the case, the recoverable amount of the asset is determined in order to determine the need for any write-down and the extent thereof.

If the asset does not generate cash flow independently of other assets, the recoverable amount is determined for the smallest CGUs of which the asset forms part.

The recoverable amount is determined as the higher of the asset's or the CGUs fair value, net of selling costs, and the value in use.

To determine the value in use, estimated future cash flows are discounted to net present value by applying a discount rate that reflects current market assessments of the time value of money and the particular risks related to the asset or the CGU, and for which no adjustments have been made in such estimated future cash flows.

If the recoverable amount of the asset is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For CGUs, the write-down for impairment is allocated so that goodwill is written down first, and then any remaining impairment loss is allocated on the other assets of the unit, however, the individual asset may not be written down to an amount below its fair value net of any expected selling costs.

Impairment losses are recognised in the income statement. On any subsequent reversal of impairment losses for intangible assets arising from changes in the assumptions used to determine the recoverable amount, the asset's carrying amount is adjusted to the recoverable amount, however, not exceeding the carrying amount that the asset would have had if the impairment had not been made. Impairment losses of goodwill may not be reversed.

Impairment tests

The tests performed at the end of 2019 showed the recoverable amounts were estimated to be higher than the carrying amounts and therefore no impairment loss has been recognised in 2019.

The value in use amounts were calculated as future free cash flows based on budgets for 2020 and forecasts for the following years incorporating the assumptions used in financial budgets, including the expected impact from business synergies.

For all CGUs, except Netcompany Netherlands B.V., the projected forecast period comprise five years. For Netcompany Netherlands B.V. the

NOTE 13

Intangible assets (continued)

forecast period is 10 years based on the business case prepared at the time of acquiring the entity in 2019.

Netcompany Netherlands B.V is considered a growth case and in order to reflect high growth rates at the start of the forecast period, sufficent time is also needed for proper normalised growth rates over time, which is why a 10 year forecast period was applied.

Cash flow projections beyond the five year forecast have been extrapolated using a steady 1.0% per annum growth rate. Management believes that the growth rate is reasonable based on IT services demand, and the continued digital conversion in the markets, and any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

Netcompany shares were priced at DKK 317 per share at 31 December 2019, equal to a market capitalisation of DKK 15,850 million, which is significantly higher than equity value at 31 December 2019.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Goodwill is not amortised but tested at least once a year for impairment.

The determination of the recoverable amount of a CGU to which goodwill is allocated requires significant Management judgement in determining the various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement of these assumptions, combined or individually, can be significant.

Furthermore, the use of different estimates or assumptions when determining the fair value of such assets may result in different values and could result in impairment in future periods.

DKK'000	2019	2018
Allocated goodwill to cash-generating units		
Netcompany A/S[1]	1,775,312	1,775,312
Netcompany Norway AS	118,676	118,676
Netcompany UK Ltd.[2]	214,700	214,700
Netcompany Netherlands B.V.	155,377	0
Total	**2,264,065**	**2,108,688**
Allocated other intangibles to cash-generating units		
Netcompany A/S[1]	189,464	252,558
Netcompany Norway AS	34,344	45,243
Netcompany UK Ltd.[2]	52,353	77,951
Netcompany Netherlands B.V.	10,334	0
Total	**286,495**	**375,753**

Discount rates and growth rates in terminal period used as assumptions	2019	2018
Discount rate before tax:		
Netcompany A/S[1]	9.3%	9.5%
Netcompany Norway AS	10.8%	11.0%
Netcompany UK Ltd.[2]	11.2%	11.6%
Netcompany Netherlands B.V.	10.9%	n/a
Growth rate in terminal period	1.0%	2.0%

[1] Including subsidiary Netcompany Poland Sp. Z o.o.
[2] Including subsidiary Netcompany Vietnam Company Ltd.

NOTE 14

Business Combinations

In May 2019, the Group acquired the entire share capital of Netcompany Netherlands B.V. (QDelft B.V.) at a price estimated at DKK 157.8 million of which DKK 37.3 million was paid in cash and DKK 120.4 million is part of a contingent consideration.

The contingent consideration consists of two elements; a contingent purchase price based on performance in 2020 and an earn-out. The contingent purchase price less net debt adjustment and less the value of the earn out element will be paid in 2021 and will be split evenly in cash and RSUs. This part of the contingent purchase price amounts to DKK 64.5 million.

The earn-out related purchase price based on financial performance until 2022 will be paid in 2023 and will be 100% based on RSUs. The value of this part of the contingent purchase price amounts to DKK 56.0 million and corresponds to 287,880 RSUs. Netcompany does not expect to issue shares as part of transferring the RSU consideration to the seller but expect to settle the RSU payments by using treasury shares.

The determination of the purchase price and the purchase price allocation is not considered final until 12 months after the acquisition. Any adjustments after 12 months will be recognised in comprehensive income.

The acquisition of QDelft will give Netcompany access to the highly interesting Dutch market which has many similarities to the Danish market, but being three times larger.

Based on the measurement of identifiable assets and liabilities at their fair values, the difference between the total consideration and the fair value of the identified net assets equals DKK 155.4 million, which amount represents the goodwill from the acquisition of Netcompany Netherlands B.V. (QDelft B.V.)

In addition, the consideration paid for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Netcompany Netherlands B.V. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Goodwill is also not deductible for tax purposes.

Assets and liabilities recognition

These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiary, and
- the additional depreciation that would have been charged assuming the fair value adjustments to identifiable intangible assets had applied from 1 January 2019 together with the consequential tax effects.

The Group has incurred acquisition costs totalling DKK 4.4 million which are included in special items.

The Group made no acquisitions during 2018.

Assets and liabilities recognised (DKK'000)	**QDelft B.V.**
Non-current assets	
Order back-log	6,034
Customer relationships	6,382
Leasehold/Equipment	5,806
Right of use assets	9,630
Current assets	
Trade receivables	5,535
Contract work in progress	7,384
Current liabilities	
Leasing	-9,777
Deferred tax liabilities	-2,359
Bank debt facilities and borrowings	-8,519
Trade payables	-3,662
Other payables	-14,064
Net assets taken over	**2,390**
Goodwill	155,377
Total consideration	**157,767**
Up front cash payment	37,325
Contingent consideration	120,441
Total consideration	**157,767**

NOTE 14

Business Combinations (continued)

Identified assets and liabilities

Order back-log, DKK 6.034k	Fair value of order back-log has been determined on the basis of Net Operating Profit Less Adjusted Taxes (NOPLAT) from the order back-log at the acquisition date, adjusted for amounts already included in the recognition of fair value of other identified intangible assets, and discounted with the internal required rate of return of 10.0% p.a. The calculated fair value has been increased with a tax amortisation benefit factor of 1.2.
Customer relationships, DKK 6.382k	Fair value of customer relationships has been determined on the basis of forecasted NOPLAT from acquisition date in May 2019 to 2024 adjusted for an expected churn-rate and discounted with the internal required rate of return of 10.0% p.a. The calculated fair value has been increased with a tax amortisation benefit factor of 1.2.
Deferred tax liability, DKK 2.359k	Deferred tax on the re-measurement of order back-log and customer relationships reflects and is equal to the total increase in the fair value of the order back-log and customer relationships as a result of increasing the fair values with the tax amortisation benefit factor.

ACCOUNTING PRINCIPLES

Acquisitions of businesses are accounted for using the acquisition method. The cost of an acquisition is measured as the consideration transferred for assets acquired and liabilities assumed in the business combination measured at fair value on acquisition date. Deferred tax related to the revaluations is recognised.

The most significant assets acquired generally comprise goodwill, order back-log and customer relationships. As no active market exists for the majority of acquired assets, liabilities and contingent liabilities, in particular in respect of intangible assets, management estimates the fair value.

Impact on revenue and profit/loss from acquired business in 2019 (DKK'000)	Revenue	Profit
QDelft B.V. (since acquisition date, 13 May 2019)	37,360	-4,789
QDelft B.V. (full year impact)	50,734	13,882

The consideration paid for a business consists of the fair value of the agreed consideration in the form of the assets transferred, equity instruments issued, and liabilities assumed at the date of acquisition. If part of the consideration is contingent on future events, such consideration is recognised at fair value. Subsequent changes in the fair value of contingent consideration are recognised in the income statement. A positive excess (goodwill) of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

If uncertainties regarding identification or measurement of acquired assets, liabilities or contingent liabilities or determination of the consideration transferred exist at the acquisition date, initial recognition will be based on provisional values. Any adjustments in the provisional values, including goodwill, are adjusted retrospectively, until 12 months after the acquisition date, and comparative figures are restated.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Key assumptions for the methods applied in determining the fair value is based on the present value of future cash flows, churn rates or the expected cash flows related to the specific asset. Estimates and methodologies used, can have a material impact on the respective values and ultimately the amount of the fair values recognised for identifiable assets and liabilities of the acquired business.

NOTE 15

Property, plant and equipment

DKK'000	Leasehold improvements	Equipment	Right of use assets	Total
Cost at 1 January 2019	**7,326**	**54,648**	**112,425**	**174,399**
Correction	4,180	25,756	0	29,936
Additions, acquisition of subsidiaries	2,990	2,816	9,630	15,436
Remeasurements	0	0	-15,622	-15,622
Additions	5,899	18,678	59,143	83,720
Disposals	-45	-20,258	-12,337	-32,640
Exchange rate adjustments	79	164	1,983	2,226
Cost at 31 December 2019	**20,430**	**81,805**	**155,221**	**257,456**
Depreciation at 1 January 2019	**-3,223**	**-24,119**	**-29,774**	**-57,116**
Correction	-4,199	-25,738	0	-29,936
Remeasurements	0	0	72	72
Depreciation for the year	-2,011	-17,710	-36,623	-56,344
Disposals	45	20,258	12,337	32,640
Exchange rate adjustments	-19	-145	-384	-548
Depreciation at 31 December 2019	**-9,407**	**-47,454**	**-54,371**	**-111,233**
Carrying amount at 31 December 2019	**11,023**	**34,351**	**100,850**	**146,223**

DKK'000	Leasehold improvements	Equipment	Right of use assets	Total
Cost at 1 January 2018	**5,938**	**33,286**	**60,714**	**99,938**
Additions, acquisition of subsidiaries	-	-	-	-
Additions	1,491	21,375	98,602	121,468
Disposals	-273	-35	-47,671	-47,978
Exchange rate adjustments	169	21	780	970
Cost at 31 December 2018	**7,326**	**54,648**	**112,425**	**174,399**
Depreciation at 31 January 2018	**-2,002**	**-13,243**	**-30,186**	**-45,431**
Depreciation for the year	-1,672	-11,001	-23,587	-36,260
Disposals	226	21	23,387	23,634
Exchange rate adjustments	225	103	612	940
Depreciation at 31 December 2018	**-3,223**	**-24,119**	**-29,774**	**-57,116**
Carrying amount at 31 December 2018	**4,103**	**30,529**	**82,651**	**117,283**

NOTE 15

Property, plant and equipment (continued)

§ ACCOUNTING PRINCIPLES

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 are 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 re-measurements of the lease liability where initial cost is equal to the initial amount of the related lease liability.

Depreciation is straight-line on the basis of the underlying contracts which are 1-10 years.

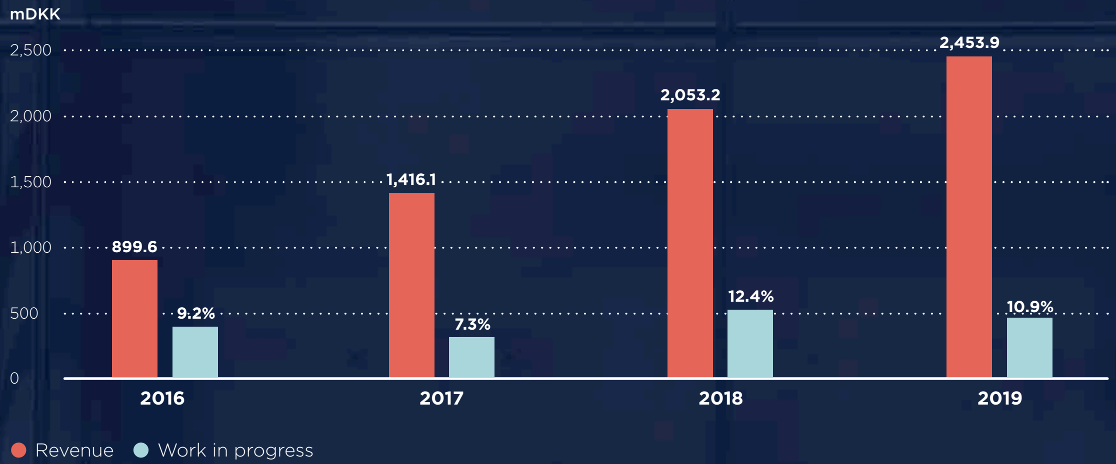
Short term and low-value assets

The Group 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 0.1 million (DKK 0.1 million). All other lease contracts are recognised on the statement of financial position according to IFRS 16.

SECTION 4

Working capital & Capital structure

This section comprises notes related to Netcompany's working capital and capital structure.



As work in progress consists of multi-year projects with back-end loaded payment milestones, it will give a representative view of the development in the work in progress balances, when comparing with the revenue over the last twelve months. From 2018 to 2019 work in progress increased from DKK 255.1 million to DKK 268.3 million corresponding to an increase of 5.2% which is lower than the increase in revenue, hence work in progress compared to revenue for the year decrease from 12.4% in 2018 to 10.9% in 2019.

93.2%
Cash conversion ratio

79.0
Days sales outstanding

7.91
Earnings per share

7.89
Diluted Earnings per share

IN THIS SECTION

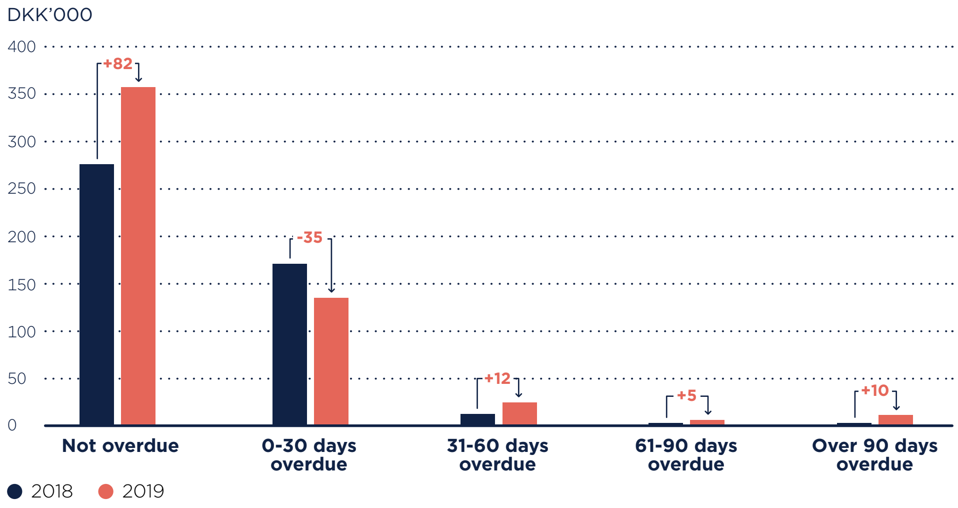
NOTE 16

Trade receivables

DKK'000	2019	2018
Trade receivables	**531,402**	**457,518**

DKK'000	2019	2018
Aging of receivables that are not impaired		
Trade receivables, Not overdue	356,596	274,666
Trade receivables, 0-30 days overdue	134,702	170,024
Trade receivables, 31-60 days overdue	24,286	11,796
Trade receivables, 61-90 days overdue	5,763	273
Trade receivables, Over 90 days overdue	10,870	759
Total trade receivables excl. expected credit loss	**532,217**	**457,518**
Expected credit loss	-816	0
Total trade receivables	**531,402**	**457,518**

Development in aging of trade receivables from 2018 to 2019



The carrying amount of the trade receivables is assumed to approximate the fair value. For description of credit risk please refer to note 25.

At 31 December 2019, the Group has recognised expected credit loss of DKK 0.8 million (DKK 0), and no expected credit losses have been incurred during the year (DKK 0).

ACCOUNTING PRINCIPLES

Trade receivables include receivables from sales. Trade receivables are measured at fair value on initial recognition and subsequently at amortised cost, usually equalling nominal value less any expected credit losses.

NOTE 17

Contract work in progress

DKK'000	2019	2018
Selling price of work performed on fixed price projects	850,415	763,299
Invoiced amount on fixed price projects	-582,077	-508,192
Total contract work in progress	**268,339**	**255,107**

Net value - calculated on a contract-per-contract basis - is presented in the statement of financial position as follows: (DKK'000)	2019	2018
Contract work in progress	319,354	284,717
Prebilled invoices	-51,016	-29,610
Total contract work in progress	**268,339**	**255,107**

At 31 December 2019, the Group has recognised a provision of DKK 3.5 million (DKK 36.1 million). Please refer to note 23.

§ ACCOUNTING PRINCIPLES

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 contract basis, the excess amount is recognised as a liability in "Prebilled invoices".

Revenue recognised
Revenue recognised in the financial year that was included in the contract portfolio at the beginning of the year amounts to DKK 256.2 million (DKK 259.7 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. Revenue recognised from contract work in progress in 2019 and 2018 has not been impacted by any significant changes to the revenue recognised in previous years.

NOTE 17

Contract work in progress (continued)

Future performance obligations
Future performance obligations derives solely from Fixed Price contracts. Future performance obligations represent contractual values less revenue recognised at 31 December 2019 for the Group's fixed price projects at year end. As of 31 December 2019, the Group has future performance obligations of DKK 315.3 million on open fixed price projects out of a total of DKK 1,165.8 million (DKK 63.6 million out of a total of DKK 826.9 million).

The assessment of the timing of expected revenue recognised from the future performance obligations is subject to some uncertainty.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Contract work in progress for fixed-priced-contracts is measured at the selling price of work completed 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.

The Group 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 the Group.

	<1 year		1-5 years		>5 years	
DKK'000	2019	2018	2019	2018	2019	2018
Expected revenue recognition of future performance obligations	**197,624**	**63,631**	**117,712**	**0**	**0**	**0**

NOTE 18

Cash and cash equivalents

DKK'000	2019	2018
Deposits at banks	132,350	107,666
Total cash and cash equivalents	**132,350**	**107,666**

ACCOUNTING PRINCIPLES

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

NOTE 19

Share capital

	No. of shares	No. of votes
Shares	**50,000**	**50,000**

The share capital equals DKK 50,000,000 divided into shares of DKK 1 each or multiples thereof.

The company's shares are traded on Nasdaq OMX Copenhagen in denominations of DKK 1. No shares confer any special rights upon any shareholder. No shares are subject to restrictions on transferability or voting rights. Prior year, on behalf of Netcompany, Danske Bank acquired shares for DKK 50 million equalling to 322,580 treasury shares. In 2019, Netcompany settled with Danske Bank and acquired further shares for DKK 125 million equalling to 577,233 treasury shares. The purchase of treasury shares is shown as a reduction directly in equity.

NOTE 20

Earnings per share

DKK'000	2019	2018
Earnings per share - EPS (DKK)	**7.91**	**3.65**
Diluted earnings per share - EPS-D (DKK)	**7.89**	**3.65**
Profit	388,470	181,217
Average number of shares	50,000	49,869
Average number of treasury shares	900	182
Average number of shares in circulation	49,100	49,687
Average number of outstanding restricted stock units	148	29
Average number of diluted shares in circulation	49,248	49,716

NOTE 21

Borrowings

	2019	2018
Non-current liabilities[1]	958,642	1,105,780
Current liabilities	0	0
Total borrowings	**958,642**	**1,105,780**

[1] According to the Group loan agreement, Netcompany has the opportunity to voluntarily make installments at the Group's discretion before the loan matures in 2023.

DKK'000	Currency	Maturity	Type of interest	Amortised loan cost	Nominal value	Carrying amount
Bank loans	DKK	2023	Floating	6,540	965,182	958,642
2019				**6,540**	**965,182**	**958,642**

DKK'000	Currency	Maturity	Type of interest	Amortised loan cost	Nominal value	Carrying amount
Bank loans	DKK	2023	Floating	9,402	1,115,182	1,105,780
2018				**9,402**	**1,115,182**	**1,105,780**

NOTE 21

Borrowings (continued)

The fair value of bank loans excluding capitalised loan costs is deemed to approximate the nominal value of the loans.

According to the loan agreement all distribution of dividend has to be approved by the lender.

ACCOUNTING PRINCIPLES

On initial recognition, borrowings are measured at fair value less related transactions costs paid. Subsequent to initial recognition, borrowings are measured at amortised costs using the effect interest method. Any difference between the proceeds initially received and the nominal value is recognised in financial expenses over the term of the loan.

NOTE 22

Other payables

DKK'000	2019	2018
Wages and salaries, payroll taxes, social security costs, etc.	44,521	43,822
Holiday pay obligation	126,595	96,739
VAT and duties	58,684	43,406
Obligation to purchase treasury shares	0	50,000
Contingent consideration	120,441	0
Other costs payable	44,173	32,122
Total other payable	**394,414**	**266,089**

ACCOUNTING PRINCIPLES

Other costs payable comprises short and long term, hence part of the holiday pay obligation is classified and presented as long term due to the new Danish Holiday Act. Further, the contingent consideration is classified and presented as long term. For a description of the contingent consideration please refer to note 14.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Contingent consideration resulting from business combinations is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The key assumptions take into consideration the probability of meeting the performance target.

NOTE 23

Provisions

DKK'000	2019	2018
Onerous contracts and warranty obligations at 1 January	**36,087**	**30,396**
Decrease in the year	-32,562	-5,000
Provisions for the year	0	10,691
Onerous contracts and warranty obligations at 31 December	**3,525**	**36,087**

ACCOUNTING PRINCIPLES

Provisions represent commitments for onerous contracts and warranty obligations. An onerous contract is considered to exist when the Group has a contract under which the unavoidable costs of meeting the obligation under the contract exceed the economic benefits to be received from the contract, hence the recognised provision represents the Group's best estimate of the unavoidable loss to complete its contract obligations for the related contracts. Provisions for warranty obligations are based on past history and provisions for specific customer cases.

SIGNIFICANT JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

As part of its regular review of the contract portfolio, the Group may identify contracts where the completion of a contract most likely will result in a negative contribution. In these circumstances, the Group will record a provision to cover the unavoidable loss. Provision for warranty obligations are based on past history and provisions for specific customer cases. The estimates of the provision may be subject to significant Management judgement and uncertainty depending on project complexity and on whether there are any disputes with customers in relation to project performance, claims and counter claims, contract interpretation and alike.

NOTE 24

Working capital changes

DKK'000	2019	2018
Change in receivables	-104,895	-153,930
Change in payables	18,189	21,333
Total working capital changes	**-86,706**	**-132,597**

NOTE 25

Financial risks and financial instruments

DKK'000	2019	2018
Categories of financial instruments		
Trade receivables	531,402	457,518
Contract work in progress	319,354	284,717
Other receivables	422	467
Financial assets measured at amortised cost	**851,178**	**742,702**
Cash	132,350	107,666
Financial assets measured at fair value through P&L	**132,350**	**107,666**
Trade payables	44,055	54,185
Other payables excl. contingent consideration	273,973	266,089
Borrowings	958,642	1,105,780
Leasing	103,981	83,474
Financial liabilities measured at amortised cost	**1,380,651**	**1,509,528**
Contingent consideration	120,441	0
Financial liabilities measured at fair value	**120,441**	**0**

Policy for management of financial risks

There is no change in Netcompany's financial risk assessment compared to last year. The Group's objective at all times is to limit the Group's financial risks.

The Group 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.

Liquidity risks

The Group attempts to maximise flexibility and minimise risks. At 31 December 2019, the Group has unutilised credit facilities of a total of DKK 534.8 million (DKK 244.9 million) excluding an acquisition facility of DKK 400.0 million (DKK 400.0 millon)

Credit risks

In 2019 and 2018, the Group has not had 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 2019, the Group made a provision of DKK 0.1 million (DKK 0) for expected credit losses.

Currency risks

The Group is to a limited extent exposed to foreign currency risks. The main part of the Group's transactions is in Danish kroner, which implies limited foreign exchange risk due to the ultimate parent company's functional and reporting currency being in DKK.

The Group is exposed to exchange rate risk in the countries where the Group has it sales activities outside Denmark, which means Norway, UK, Netherlands and to a lesser extent, exchange rate risk in Poland and Vietnam, which is used as sourcing centres and therefore do not have an exchange rate risk related to sales activities. With respect to subsidiaries situated in Norway, UK, Netherlands, Poland and Vietnam there are transactions with the subsidiaries, however, their extent and risk are not significant.

The bank loan is in DKK. The Group has settled all past currency swap arrangements in connection with the refinancing in June 2018. The Group has not entered into any new hedging contracts regarding exchange rate risks during 2019.

NOTE 25

Financial risks and financial instruments (continued)

The Group´s Policy is to hedge any exchange risk net exposure, that would yield a +2/-2 percentage points EBIT margin impact from a +10%/-10% change in the given currency. If all currencies that the Group is exposed to, change by +/- 10%, this will affect the EBIT by +/- DKK 5.8 million.

Interest rate risks

The interest-bearing liabilities in the Group relates to the loans obtained to finance acquisitions in previous years. Following the IPO, the Group entered into one overall bank agreement. The new bank agreement consists of committed facilities constituting a primary facility agreement of DKK 750.0 million, an ancillary facility of DKK 750.0 million and an optional facility of DKK 400.0 million limited to acquisitions, whereof DKK 965.2 million has been utilised on borrowings and DKK 0 on guarantees.

The Group's bank loan carried floating interest rates at 31 December 2019, which is depending on the financial leverage. Current interest rate at 1.55% is equal to a yearly interest expense of DKK 15.0 million.

If interest rate changes, due to changes in leverage, one step up would show a new interest rate of 1.70% equal to DKK 16.4 million, whereas one step down would show interest level of 1.35% equal to DKK 13.0 million, which is equal to an increase of DKK 1.4 million or a decrease in financial expenses of DKK 1.9 million.

Netcompany refinanced all external borrowings in June 2018, which led to significantly lower interest rates. In connection with the refinancing, past capitalised loan costs and derivative contracts including fair value adjustments, a total of DKK 34.9 million was expensed through financial expenses and DKK 19.6 million through other comprehensive income.

The Group is to a limited extent exposed to interest rate risks relating to the cash balances, which bear negative interest due to the current low interest environment.

Optimisation of the capital structure

The Group regularly assesses whether its capital structure is in accordance with the Group's and the shareholders' interests. The overall objective is to ensure a capital structure that supports long term growth whilst maximising returns for the Group's shareholders' by optimising the equity-to-debt ratio.

NOTE 26

Financial instruments - maturity analysis

	Current		Non-current			
	<1 year		1-5 years		>5 years	
DKK'000	2019	2018	2019	2018	2019	2018
Borrowings	0	0	958,642	1,105,780	0	0
Leasing	38,482	29,325	60,428	43,842	7,783	10,307
Prebilled invoices	51,016	29,610	0	0	0	0
Trade payables	44,055	54,185	0	0	0	0
Other payables	363,274	266,089	31,140	0	0	0
Total liabilities	**496,827**	**379,209**	**1,050,210**	**1,149,622**	**7,783**	**10,307**

The Group's contractual maturity for its non-derivative financial liabilities, with agreed payment periods are shown above. The maturity analysis is based on undiscounted cash flows, and excluding interest payment. A more detailed maturity analysis of the Group's loans is disclosed in note 21.

SECTION 5

Other disclosures

This section covers other statutory notes, which are of secondary importance to the understanding of the financial performance of Netcompany.

IN THIS SECTION

NOTE 27

Fee to the Group auditor

Fee to the Group auditor (DKK'000)	**2019**	**2018**
Statutory audit	2,460	2,361
Other assurance agreements	2,902	4,458
Tax and VAT advisory services	299	3,846
Other services	196	6,459
Total	**5,857**	**17,124**

The fee for non-audit services delivered by Deloitte Statsautoriseret Revisionspartnerselskab to the Group amounts to DKK 3.4 million. Of the amount, DKK 2.8 million are related to issuance of independent IT assurance reports, which are provided to the Group's clients as part of the Group's operations services. The fee for providing independent IT assurance reports are fully paid by the Group's clients and hence does not reflect a cost for the Group. Other than independent IT assurance reports, non-audit services consist of issuance of other assurance reports, technical accounting advisory and certain tax services

NOTE 28

Related parties

As at 31 December 2019 there are no shareholders with controlling interest.

Large shareholders (>5%) consists of
- AC NC Holding ApS (10.19%)
- FMR LLC (9.80%)
- Kapitalforening Danske Invest Institutional/Danske Bank (5.92%)
- The Capital Group Companies (5.26%)

Please refer to Shareholder Information in Management Commentary.

Related parties with significant influence are the company'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 associates to the Group. All transactions with related parties are made on arm's length terms.

Until the Initial Public Offering on 7 June 2018, FSN Capital had a controlling interest in the Group. Following the IPO and until 8 November 2018, FSN Capital did no longer hold a controlling interest but had shareholding interests that led to a significant influence in the Group. From 19 February 2019 FSN Capital had no longer significant shareholder interest.

In 2018, the Group has incurred costs of DKK 33.0 million in connection with the IPO on behalf of FSN Capital and other selling shareholders.

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 in 2018 where FSN Capital had >50% ownership, Netcompany recognised revenue from:
- Active Brands AS DKK 4.2 million
- Fitness World A/S DKK 1.2 million

During the period in 2018 where FSN Capital had >5% ownership, Netcompany recognised revenue from:
- Active Brands AS DKK 2.6 million
- Fitness World A/S DKK 1.6 million

During the period in 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

NOTE 28

Related parties (continued)

Transactions with Carsten Gomard Holding ApS comprise mainly of consultancy services amounting to DKK 0.4 million (DKK 0.6 million).

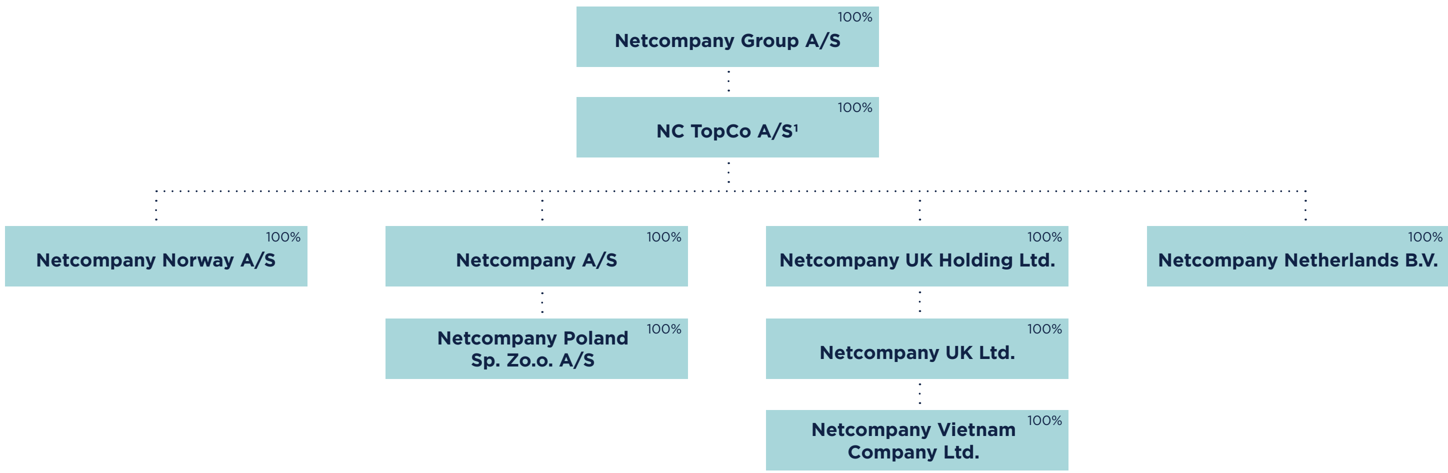
There were no other transactions with members of Executive Management or members of the Board of Directors of the Group, other than remuneration, and furthermore no loans were granted to the Board of Directors or Executive Management in 2019 or 2018.

Ownership

The part of Netcompany Group A/S owned by Executive Management and the Board of Directors is specified in the Remuneration report.

Name of entity	Location	Currency	Ownership	Function
Netcompany Group A/S	Denmark	DKK		Parent
NC TopCo A/S	Denmark	DKK	100%	Subsidiary
Netcompany A/S	Denmark	DKK	100%	Subsidiary
Netcompany Poland sp. Z o.o.	Poland	PLN	100%	Subsidiary
Netcompany Norway AS	Norway	NOK	100%	Subsidiary
Netcompany Holding UK Ltd.	United Kingdom	GBP	100%	Subsidiary
Netcompany UK Ltd.	United Kingdom	GBP	100%	Subsidiary
Netcompany Vietnam Company Ltd.	Vietnam	VND	100%	Subsidiary
Netcompany Netherlands B.V	Netherlands	EUR	100%	Subsidiary

The Group is not restricted on its ability to access or use assets, and settle liabilities, in any of the Group's entities.



[1] NC NewCo A/S and Netcompany Holding I A/S were dissolved on 2 July 2019 in connection with the completion of the merger of these companies into NC TopCo A/S. The merger was part of an internal Group reorganisation in order to streamline the Group's legal structure.

NOTE 29

Collateral provided and contingent liabilities

All entities in Netcompany Group, have been provided as collateral for the Group's bank loan.

NOTE 30

Adoption of the annual report for publication

At a meeting held on 6 February 2020, the Board of Directors adopted the annual report for publication. The annual report is presented to the Shareholders of Netcompany Group A/S for adoption at the annual general meeting.

NOTE 31

Events after the balance sheet date

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

Parent company

Statement of comprehensive income for the Parent for 2019

DKK'000	Notes	2019	2018
Revenue		24,000	9,000
Gross profit		**24,000**	**9,000**
Sales and marketing costs		-962	0
Administrative costs	2	-35,278	-19,303
Operating profit / loss (EBIT)		**-12,240**	**-10,303**
Financial income	5	24,944	13,811
Financial expenses	5	-33,348	-14,753
Profit / loss before tax		**-20,643**	**-11,246**
Tax on profit / loss for the year	6	4,518	2,471
Profit / loss for the year		**-16,125**	**-8,775**
Other comprehensive income / loss		0	0
Comprehensive income for the year / loss		**-16,125**	**-8,775**

Statement of financial position of the Parent at 31 December 2019

DKK'000	Notes	2019	2018
Right of use asset	7	467	964
Property, plant and equipment		**467**	**964**
Other receivables		355	279
Deferred tax		1,213	216
Investment in subsidiary	8	1,601,682	1,592,317
Finansial assets		**1,603,251**	**1,592,812**
Non-current assets		**1,603,718**	**1,593,776**
Receivables from Group entities		1,271,811	1,247,016
Tax receivables		178,361	62,255
Prepayments		1,663	427
Receivables		**1,451,836**	**1,309,698**
Cash	9	**15,203**	**15,806**
Current assets		**1,467,039**	**1,325,504**
Assets		**3,070,756**	**2,919,280**

DKK'000	Notes	2019	2018
Share capital	10	50,000	50,000
Treasury shares		-175,000	0
Share-based remuneration		17,724	3,818
Retained earnings		1,514,568	1,480,693
Equity		**1,407,292**	**1,534,511**
Borrowings	11	958,642	1,105,780
Leasing		345	367
Non-current liabilities		**958,986**	**1,106,147**
Leasing		128	609
Payables to Group entities		695,677	220,538
Other payables	12	8,673	57,475
Current liabilities		**704,478**	**278,622**
Liabilities		**1,663,464**	**1,384,769**
Equity and liabilities		**3,070,756**	**2,919,280**

Statement of changes in equity for the Parent for 2019

DKK'000	Share capital	Treasury shares	Share-based remuneration	Retained earnings	Total
Equity at 1 January 2019	**50,000**	**0**	**3,818**	**1,480,693**	**1,534,511**
Treasury shares acquired in the year	0	-175,000	0	50,000	-125,000
Share-based remuneration for the year	0	0	13,906	0	13,906
Result for the year	0	0	0	-16,125	-16,125
Equity at 31 December 2019	**50,000**	**-175,000**	**17,724**	**1,514,568**	**1,407,292**

DKK'000	Share capital	Treasury shares	Share-based remuneration	Retained earnings	Total
Equity at 16 April 2018	**500**	**0**	**0**	**0**	**500**
Capital increase	49,500	0	0	1,539,468	1,588,968
Treasury shares for the year	0	0	0	-50,000	-50,000
Share-based remuneration for the year	0	0	3,818	0	3,818
Result for the year	0	0	0	-8,775	-8,775
Equity at 31 December 2018	**50,000**	**0**	**3,818**	**1,480,693**	**1,534,511**

Cash flow statement for the Parent for 2019

DKK'000	Notes	2019	2018
Operating profit (EBIT)		-12,240	-10,303
Depreciation		548	375
Non-cash		4,541	969
Working capital changes	13	-37	7,048
Cash flows from operating activities		**-7,188**	**-1,911**
Other receivables (deposits)		-76	-279
Cash flows from investing activities		**-76**	**-279**
Income taxes paid on behalf of Group entities		-112,586	-60,000
Financial income received		24,944	13,807
Financial expenses paid		-30,463	-13,483
Net loan to Group entities		450,343	-1,026,480
Payment of share buybacks		-175,000	0
Proceeds from borrowings		75,000	1,229,538
Repayment of borrowings		-225,000	-125,000
Repayment of leasing debt		-577	-387
Cash flows from financing activities		**6,661**	**17,995**
Increase in cash and cash equivalents		**-603**	**15,805**
Cash and cash equivalents at 1 January		15,805	0
Cash and cash equivalents at 31 December	9	**15,203**	**15,805**

Reconciliation of liabilities arising from financing activities (DKK'000)	Borrowings (note 11)	Leasing	Total
Opening balance 1 January 2019	**1,105,780**	**976**	**1,106,756**
Proceeds from external financing	75,000	0	75,000
Repayment	-225,000	-996	-225,996
Amortisation of loan costs (non-cash)	2,862	0	2,862
Leasing (non-cash)	0	493	493
Closing balance 31 December 2019	**958,642**	**473**	**959,115**

Reconciliation of liabilities arising from financing activities (DKK'000)	Borrowings (note 11)	Leasing	Total
Opening balance 16 April 2018	**0**	**0**	**0**
Proceeds from external financing	1,229,538	0	1,229,538
Repayment	-125,000	-387	-125,387
Amortisation of loan costs (non-cash)	1,242	0	1,242
Leasing (non-cash)	0	1,363	1,363
Closing balance 31 December 2018	**1,105,780**	**976**	**1,106,756**

Notes to the parent financial statements

Basis of preparation

Results for the year

Invested capital

Working capital & Capital structure

Other disclosures

NOTE 1

Accounting policies

Netcompany Group A/S was founded by the then majority shareholder of NC TopCo A/S on 16 April 2018 and was dormant until 7 June 2018.

On 7 June 2018, all shareholders of NC TopCo A/S exchanged their shares in NC TopCo A/S for new shares in Netcompany Group A/S via a share-for-share exchange and from which date Netcompany Group A/S became the parent company of the Group.

Since Netcompany Group A/S was founded on 16 April 2018 the comparative figures in the financial statements for the Parent does not comprise a full year.

Netcompany Group A/S presents its parent 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 D, see the Danish Executive Order on IFRS issued according to the Danish Financial Statements Act.

Netcompany Group A/S is an entity with its registered office in Denmark.

The financial statements are presented in DKK, which is considered the functional currency of the Parent's activities

The Parent generally applies the same accounting policies for recognition and measurement as the Group. Cases in which the Parent's accounting policies differ from those of the Group are described under the relevant notes.

For a detailed specification of the Parent's accounting policies, please see relevant notes in the consolidated financial statements.

Significant judgements, estimates and assumptions

When applying the Parent'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.

Unless stated below, the Parent follows the same significant accounting principles as the Group.

NOTE 2

Administrative costs

DKK'000	2019	2018
Administrative costs	9,144	5,221
Staff costs (note 3)	25,586	13,707
Depreciation	548	375
Total administrative costs	**35,278**	**19,303**

NOTE 3

Staff costs and remuneration

DKK'000	2019	2018
Salary and wages	25,579	13,703
Other social security costs	7	4
Total staff costs	**25,586**	**13,707**
Staff costs presented under following account balances		
Administrative costs	25,586	13,707
Total staff costs	**25,586**	**13,707**
Average number of employees	**3**	**3**

NOTE 3

Staff costs and remuneration (continued)

DKK'000	2019	2018
Remuneration to the Board of Directors[1]		
Bo Rygaard	660	255
Pernille Fabricius	804	306
Juha Christensen	507	255
Scanes Bentley	387	-
Robbert Kuppens	159	-
Pekka Ala-Pietilä	669	613
Thomas Broe-Andersen	0	0
Carsten Gomard[2]	637	583
Total	**3,824**	**2,013**
Remuneration to the Executive Management[1]		
André Rogaczewski	7,032	4,223
Claus Jørgensen	6,902	4,283
Thomas Johansen	3,919	3,772
Total short term remuneration	**17,853**	**12,278**
André Rogaczewski	1,777	379
Claus Jørgensen	1,777	379
Thomas Johansen	987	211
Total share-based remuneration expensed	**4,541**	**969**
Total	**22,394**	**13,247**

[1] Remuneration to Executive Management and Board of Directors is recognised as administrative costs.
[2] Including consulting fee paid to legal entity controlled by the Board member, see note 15.

NOTE 3

Staff costs and remuneration (continued)

During 2019, 105,470 RSUs (142,055 RSUs) were granted of which 44,605 (33,637) were granted to Executive Management and 60,865 (108,418) were granted to Key Management Personnel and other employees.

The fair value of the RSUs at grant date was DKK 43.5 million (DKK 22.0 million). The cost associated herewith is expensed over the vesting period with DKK 13.9 million in 2019 (DKK 3.8 million).

The cost related to Group employees is expensed in the financial statements of subsidiaries.

The number of shares granted is determined by the stock price on the grant day, measured against the value of grant for each person.

The share-based incentive programme based on RSUs will continue in 2020. The company's share-based incentive schemes are further detailed in the Group's Remuneration report.

DKK'000	2019	2018
Share-based remuneration expensed:		
Management	4,541	969
Group employees (note 8)	9,365	2,848
Total	**13,906**	**3,818**

Restricted stock units in Netcompany share	1 January 2019	Issued	Expensed	Cancelled	Outstanding	Value at grant date	Vesting year
	No.	No.	No.	No.	No.	DKK'000	
2018 Shares allocated (management)	27,385	0	-10,972	0	16,413	5,214	30 June 2021
2018 Shares allocated (Group employees)	88,190	0	-32,147	0	56,043	16,800	31 December 2021
2019 Shares allocated (management)	0	44,605	-13,770	0	30,835	9,200	31 December 2021
2019 Shares allocated (Group employees)	0	60,865	-20,792	-1,278	38,795	12,290	31 December 2021
Total allocated shares	**115,575**	**105,470**	**-77,680**	**-1,278**	**142,086**	**43,505**	

Restricted stock units in Netcompany share	16 April 2018	Issued	Expensed	Cancelled	Outstanding	Value at grant date	Vesting year
	No.	No.	No.	No.	No.	DKK'000	
2018 Shares allocated (management)	0	33,637	-6,252	0	27,385	5,214	30 June 2021
2018 Shares allocated (Group employees)	0	108,418	-18,292	-1,936	88,190	16,800	31 December 2021
Total allocated shares	**0**	**142,055**	**-24,544**	**-1,936**	**115,575**	**22,014**	

NOTE 4

Depreciation

DKK'000	2019	2018
Depreciation		
Right of use asset	548	375
Total Depreciation	**548**	**375**
Depreciation presented as follows in the income statement:		
Administrative costs	548	375
Total Depreciation	**548**	**375**

NOTE 5

Financial income and expenses

DKK'000	2019	2018
Financial income		
Intra-group interest income	24,944	13,811
Total Financial income	**24,944**	**13,811**
Financial expenses		
Intra-group interest expenses	7,444	588
Interest expenses, leasing	23	25
Interest expenses on bank loan	18,788	10,580
Other finance charges	7,093	3,561
Total Financial expenses	**33,348**	**14,753**

NOTE 6

Tax

DKK'000	2019	2018
Current tax	-3,520	-2,255
Change in deferred tax	-998	-216
Total current tax	**-4,518**	**-2,471**
Profit/loss before tax	-20,643	-11,246
Tax at a rate of 22%	-4,542	-2,474
Tax-based value of non-deductible expenses	23	4
Total current tax	**-4,518**	**-2,471**
Effective tax rate	**21.9%**	**22.0%**

NOTE 7

Right of use asset

DKK'000	2019	2018
Cost at 1 January	**1,339**	**0**
Remeasurement	-465	0
Additions	515	0
Disposals	-674	1,339
Cost at 31 December	**715**	**1,339**
Depreciation at 1 January	**-375**	**0**
Disposals	674	0
Depreciation for the year	-548	-375
Depreciation at 31 December	**-248**	**-375**
Carrying amount at 31 December	**467**	**964**

NOTE 8

Investments in subsidiaries

DKK'000	2019	2018
Cost at 1 January	**1,592,317**	**0**
Additions[1]	9,365	1,592,317
Cost at 31 December	**1,601,682**	**1,592,317**
Carrying amount at 31 December	**1,601,682**	**1,592,317**

[1] Additions in 2019 relates to share-based remuneration incurred by the Parent on behalf of staff employed in subsidiaries (note 3).

NOTE 8

Investments in subsidiaries (continued)

Subsidiaries: (DKK'000)	Form of enterprise	Ownership	Equity	Result
NC TopCo A/S, Copenhagen, Denmark[2]	A/S	100 %	1,592,705	-6,561

[2] Annual Report 2018

ACCOUNTING PRINCIPLES

Investments in subsidiaries are recognised and measured at cost. Dividend is recognised as income when the right is finally obtained.

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.

Impairment test for investments

The subsidiaries of the Parent are considered independent cash-generating entities. In the event of any indication of impairment of the carrying amount (cost) of investments in subsidiaries, any impairment loss is determined based on a calculation of the value in use of the relevant subsidiary.

If dividends distributed exceed the subsidiary's comprehensive income in the period for which dividend is distributed, this is considered an indication of impairment.

For the years ended 31 December 2019 and 2018, all subsidiaries are performing according to the plan with satisfactory earnings, and hence Management has concluded that there are no impairment indicators that require a detailed impairment test to be performed.

NOTE 9

Cash and cash equivalents

DKK'000	2019	2018
Deposits at banks	15,203	15,806
Total cash and cash equivalents	**15,203**	**15,806**

NOTE 10

Share capital

The share capital equals DKK 50,000,000 divided into shares of DKK 1 each or multiples hereof.

The shares have not been divided into classes. Please see note 19 in the consolidated financial statement.

NOTE 11

Borrowings

DKK'000	2019	2018
Non-current liability[1]	958,642	1,105,780
Current liability	0	0
Total borrowings	**958,642**	**1,105,780**

[1] According to the Group loan agreement, Netcompany has the opportunity to voluntarily make installments at the Group's discretion before the loan matures in 2023.

DKK'000	Currency	Maturity	Type of interest	Amortised loan cost	Nominal value	Carrying amount
Bank loans	DKK	2023	Floating	6,540	965,182	958,642
2019				**6,540**	**965,182**	**958,642**

DKK'000	Currency	Maturity	Type of interest	Amortised loan cost	Nominal value	Carrying amount
Bank loans	DKK	2023	Floating	9,402	1,115,182	1,105,780
2018				**9,402**	**1,115,182**	**1,105,780**

NOTE 12

Other payables

DKK'000	2019	2018
Wages and salaries, payroll taxes, social security costs, etc payable	6,324	6,365
VAT and duties	1,719	815
Obligation to purchase treasury shares	0	50,000
Other costs payable	630	295
Total other payables	**8,673**	**57,475**

NOTE 13

Working capital changes

DKK'000	2019	2018
Change in receivables	-1,236	-427
Change in payables	1,199	7,475
Total working capital changes	**-37**	**7,048**

NOTE 14

Financial risks and financial instruments

DKK'000	2019	2018
Categories of financial instruments		
Receivables from Group entities	1,271,811	1,247,016
Financial assets measured at amortised cost	**1,271,811**	**1,247,016**
Cash	15,203	15,805
Financial assets measured at fair value	**15,203**	**15,805**
Borrowings	958,642	1,105,780
Leasing	473	976
Payables to Group entities	695,677	220,538
Other payables	8,673	57,475
Financial liabilities measured at amortised cost	**1,663,465**	**1,384,769**

NOTE 14

Financial risks and financial instruments (continued)

Policy for management of financial risks
The Parent's objective at all times is to limit the Parent's financial risks.

The Parent 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.

Liquidity risks
The Parent attempts to maximise flexibility and minimise risks. At 31 December 2019 and 2018, the Parent has unutilised credit facilities of a total of DKK 0.

Credit risks
In 2019 and 2018, the Parent has not had any credit losses. At 31 December 2019 and 2018, the credit risk is primarily relating to intercompany receivables where the credit risk is considered remote and the Parent has made a provision of DKK 0 for expected credit losses..

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

Optimisation of the capital structure
The Parent regularly assesses whether its capital structure is in accordance with the Parent's and the Shareholders´ interest. The overall objective is to ensure a capital structure that supports long term growth whilst maximising returns for the Parent's owners by optimising the equity-to-debt ratio.

NOTE 15

Related parties

As at 31 December 2019 there are no shareholders with controlling interest.

Large shareholders (>5%) consists of
- AC NC Holding ApS (10.19%)
- FMR LLC (9.80%)
- Kapitalforening Danske Invest Institutional/Danske Bank (5.92%)
- The Capital Group Companies (5.26%)

Please refer to Shareholder Informaton in Management Commentary.

Related parties with significant influence are the company'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 associates to the Group. All transactions with related parties are made on arm's length terms. The Parent earns fee income from subsidiaries in relation to administrative services amounting to DKK 24.0 million (DKK 9.0 million) Transactions with Carsten Gomard Holding ApS comprise mainly of consultancy services amounting to DKK 0.4 million (DKK 0.6 million).

There were no transactions with members of Executive Management or members of the Board of Directors of the Group, other than remuneration, and furthermore no loans were granted to the Board of Directors or Executive Management in 2019 and 2018.

Ownership
The part of Netcompany Group A/S owned by Executive Management and the Board of Directors is specified in the Remuneration report.

NOTE 16

Collateral provided and contingent liabilities

Subsidiaries of Netcompany Group A/S have been provided as collateral for the Group's bank loan.

NOTE 17

Joint taxation

As of 16 April 2018, the Parent joined the national taxation arrangement and became the administrative company of the Danish subsidiaries. The current income tax is allocated among the jointly taxed companies in proportion to their taxable income ("full allocation method").

NOTE 18

Events after the balance sheet date

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

Statement By the Board of Directors and Executive Management

The Board of Directors and the Executive Management have today considered and approved the annual report of Netcompany Group A/S for the financial year 1 January - 31 December 2019 for the Group and 1 January - 31 December 2019 for the Parent. The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for annual reports and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019 and of the results of their operations and cash flows for the financial year 1 January - 31 December 2019 for the Group and 1 January - 31 December 2019 for the Parent.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

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

Copenhagen, 6 February 2020

Executive management

André Rogaczewski
Chief Executive Officer

Claus Jørgensen
Chief Operating Officer

Thomas Johansen
Chief Financial Officer

Board of Directors

Bo Rygaard
Chairman

Pernille Fabricius
Vice Chairman

Juha Christen Christensen

Scanes Bentley

Robbert Kuppens

Independent auditor's report

To the Shareholders of Netcompany Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Netcompany Group A/S for the financial year 1 January 2019 – 31 December 2019, which comprise the statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as for the Parent. The consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31 December 2019, and of the results of their operations and cash flows for the financial year 1 January 2019 – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

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 consolidated financial statements and the parent financial statements section of this auditor's report. We are independent of the Group 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.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Netcompany Group A/S for the first time on 16 April 2018 for the financial year 2018. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of one year up to and including the financial year 2019.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements and the parent financial statements for the financial year 1 January 2019 – 31 December 2019. These matters were addressed in the context of our audit of the consolidated financial statements and the parent financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition, including the measurement and recognition of work in progress and provisions

Refer to notes 17 and 23 in the consolidated financial statements.

At 31 December 2019, the carrying value of the Group's work in progress amounted to a net asset of DKK 268.3 million represented by sales value of work performed of DKK 850.4 million less prebilled invoices of DKK 582.1 million. Furthermore, the Group has recognised a provision of DKK 3.5 million covering onerous contracts, warranty obligations and project risks.

Significant judgements are required by Management in determining the stage of completion and estimating profit on fixed price projects, including assessment of specific project risks and assessment of potential onerous contracts. In addition, the Group's accounting for arrangements with multiple elements is subject to complexity, as the total contract value is allocated to each identified element and recognised as revenue as the services are delivered.

Independent auditor's report (continued)

Due to the complexity in the judgements combined with the significance of revenue and work in progress, revenue recognition based on the stage of completion method and measurement and recognition of work in progress are considered to be a key audit matter.

How the matter was addressed in our audit

As part of our audit procedures, we obtained an understanding of the process for determining time and cost-to-complete estimates and the process for identifying potential onerous contracts and projects with significant project risks and how provisions are determined for such onerous contracts and for identified projects with significant project risks.

We tested the internal controls relating to monitoring of project development, time registration, estimation of time and cost-to-complete and identification and assessment of project risks and potential onerous contracts.

We obtained an overview of the Group's contracts in progress during the year and at 31 December 2019. We selected a sample of contracts to be tested in detail from a statistical approach and based on an assessment of project risk and materiality. For the selected contracts, we tested and challenged the Group's assumptions for determining stage of completion, estimation of expected time and cost-to-complete and estimated profits and we tested the application of the Group's accounting for multiple element arrangements. Furthermore, we tested and challenged the Group's accounting, identification and assessments in relation to change orders, warranty issues, onerous contracts and other identified project risks.

For contracts completed during the year, we have – among other audit procedures - applied audit procedures to match revenue transactions with external payment data and compared actual profitability with original expected profitability to assess the completeness and accuracy of Management's assumptions applied throughout the contract periods.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent'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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor´s responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and these parent 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 consolidated financial statements and the parent financial statements, whether due to fraud or error, design and per-form 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group's and the Parent'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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report (continued)

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those mat-ters that were of most significance in the audit of the consolidated financial statements and the parent financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, 6 February 2020

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

Appendix

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:

Gross profit margin = $\frac{\text{Gross profit x 100}}{\text{Revenue}}$

EBITA = Operating profit + Amortisation

EBITA margin = $\frac{\text{EBITA x 100}}{\text{Revenue}}$

Adjusted EBITA = EBITA + Special items

Adjusted EBITA margin = $\frac{\text{Adjusted EBITA x 100}}{\text{Revenue}}$

Operating profit margin = $\frac{\text{Operating profit x 100}}{\text{Revenue}}$

EBITDA = EBIT + Depreciation and amortisation

EPS = $\frac{\text{Net profit - Dividends on preferred stock}}{\text{Average outstanding shares}}$

EPS diluted = $\frac{\text{Net profit - Dividends on preferred stock}}{\text{Average outstanding shares + RSUs}}$

Free cash flow = Cash flow from operating activities - Capex

CAPEX = Cost spent to buy intangible and tangible assets, excluding impact from business acqusitions.

Cash conversion ratio = $\frac{\text{Free cash flow x 100}}{\text{Net profit - Amortisation and deferred tax of amortisation}}$

Days sales outstanding = $\frac{\text{Trade receivables x days}}{\text{Revenue}}$

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

Return on invested capital (ROIC) = $\frac{\text{Net profit x 100}}{\text{Average invested capital}}$

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

Company information

Netcompany Group A/S
Grønningen 17
1270 Copenhagen
Denmark
CVR no. 39488914
Tel.: +45 7013 1440
E-mail: info@netcompany.com

Auditor
Deloitte
Statsautoriseret
Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S
Denmark

Annual report design: BystedFFW

Annual report 2019

netcompany