

Company announcement – six months ended 30 June 2019

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

Company announcement
no 19/2019
21 August 2019

Summary

In Q2 2019, Netcompany realised reported revenue of DKK 593.1m, of which DKK 586.0m was organic, corresponding to 18.1% growth in local currencies and an organic revenue growth of 16.6%.

Adjusted EBITA grew by 5.8% to DKK 126.1m compared to DKK 119.3m in Q2 2018, corresponding to an adjusted EBITA margin of 21.3%.

The average number of full-time employees grew by 432 from 1,828 in Q2 2018 to 2,259 in Q2 2019. Part of the increase was related to the acquisition of Netcompany Netherlands, which affected the average FTEs in Q2 2019 by 47 and came with a total of 88 FTEs.

Free cash flow remained strong and increased by 390.4% from DKK 23.9m in Q2 2018 to DKK 117.2m in Q2 2019. Normalised for on account tax payments, free cash flow increased by 216.6% to DKK 99.1m, corresponding to a cash conversion rate of 122.6%.

By the start of July 2019, revenue visibility increased by 17.9% to DKK 2,105.5m compared to DKK 1,786.3m at the beginning of Q2 2019, of which DKK 1,190.8m reflects realised revenue in the first half of 2019.

For 2019, Netcompany narrows its expectations to organic revenue growth in constant currencies from previously between 20% - 25% to between 20% - 22%. Netcompany still expects Group adjusted EBITA margin in constant currencies before impact from acquisitions to be around 26%.

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

"During Q2, we continued to grow by 18%. On 13 May 2019, we welcomed yet another member to the Netcompany family through the acquisition of the Dutch based Q Delft B.V. I am thrilled to see the ambition of creating a Northern European market leader gradually being realised with our entry now into the Netherlands too.

The Danish election during the early summer has resulted in delays in the decision processes on a number of larger public tenders and projects in our late-stage pipeline and therefore we narrow our expectations to the full year revenue growth – however still within the range of our initial guidance. I am certain, that Netcompany is well positioned to continue to grow during the second half of 2019 and onwards."

André Rogaczewski, Netcompany CEO and Co-founder

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Performance highlights for Q2 2019

- Revenue increased by 18% (18.1% constant), hereof 16.6% from organic growth to DKK 593.1m in reported currencies.
- Gross profit margin was 37.6% against 39.1% in Q2 2018.
- Free cash flow improved by 390.4% to DKK 117.2m.
- Normalised cash conversion rate of 122.6%.

Financial overview - Q2

DKK million	Q2 2019 (reported)	Q2 2019 (constant)*	Q2 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	593.1	593.4	502.6	18.0%	1.4pp	18.1%
Gross profit	222.7	223.0	196.4	13.4%	0.7pp	13.5%
EBITA	123.5	123.8	92.7	33.2%	-1.2pp	33.6%
EBITA margin	20.8%	20.9%	18.4%	2.4pp	-0.4pp	2.4pp
Adjusted EBITA	126.1	126.5	119.3	5.8%	-0.9pp	6.1%
Adjusted EBITA margin	21.3%	21.3%	23.7%	-2.5pp	-0.4pp	-2.4pp
Operating profit	98.9	99.2	63.8	54.9%	-1.7pp	55.5%
Operating profit margin	16.7%	16.7%	12.7%	4.0pp	-0.4pp	4.0pp
Net profit / loss	61.7	62.0	-16.6	N/A	3.7pp	-472.7%
Capex	-5.0	N/A	-3.0	67.0%	N/A	N/A
Net increase / decrease in cash and cash equivalents	-29.2	N/A	18.6	N/A	N/A	N/A

*Constant currencies measured using average exchange rates for Q2 2018

Performance highlights for the first six months of 2019

- Revenue increased by 16.8%, hereof 16.1% from organic growth to DKK 1,190.8m in reported currencies and by 16.6% in constant currencies.
- Gross profit margin was 38.3% against 38.7% for the same period in 2018.
- Free cash flow remained strong and increased from DKK 91.5m in 6M 2018 to DKK 192.4m in 6M 2019.
- Normalised cash conversion rate of 105.3%.

Financial overview - first six months of 2019

DKK million	YTD 2019 (reported)	YTD 2019 (constant)*	YTD 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)	Total 2018
Revenue	1,190.8	1,189.4	1,019.6	16.8%	0.7pp	16.6%	2,053.2
Gross profit	456.3	456.3	394.6	15.6%	0.3pp	15.6%	816.5
EBITA	269.6	269.8	212.8	26.7%	-0.5pp	26.8%	479.7
EBITA margin	22.6%	22.7%	20.9%	1.8pp	-0.2pp	1.8pp	23.4%
Adjusted EBITA	273.3	273.6	247.1	10.6%	-0.4pp	10.7%	514.2
Adjusted EBITA margin	23.0%	23.0%	24.2%	-1.3pp	-0.2pp	-1.2pp	25.0%
Operating profit	219.4	219.6	155.1	41.5%	-0.7pp	41.6%	364.3
Operating profit margin	18.4%	18.5%	15.2%	3.2pp	-0.2pp	3.3pp	17.7%
Net profit / loss	160.4	160.6	34.6	364.2%	-1.8pp	364.8%	181.2
Capex	-11.1	N/A	-6.5	72.2%	N/A	N/A	-22.9
Net increase / decrease in cash and cash equivalents	36.1	N/A	-22.6	-259.5%	N/A	N/A	-85.3

*Constant currencies measured using average exchange rates for 2018

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Conference call details

In connection with the publication of the results for Q2 2019, Netcompany will host a conference call on 21 August 2019 at 11.00 am CEST. The conference call will be held in English and can be followed live via the company's website; www.netcompany.com

Dial-in details for investors and analysts: DK: 32728042 UK: +44 (0) 8445718892

Confirmation code:..... 8269031

Webcast Player URL: ... <https://edge.media-server.com/mmc/p/oh8bdx86>

Additional information

André Rogaczewski, CEO +45 70 13 14 40

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Financial highlights and key figures

DKK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018	% change YTD	Total 2018
Income statement						
Revenue						
Public	341.5	267.8	692.3	553.6	25.1%	1,152.1
Private	251.6	234.8	498.5	466.1	7.0%	901.1
<i>Revenue by segments, total</i>	593.1	502.6	1,190.8	1,019.6	16.8%	2,053.2
Development	289.7	217.4	619.7	440.6	40.7%	1,005.4
Maintenance	303.4	285.2	571.1	579.0	-1.4%	1,047.8
<i>Revenue by types, total</i>	593.1	502.6	1,190.8	1,019.6	16.8%	2,053.2
Organic	586.0	413.6	1,183.6	853.5	38.7%	1,777.5
Acquisition	7.1	89.0	7.1	166.1	-95.7%	275.7
<i>Revenue by growth, total</i>	593.1	502.6	1,190.8	1,019.6	16.8%	2,053.2
Special items	-2.7	-26.6	-3.7	-34.3	-89.1%	-34.5
EBITA	123.5	92.7	269.6	212.8	26.7%	479.7
Adjusted EBITA	126.1	119.3	273.3	247.1	10.6%	514.2
Operating profit (EBIT)	98.9	63.8	219.4	155.1	41.5%	364.3
Net financials	-21.3	-65.4	-15.4	-90.1	-82.9%	-108.7
Net profit / loss	61.7	-16.6	160.4	34.6	364.2%	181.2
Financial position						
Capex	-5.0	-3.0	-11.1	-6.5	72.2%	-22.9
Total assets	3,680.0	3,477.5	3,680.0	3,477.5	5.8%	3,485.4
Equity	1,847.8	1,652.9	1,847.8	1,652.9	11.8%	1,806.3
Net increase in cash and cash equivalents	-29.2	18.6	36.1	-22.6	-259.5%	-85.3
Free cash flow	117.2	23.9	192.4	91.5	110.4%	163.6
Free cash flow (tax normalised)	99.1	31.3	210.2	97.7	115.1%	233.1
Earnings per share						
Earnings per share (DKK)	1.26	-0.33	3.27	0.70	369.9%	3.65
Diluted earnings per share (DKK)	1.25	-0.33	3.26	0.70	368.9%	3.65
Employees						
Average number of full-time employees	2,259.1	1,827.5	2,178.9	1,796.9	21.3%	1,859.7

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Financial highlights and key figures (continued)

DKK million	Q2 2019	Q2 2018	YTD 2019	YTD 2018	% change YTD	Total 2018
Financial ratios						
Gross profit margin	37.6%	39.1%	38.3%	38.7%	-0.4pp	39.8%
EBITA margin	20.8%	18.4%	22.6%	20.9%	1.8pp	23.4%
Adjusted EBITA margin	21.3%	23.7%	23.0%	24.2%	-1.3pp	25.0%
Operating profit margin	16.7%	12.7%	18.4%	15.2%	3.2pp	17.7%
Effective tax rate	20.5%	N/A	21.4%	46.9%	-25.5pp	29.1%
Return on equity	3.5%	-1.1%	9.2%	2.3%	6.8pp	10.5%
Solvency ratio	50.2%	47.5%	50.2%	47.5%	2.7pp	51.8%
Financial metrics						
Revenue growth	18.0%	66.2%	16.8%	60.5%	-43.7pp	45.0%
Operating profit margin	16.7%	12.7%	18.4%	15.2%	3.2pp	17.7%
Return on invested capital (ROIC)	2.2%	-0.6%	5.7%	1.3%	4.4pp	6.6%
Cash conversion rate	145.0%	407.7%	96.4%	115.0%	-18.6pp	60.3%
Cash conversion rate (tax normalised)	122.6%	534.9%	105.3%	122.8%	-17.5pp	85.9%

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Financial highlights and key figures (continued)

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

<i>Return on equity</i>	=	$\frac{\text{Net profit for the period} \times 100}{\text{Average equity}}$	<i>Operating profit margin</i>	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
<i>EPS</i>	=	$\frac{\text{Net profit for the period} - \text{Dividends on preferred stock}}{\text{Average outstanding common shares}}$	<i>EPS diluted</i>	=	$\frac{\text{Net profit / loss for the period} - \text{Dividends on preferred stock}}{\text{Average outstanding common shares} + \text{RSU}}$
<i>Gross profit margin</i>	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	<i>Solvency ratio</i>	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
<i>EBITA margin</i>	=	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	<i>Return on invested capital (ROIC)</i>	=	$\frac{\text{Net profit} \times 100}{\text{Average invested capital}}$
<i>Adjusted EBITA margin</i>	=	$\frac{(\text{EBITA} - \text{Special items}) \times 100}{\text{Revenue}}$	<i>Cash conversion rate</i>	=	$\frac{\text{Free cash flow}}{\text{Net profit for the period} - \text{amortisation and deferred tax of amortisation}}$
<i>Free cash flow</i>	=	$\text{Cash flows from operating activities} - \text{Capex}$	<i>Cash conversion rate (tax normalised)</i>	=	$\frac{\text{Free cash flow (tax normalised)}}{\text{Net profit for the period} - \text{amortisation and deferred tax of amortisation}}$
<i>Free cash flow (tax normalised)</i>	=	$\text{Cash flows from operating activities} - \text{Capex} - \text{Paid tax} + \text{Current tax}$	<i>Capex</i>	=	$\text{Cost spent to buy, repair, update, or improve buildings or equipment}$

Performance overview – Q2

DKK million	Q2 2019 (reported)	Q2 2019 (constant)*	Q2 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	593.1	593.4	502.6	18.0%	1.4pp	18.1%
Cost of services	-370.4	-370.4	-306.2	21.0%	1.9pp	21.0%
Gross profit	222.7	223.0	196.4	13.4%	0.7pp	13.5%
<i>Gross profit margin</i>	<i>37.6%</i>	<i>37.6%</i>	<i>39.1%</i>	<i>-1.5pp</i>	<i>-0.2pp</i>	<i>-1.5pp</i>
Sales and marketing costs	-3.3	-3.3	-4.3	-22.7%	4.2pp	-22.6%
Administrative costs	-93.3	-93.2	-72.9	27.9%	3.0pp	27.9%
Adjusted EBITA	126.1	126.5	119.3	5.8%	-0.9pp	6.1%
<i>Adjusted EBITA margin</i>	<i>21.3%</i>	<i>21.3%</i>	<i>23.7%</i>	<i>-2.5pp</i>	<i>-0.4pp</i>	<i>-2.4pp</i>
Special items	-2.7	-2.7	-26.6	-90.0%	0.0pp	-90.0%
EBITA	123.5	123.8	92.7	33.2%	-1.2pp	33.6%
<i>EBITA margin</i>	<i>20.8%</i>	<i>20.9%</i>	<i>18.4%</i>	<i>2.4pp</i>	<i>-0.4pp</i>	<i>2.4pp</i>
Amortisation	-24.6	-24.6	-28.8	-14.8%	0.0pp	-14.8%
Operating profit (EBIT)	98.9	99.2	63.8	54.9%	-1.7pp	55.5%
<i>Operating profit margin</i>	<i>16.7%</i>	<i>16.7%</i>	<i>12.7%</i>	<i>4.0pp</i>	<i>-0.4pp</i>	<i>4.0pp</i>
Net financials	-21.3	-21.3	-65.4	-67.4%	0.2pp	-67.4%
Profit / loss before tax	77.6	77.9	-1.5	-5166.0%	80.2pp	-5187.7%
Tax	-15.9	-15.9	-15.1	5.2%	-4.0pp	5.1%
<i>Effective tax rate</i>	<i>20.5%</i>	<i>20.4%</i>	<i>N/A</i>	<i>N/A</i>	<i>-0.5pp</i>	<i>N/A</i>
Net profit / loss	61.7	62.0	-16.6	-470.7%	3.7pp	-472.7%

*Constant currencies measured using average exchange rates for Q2 2018

Reported revenue increased by 18.0% (constant 18.1%) to DKK 593.1m in Q2 2019, of which 16.6% came from organic revenue growth driven by a 16.7% revenue growth in the Danish business operation, while the UK and Norwegian business operations grew 17.3% and 14.1%, respectively. Non-organic revenue growth related to the acquisition of Q Delft B.V. (now Netcompany Netherlands) completed on 13 May 2019, increased revenue by 1.4 percentage points in Q2 2019.

Organic revenue growth was in line with expectations and Q2 2019 was impacted by the Easter holiday, which meant that there were 2 working days less in Q2 2019 compared to Q2 2018. The reduced number of working days had a negative impact on revenue and margins of around DKK 15m. In addition to this, revenue growth in Q2 2019 was measured against a high comparison base in Q2 2018 where organic revenue growth was 36.8%. As previously communicated, Netcompany took a conscious decision in Q3 2018 to reduce growth from the +35% levels of organic growth to a more sustainable 20-25% level, which was why growth rates were lower in Q1 and Q2 2019 than the year before.

Performance overview (continued)

Cost of services increased by 21.0% (constant 21.0%) to DKK 370.4m in Q2 2019. This development was primarily driven by the Easter holiday, as the reduced amount of working days did not result in decreased salary costs, thereby increasing the cost to serve. As a result, gross profit margin decreased by 1.5 percentage points from 39.1% to 37.6%, of which the non-organic impact from the acquisition of Netcompany Netherlands accounted for -0.2 percentage point. The decrease in gross profit margin was however, somewhat offset by an increased margin in the UK operation, which was not impacted by the Easter holiday to the same extent, as the Danish and Norwegian operations.

Sales and marketing costs decreased by 22.7% (constant 22.6%) to DKK 3.3m. The decrease in sales and marketing costs was primarily driven by the timing of marketing events.

Administrative costs increased by 27.9% (constant 27.9%) to DKK 93.3m in Q2 2019. This development was primarily driven by the opening of the UK headquarter in July 2018, as well as an increase in Executive remuneration "post IPO", which had full financial effect in Q2 2019, but only limited financial effect in Q2 2018. In addition, the Group employed 2,259 FTEs in Q2 2019 compared to 1,828 FTEs in Q2 2018, an increase of 23.6%, which meant that more consultants in absolute numbers spent time on certification and other course training as well as increasing general infrastructure costs. Finally, some costs related to the acquisition of Q Delft B.V. have been classified as regular business costs, which impacted administrative costs rather than special items.

Adjusted EBITA increased by 5.8% (constant 6.1%) to DKK 126.1m. This led to an adjusted EBITA margin of 21.3%, of which the non-organic impact from acquisition of Netcompany Netherlands accounted for -0.4 percentage point. The decrease in adjusted EBITA margin of 2.5 percentage points was attributable to the decrease in gross profit margin and the higher percentage increase in administration costs relative to the percentage increase in revenue.

Special items decreased by 90.0% (constant 90.0%) to DKK 2.7m in Q2 2019. In Q2 2019, special items related to M&A costs in connection with the acquisition of Netcompany Netherlands, while special items in Q2 2018 amounted to DKK 26.6m, of which DKK 26.3 related to IPO costs and DKK 0.3m related to M&A costs.

EBITA increased by 33.2% (constant 33.6%) to DKK 123.5m. This led to an EBITA margin of 20.8%, of which the non-organic impact from the acquisition of Netcompany Netherlands accounted for -0.4 percentage point. The increase in EBITA margin of 2.4 percentage points was driven by the decrease in special items, which more than offset the decrease in adjusted EBITA margin.

Amortisation of intangible assets recognised upon business combinations in the past, decreased by 14.8% (constant 14.8%) to DKK 24.6m in Q2 2019. The decrease in amortisation was driven by some of the intangible assets in relation to FSN Capital acquiring Netcompany on 1 February 2016, now being fully amortised.

Operating profit (EBIT) increased by 54.9% (constant 55.5%) to DKK 98.9m. This led to an operating profit margin of 16.7% compared to 12.7% in Q2 2018.

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Performance overview (continued)

Net financial costs decreased by 67.4% to DKK 21.3m in Q2 2019. The decrease was primarily driven by the refinancing of all external borrowings in connection with the IPO in Q2 2018, which increased financial costs in Q2 2018 by DKK 34.9m in one-offs, thereby offsetting the comparison base for Q2 2019. Adjusted for this, net financial costs decreased by 30.2% from DKK 30.5m in Q2 2018 in a normalised setting, reflecting both the lower level of interest rates post the refinancing, but also the debt level in the period.

Income taxes for Q2 2019 was DKK 15.9m against DKK 15.1m in the same period last year. In Q2 2018, the income tax calculated was relatively high taking into consideration, that the result before tax was a loss. However, the taxable income for Q2 2018 was positive as a proportion of the costs that occurred in Q2 2018 were of a non-tax-deductible character, related to activities like IPO, M&A and restructuring of financial agreements.

The net result increased from DKK -16.6m in Q2 2018 to DKK 61.7m in Q2 2019.

Performance overview – first six months

DKK million	YTD 2019 (reported)	YTD 2019 (constant)*	YTD 2018	% change (reported)	Netcompany Netherlands non-organic impact	% change (constant)
Revenue	1,190.8	1,189.4	1,019.6	16.8%	0.7pp	16.6%
Cost of services	-734.4	-733.0	-625.0	17.5%	0.9pp	17.3%
Gross profit	456.3	456.3	394.6	15.6%	0.3pp	15.6%
<i>Gross profit margin</i>	<i>38.3%</i>	<i>38.4%</i>	<i>38.7%</i>	<i>-0.4pp</i>	<i>-0.1pp</i>	<i>-0.3pp</i>
Sales and marketing costs	-6.1	-6.1	-7.0	-13.5%	2.6pp	-13.4%
Administrative costs	-176.9	-176.7	-140.6	25.9%	1.6pp	25.7%
Adjusted EBITA	273.3	273.6	247.1	10.6%	-0.4pp	10.7%
<i>Adjusted EBITA margin</i>	<i>23.0%</i>	<i>23.0%</i>	<i>24.2%</i>	<i>-1.3pp</i>	<i>-0.2pp</i>	<i>-1.2pp</i>
Special items	-3.7	-3.7	-34.3	-89.1%	0.0pp	-89.1%
EBITA	269.6	269.8	212.8	26.7%	-0.5pp	26.8%
<i>EBITA margin</i>	<i>22.6%</i>	<i>22.7%</i>	<i>20.9%</i>	<i>1.8pp</i>	<i>-0.2pp</i>	<i>1.8pp</i>
Amortisation	-50.2	-50.2	-57.7	-12.9%	0.0pp	-12.9%
Operating profit (EBIT)	219.4	219.6	155.1	41.5%	-0.7pp	41.6%
<i>Operating profit margin</i>	<i>18.4%</i>	<i>18.5%</i>	<i>15.2%</i>	<i>3.2pp</i>	<i>-0.2pp</i>	<i>3.3pp</i>
Net financials	-15.4	-15.4	-90.1	-82.9%	0.2pp	-82.9%
Profit / loss before tax	204.0	204.2	65.0	213.8%	-1.9pp	214.1%
Tax	-43.6	-43.6	-30.5	43.1%	-2.0pp	43.1%
<i>Effective tax rate</i>	<i>21.4%</i>	<i>21.3%</i>	<i>46.9%</i>	<i>-25.5pp</i>	<i>-0.2pp</i>	<i>-25.5pp</i>
Net profit / loss	160.4	160.6	34.6	364.2%	-1.8pp	364.8%

*Constant currencies measured using average exchange rates for 2018

Revenue increased by 16.8% (constant 16.6%) to DKK 1,190.8m in 6M 2019, of which the non-organic impact from the acquisition of Netcompany Netherlands accounted for 0.7 percentage point. The development in revenue growth in the first six months of 2019 was impacted by the fact, that 6M 2018 constituted a significantly higher comparison base where organic revenue grew by more than 34%, which in conjunction with the decision taken after Q2 2018 to reduce growth to a more sustainable level, resulted in lower growth rates.

Adjusted EBITA margin decreased by 1.3 percentage points (constant 1.2 percentage points) from 24.2% to 23.0%, of which the acquisition of Netcompany Netherlands accounted for -0.2 percentage point. This development was primarily driven by the Danish business operation, as adjusted EBITA margin in the Danish operation decreased by 1.0 percentage point from 27.8% in 6M 2018 to 26.8% in 6M 2019, which was driven by a lower level of one-offs consisting of license sales and pass-throughs.

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Business Segments – Q2

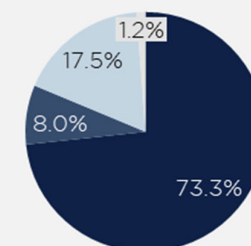
Segment information related to operating entities:

DKK million Constant (2018 rate)	Q2 2019				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	593.4	434.6	47.6	104.0	7.1
Gross profit	223.0	182.9	15.2	23.6	1.3
<i>Gross profit Margin</i>	<i>37.6%</i>	<i>42.1%</i>	<i>32.0%</i>	<i>22.7%</i>	<i>18.0%</i>
Local admin costs	-85.7	-64.1	-8.2	-11.0	-2.4
Adjusted EBITA before allocated cost from HQ	137.3	118.7	7.0	12.7	-1.1
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>23.1%</i>	<i>27.3%</i>	<i>14.7%</i>	<i>12.2%</i>	<i>-15.2%</i>
Allocated costs from HQ	-10.9	-7.7	-0.8	-2.3	0.0
Special Items, allocated	-2.7	-1.9	-0.2	-0.6	0.0
EBITA	123.8	109.1	6.0	9.8	-1.1

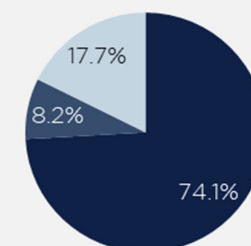
DKK million Reported	Q2 2018				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	502.6	372.4	41.2	89.0	0.0
Gross profit	196.4	163.7	14.4	18.3	0.0
<i>Gross profit Margin</i>	<i>39.1%</i>	<i>44.0%</i>	<i>34.9%</i>	<i>20.6%</i>	<i>N/A</i>
Local admin costs	-71.5	-57.2	-6.3	-8.0	0.0
Adjusted EBITA before allocated cost from HQ	124.9	106.5	8.1	10.3	0.0
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>24.9%</i>	<i>28.6%</i>	<i>19.6%</i>	<i>11.6%</i>	<i>N/A</i>
Allocated costs from HQ	-5.7	-4.0	-0.4	-1.2	0.0
Special Items, allocated	-26.6	-18.9	-2.1	-5.6	0.0
EBITA	92.7	83.5	5.6	3.6	0.0

Revenue, %

DK NO UK NL



Q2 2019



Q2 2018

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Business Segments (continued)

Revenue in constant currencies increased by 18.1% to DKK 593.4m in Q2 2019, driven by a revenue growth of 16.7% in the Danish business operation, while the UK and Norwegian business operation grew by 16.9% and 15.5%, respectively. Revenue growth was negatively impacted by the Easter holiday, which meant that Q2 2019 on a Group average had 2 working days less than Q2 2018, which impacted Group revenue negatively by around 3.5 percentage points. The Easter holiday mostly impacted the Norwegian and Danish business operations and to a lesser extent the UK business operation.

Gross profit in constant currencies increased by 13.5% to DKK 223.0m in Q2 2019, which led to a gross profit margin of 37.6% compared to 39.1% in the same period last year. The decrease in gross profit margin was primarily driven by the Easter holiday. In addition to this, one-offs consisting of license sales and pass-throughs were at a lower level in Q2 2019 compared to Q2 2018, especially in the Danish business operation, which also had a negative impact on the margin. This development was somewhat offset by the UK business operation, which managed to increase its gross profit margin by 2.1 percentage points to 22.7% in Q2 2019, driven by a combination of improved utilisation and higher hourly rates due to less re-work being done. The impact on margins from the Easter holiday was lower in the UK given their high usage of independent contractors. Finally, the inclusion of the Dutch business impacted gross margin negatively as a result of activities related to the integration of Netcompany, which increased general administration costs.

Adjusted EBITA before allocated costs from HQ increased by 9.9% to DKK 137.3m in Q2 2019, which led to a margin of 23.1% compared to 24.9% in Q2 2018. The decrease in margin was primarily driven by the decrease in gross profit margin, as well as a higher percentage increase in administration costs relative to the percentage increase in revenue.

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Business Segments – First six months

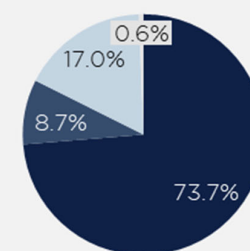
Segment information related to operating entities:

DKK million Constant (2018 rate)	YTD 2019				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	1,189.4	876.5	103.1	202.7	7.1
Gross profit	456.3	374.7	38.4	41.9	1.3
<i>Gross profit Margin</i>	<i>38.4%</i>	<i>42.8%</i>	<i>37.2%</i>	<i>20.7%</i>	<i>18.0%</i>
Local admin costs	-163.5	-126.3	-16.3	-18.5	-2.4
Adjusted EBITA before allocated cost from HQ	292.9	248.4	22.1	23.4	-1.1
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>24.6%</i>	<i>28.3%</i>	<i>21.4%</i>	<i>11.6%</i>	<i>-15.2%</i>
Allocated costs from HQ	-19.3	-13.6	-1.5	-4.2	0.0
Special Items, allocated	-3.7	-2.6	-0.3	-0.8	0.0
EBITA	269.8	232.2	20.3	18.4	-1.1

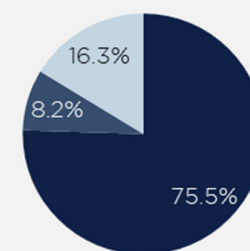
DKK million Reported	YTD 2018				
	Group	Denmark	Norway	United Kingdom	Netherlands
Revenue from external customers	1,019.6	769.7	83.8	166.1	0.0
Gross profit	394.6	333.2	29.5	31.9	0.0
<i>Gross profit Margin</i>	<i>38.7%</i>	<i>43.3%</i>	<i>35.2%</i>	<i>19.2%</i>	<i>N/A</i>
Local admin costs	-136.8	-111.5	-11.6	-13.7	0.0
Adjusted EBITA before allocated cost from HQ	257.9	221.7	17.9	18.2	0.0
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>25.3%</i>	<i>28.8%</i>	<i>21.4%</i>	<i>11.0%</i>	<i>N/A</i>
Allocated costs from HQ	-10.8	-7.7	-0.8	-2.2	0.0
Special Items, allocated	-34.3	-24.5	-2.6	-7.3	0.0
EBITA	212.8	189.5	14.5	8.7	0.0

Revenue, %

DK NO UK NL



YTD 2019



YTD 2018

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Business Segments (continued)

Revenue in constant currencies increased by 16.6% to DKK 1,189.4m in 6M 2019, of which 0.7 percentage point came from non-organic revenue growth relating to the acquisition of Netcompany Netherlands. Revenue growth in 6M 2019 followed the same tendency as Q2 2019 with a high comparison base in 6M 2018 and a lower level of one-offs in 6M 2019.

Gross profit in constant currencies increased by 15.6% to DKK 456.3m in 6M 2019, which led to a gross profit margin of 38.4% compared to 38.7% in 6M 2018. The decrease was driven by a lower level of one-offs in the Danish business operation, but also by the negative impact on margins from the acquisition of Netcompany Netherlands. In addition, the change in revenue split from a geographical perspective impacted Group margins negatively with the relative share of revenue from the Danish business decreasing 1.8% points compared to 2018.

Adjusted EBITA before allocated costs from HQ increased by 13.6% to DKK 292.9m in 6M 2019, which led to a margin of 24.6% compared to 25.3% in 6M 2018. The decrease in margin was primarily driven by the decrease in gross profit margin and change in the geographical revenue split.

Public – Q2

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q2 2019	Q2 2018	% chg	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Revenue	341.5	267.8	27.5%	275.0	225.0	21.9	23.5	38.1	19.2	6.5	0.0
Cost of service	-223.9	-162.5	37.8%	-169.8	-131.5	-16.5	-16.4	-32.2	-14.6	-5.4	0.0
Gross profit	117.6	105.3	11.7%	105.1	93.6	5.5	7.2	5.8	4.6	1.1	0.0
<i>Gross profit margin</i>	<i>34.4%</i>	<i>39.3%</i>	<i>-4.9pp</i>	<i>38.2%</i>	<i>41.6%</i>	<i>25.0%</i>	<i>30.4%</i>	<i>15.3%</i>	<i>23.8%</i>	<i>17.2%</i>	<i>N/A</i>
Allocated costs	-53.9	-43.2	24.8%	-44.1	-38.0	-4.0	-3.7	-3.7	-1.4	-2.2	0.0
Adjusted EBITA before allocated cost from HQ	63.7	62.1	2.6%	61.1	55.5	1.5	3.4	2.2	3.1	-1.0	0.0
<i>Adjusted EBITA margin be-fore allocated cost from HQ</i>	<i>18.7%</i>	<i>23.2%</i>	<i>-4.5pp</i>	<i>22.2%</i>	<i>24.7%</i>	<i>6.9%</i>	<i>14.6%</i>	<i>5.7%</i>	<i>16.3%</i>	<i>-16.0%</i>	<i>N/A</i>
Allocated costs from HQ	-6.5	-3.2	105.0%	-5.3	-2.7	-0.4	-0.3	-0.8	-0.2	0.0	0.0
Special items	-1.6	-14.8	-89.3%	-1.3	-12.6	-0.1	-1.2	-0.2	-1.0	0.0	0.0
EBITA	55.6	44.2	26.0%	54.4	40.3	1.0	2.0	1.2	1.9	-1.0	0.0
<i>EBITA margin</i>	<i>16.3%</i>	<i>16.5%</i>	<i>-0.2pp</i>	<i>19.8%</i>	<i>17.9%</i>	<i>4.6%</i>	<i>8.5%</i>	<i>3.2%</i>	<i>9.7%</i>	<i>-16.0%</i>	<i>N/A</i>
Amortisation	-14.7	-16.1	-8.8%	-12.0	-13.7	-0.9	-1.3	-1.7	-1.1	0.0	0.0
Operating profit	41.0	28.1	46.0%	42.4	26.5	0.1	0.7	-0.5	0.8	-1.0	0.0
<i>Operating profit margin</i>	<i>12.0%</i>	<i>10.5%</i>	<i>1.5pp</i>	<i>15.4%</i>	<i>11.8%</i>	<i>0.5%</i>	<i>3.1%</i>	<i>-1.3%</i>	<i>4.1%</i>	<i>-16.0%</i>	<i>N/A</i>

Public segment revenue increased by 27.5% to DKK 341.5m in Q2 2019, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 2.4 percentage points. The organic revenue growth was primarily driven by the UK and Danish business operations, which grew by 98.2% and 22.2%, respectively. The significant revenue growth in UK was driven by a combination of new wins and existing customers prolonging their framework agreements, while the Danish growth was driven by increased activity at existing customers.

Cost of services increased by 37.8% to DKK 223.9m. This led to a gross profit margin decrease of 4.9 percentage points, of which the margin impact from the acquisition of Netcompany Netherlands accounted for -0.3 percentage point. The primary driver behind the decrease in gross profit margin was a combination of the UK public sector generating a larger proportion of the public revenue compared to Q2 2018 and a decrease in margin from the UK public customers in Q2 2019 specifically. The decrease in margin in the UK public segment was fully attributable to one project, which has previously been addressed and the negative impact hereof will not continue into Q3 and onwards. The Easter holiday had a negative impact on margins in the Danish and the Norwegian operations and to a lesser extent the UK. In addition to this, the level of one-offs, consisting of license sales and pass-throughs also had a negative impact on margins, especially in the Danish business operation.

Allocated costs increased by 24.8% in Q2 2019 to DKK 53.9m. 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 Q2 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 2.6% to DKK 63.7m, which led to a margin of 18.7% compared to 23.2% in Q2 2018.

Private – Q2

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	Q2 2019	Q2 2018	% chg	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018	Q2 2019	Q2 2018
Revenue	251.6	234.8	7.1%	159.6	147.4	25.0	17.6	66.3	69.8	0.6	0.0
Cost of service	-146.5	-143.7	1.9%	-81.9	-77.2	-15.5	-10.4	-48.6	-56.0	-0.5	0.0
Gross profit	105.1	91.2	15.3%	77.8	70.2	9.5	7.2	17.7	13.8	0.2	0.0
<i>Gross profit margin</i>	<i>41.8%</i>	<i>38.8%</i>	<i>3.0pp</i>	<i>48.7%</i>	<i>47.6%</i>	<i>38.0%</i>	<i>40.9%</i>	<i>26.7%</i>	<i>19.7%</i>	<i>26.1%</i>	<i>N/A</i>
Allocated costs	-31.9	-28.4	12.3%	-20.1	-19.2	-4.1	-2.6	-7.5	-6.6	-0.2	0.0
Adjusted EBITA before allocated cost from HQ	73.3	62.8	16.7%	57.7	51.0	5.4	4.6	10.3	7.2	0.0	0.0
<i>Adjusted EBITA margin be-fore allocated cost from HQ</i>	<i>29.1%</i>	<i>26.7%</i>	<i>2.4pp</i>	<i>36.1%</i>	<i>34.6%</i>	<i>21.5%</i>	<i>26.2%</i>	<i>15.5%</i>	<i>10.3%</i>	<i>-7.2%</i>	<i>N/A</i>
Allocated costs from HQ	-4.4	-2.5	75.4%	-2.4	-1.4	-0.4	-0.2	-1.5	-1.0	0.0	0.0
Special items	-1.1	-11.8	-90.9%	-0.6	-6.4	-0.1	-0.9	-0.4	-4.5	0.0	0.0
EBITA	67.8	48.5	39.8%	54.7	43.2	4.9	3.6	8.3	1.7	0.0	0.0
<i>EBITA margin</i>	<i>27.0%</i>	<i>20.7%</i>	<i>6.3pp</i>	<i>34.3%</i>	<i>29.3%</i>	<i>19.5%</i>	<i>20.3%</i>	<i>12.6%</i>	<i>2.4%</i>	<i>-7.2%</i>	<i>N/A</i>
Amortisation	-9.9	-12.8	-22.3%	-5.5	-7.0	-0.9	-0.9	-3.5	-4.9	0.0	0.0
Operating profit	57.9	35.8	62.0%	49.2	36.3	3.9	2.7	4.8	-3.2	0.0	0.0
<i>Operating profit margin</i>	<i>23.0%</i>	<i>15.2%</i>	<i>7.8pp</i>	<i>30.8%</i>	<i>24.6%</i>	<i>15.7%</i>	<i>15.3%</i>	<i>7.3%</i>	<i>-4.6%</i>	<i>-7.2%</i>	<i>N/A</i>

Revenue increased by 7.1% to DKK 251.6m in Q2 2019, of which non-organic revenue growth from the acquisition of Netcompany Netherlands accounted for 0.3 percentage point. Organic revenue growth was primarily driven by the Norwegian and Danish business operation, which grew by 41.8% and 8.3%, respectively, while the UK operation decreased by 5.0% as a result of higher activity in the public segment. Revenue growth in both the Norwegian and Danish business operation followed the same tendencies as in Q1 2019, 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 a new customer in the insurance industry.

Cost of services increased by 1.9% to DKK 146.5m. The primary driver behind this development was the fact, that revenue growth in Q2 2019 came from the Norwegian and Danish private segment, while a larger percent of the revenue in Q2 2018 was driven by the UK private segment. In addition to this, improved profitability realised in Q2 2019 in the UK private segment, also had a positive impact on margin compared to the relative performance in Q2 2018. As a result, gross profit margin increased by 3.0 percentage points to 41.8%. The increase in margin in the Danish private segment was driven by higher hourly rates, while the increase in margin in the UK private segment was driven by a combination of higher hourly rates and improved utilisation. The Norwegian decrease in gross profit margin was primarily driven by the Easter holiday, which increased cost to serve.

Allocated costs increased by 12.3% in Q2 2019 to DKK 31.9m. 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 Q2 2019 compared to the same period last year.

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Adjusted EBITA before allocated costs from HQ increased by 16.7% to DKK 73.3m, which led to a margin of 29.1% compared to 26.7% in Q2 2018. The increase in margin, was driven by the increase in gross profit margin, which was somewhat offset by the increase in allocated costs.

Public – First six months

DKK million	Group			Denmark		Norway		United Kingdom		Netherlands	
	YTD 2019	YTD 2018	% chg	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Revenue	692.3	553.6	25.1%	551.9	474.0	51.4	48.6	82.5	31.0	6.5	0.0
Cost of service	-446.3	-340.9	30.9%	-337.9	-283.4	-34.9	-33.4	-68.2	-24.1	-5.4	0.0
Gross profit	246.0	212.7	15.7%	214.0	190.6	16.5	15.2	14.4	6.8	1.1	0.0
<i>Gross profit margin</i>	<i>35.5%</i>	<i>38.4%</i>	<i>-2.9pp</i>	<i>38.8%</i>	<i>40.2%</i>	<i>32.1%</i>	<i>31.3%</i>	<i>17.4%</i>	<i>22.1%</i>	<i>17.2%</i>	<i>N/A</i>
Allocated costs	-104.0	-82.9	25.3%	-86.9	-73.9	-8.5	-6.9	-6.4	-2.2	-2.2	0.0
Adjusted EBITA before allocated cost from HQ	142.0	129.7	9.5%	127.2	116.7	7.9	8.3	8.0	4.7	-1.0	0.0
<i>Adjusted EBITA margin be-fore allocated cost from HQ</i>	<i>20.5%</i>	<i>23.4%</i>	<i>-2.9pp</i>	<i>23.0%</i>	<i>24.6%</i>	<i>15.5%</i>	<i>17.1%</i>	<i>9.6%</i>	<i>15.0%</i>	<i>-16.0%</i>	<i>N/A</i>
Allocated costs from HQ	-11.6	-6.0	93.8%	-9.4	-5.1	-0.8	-0.5	-1.4	-0.4	0.0	0.0
Special items	-2.2	-19.1	-88.3%	-1.8	-16.3	-0.1	-1.5	-0.3	-1.3	0.0	0.0
EBITA	128.2	104.7	22.5%	116.0	95.3	7.0	6.4	6.3	3.0	-1.0	0.0
<i>EBITA margin</i>	<i>18.5%</i>	<i>18.9%</i>	<i>-0.4pp</i>	<i>21.0%</i>	<i>20.1%</i>	<i>13.7%</i>	<i>13.1%</i>	<i>7.6%</i>	<i>9.7%</i>	<i>-16.0%</i>	<i>N/A</i>
Amortisation	-30.1	-32.0	-5.8%	-24.3	-27.6	-2.1	-2.6	-3.7	-1.8	0.0	0.0
Operating profit	98.1	72.7	35.0%	91.7	67.7	4.9	3.8	2.5	1.2	-1.0	0.0
<i>Operating profit margin</i>	<i>14.2%</i>	<i>13.1%</i>	<i>1.0pp</i>	<i>16.6%</i>	<i>14.3%</i>	<i>9.6%</i>	<i>7.8%</i>	<i>3.1%</i>	<i>3.8%</i>	<i>-16.0%</i>	<i>N/A</i>

Revenue increased by 25.1% to DKK 692.3m in 6M 2019, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 1.2 percentage points. Organic revenue growth followed the same tendency as in Q1 2019, primarily driven by significant growth in the UK business operation, which grew by 166.4%, while the Danish and Norwegian business operations grew by 16.4% and 5.6%, respectively.

In 6M 2019, gross profit margin decreased by 2.9 percentage points to 35.5%, primarily driven by a larger proportion of public revenue coming from the UK business operation, which have been negatively impacted on margin from one specific project that has now been solved. Furthermore, the margin in UK decreased as a higher proportion of revenue came from development projects, while the margin in Denmark decreased as a result of a lower level of one-offs, consisting of license sales and pass-throughs in 6M 2019 compared to 6M 2018.

Allocated costs increased by 25.3% in 6M 2019 to DKK 104.0m. 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 6M 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 9.5% to DKK 142.0m, which led to a margin of 20.5% compared to 23.4% in 6M 2018. The decrease in margin, was driven by the decrease in gross profit margin as well as the increase in allocated costs.

Private – First six months

DKK million	YTD 2019	Group YTD 2018	% chg	Denmark YTD 2019	Denmark YTD 2018	Norway YTD 2019	Norway YTD 2018	United Kingdom YTD 2019	United Kingdom YTD 2018	Netherlands YTD 2019	Netherlands YTD 2018
Revenue	498.5	466.1	7.0%	324.6	295.8	50.7	35.2	122.6	135.1	0.6	0.0
Cost of service	-288.2	-284.1	1.4%	-163.9	-153.2	-29.2	-20.9	-94.6	-110.0	-0.5	0.0
Gross profit	210.3	182.0	15.6%	160.7	142.6	21.5	14.3	28.0	25.1	0.2	0.0
<i>Gross profit margin</i>	<i>42.2%</i>	<i>39.0%</i>	<i>3.1pp</i>	<i>49.5%</i>	<i>48.2%</i>	<i>42.4%</i>	<i>40.6%</i>	<i>22.8%</i>	<i>18.6%</i>	<i>26.1%</i>	<i>N/A</i>
Allocated costs	-59.8	-53.9	11.0%	-39.4	-37.6	-7.6	-4.7	-12.5	-11.5	-0.2	0.0
Adjusted EBITA before allocated cost from HQ	150.6	128.1	17.5%	121.3	105.0	13.9	9.6	15.5	13.5	0.0	0.0
<i>Adjusted EBITA margin be-fore allocated cost from HQ</i>	<i>30.2%</i>	<i>27.5%</i>	<i>2.7pp</i>	<i>37.4%</i>	<i>35.5%</i>	<i>27.3%</i>	<i>27.2%</i>	<i>12.6%</i>	<i>10.0%</i>	<i>-7.2%</i>	<i>N/A</i>
Allocated costs from HQ	-7.7	-4.8	61.1%	-4.3	-2.6	-0.7	-0.3	-2.8	-1.9	0.0	0.0
Special items	-1.5	-15.2	-90.1%	-0.8	-8.2	-0.1	-1.1	-0.5	-6.0	0.0	0.0
EBITA	141.4	108.1	30.8%	116.2	94.2	13.0	8.2	12.2	5.7	0.0	0.0
<i>EBITA margin</i>	<i>28.4%</i>	<i>23.2%</i>	<i>5.2pp</i>	<i>35.8%</i>	<i>31.8%</i>	<i>25.6%</i>	<i>23.3%</i>	<i>10.0%</i>	<i>4.2%</i>	<i>-7.2%</i>	<i>N/A</i>
Amortisation	-20.1	-25.7	-21.8%	-11.0	-14.1	-1.8	-1.7	-7.2	-9.9	0.0	0.0
Operating profit	121.3	82.4	47.2%	105.2	80.1	11.2	6.4	5.0	-4.2	0.0	0.0
<i>Operating profit margin</i>	<i>24.3%</i>	<i>17.7%</i>	<i>6.6pp</i>	<i>32.4%</i>	<i>27.1%</i>	<i>22.0%</i>	<i>18.3%</i>	<i>4.1%</i>	<i>-3.1%</i>	<i>-7.2%</i>	<i>N/A</i>

Revenue increased by 7.0% to DKK 498.5m in 6M 2019, of which non-organic revenue growth relating to the acquisition of Netcompany Netherlands accounted for 0.1 percentage point. Organic revenue growth followed the same tendency as in Q1 2019 and was primarily driven by revenue growth in the Norwegian and Danish business operation, which grew by 44.3% and 9.7% respectively.

In 6M 2019, gross profit margin increased by 3.1 percentage points to 42.2%. This development was driven by an increase in gross profit margin across all geographies, primarily driven by higher hourly rates, but also improved utilisation in the Norwegian and UK operation.

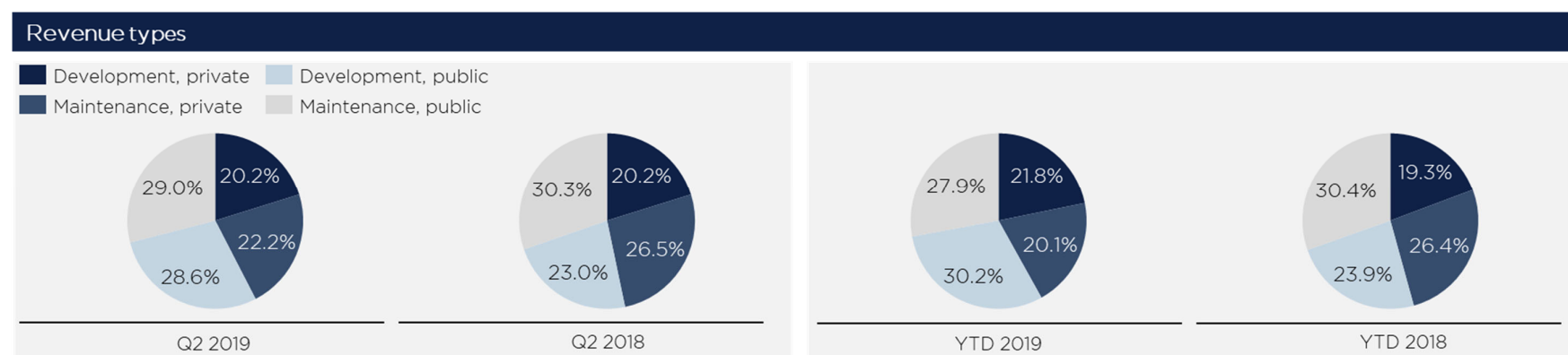
Allocated costs increased by 11.0% in 6M 2019 to DKK 59.8m, driven by the general increase in administration costs, as well as the split between hours spend on public and private customers in 6M 2019 compared to the same period last year.

Adjusted EBITA before allocated costs from HQ increased by 17.5% to DKK 150.6m, which led to a margin of 30.2% compared to 27.5% in 6M 2018. The increase in margin was driven by increase in gross profit margin, which was somewhat offset by the increase in allocated costs.

Revenue types

In Q2 2019, maintenance amounted to 51.2% of the total revenue and while the relative share of maintenance decreased 5.6 percentage points compared to Q2 2018, the nominal amount of maintenance revenue increased by DKK 18.2m, mainly driven by the Danish operation, as several large public projects in the Danish operation were set in production towards the second half of 2018. This development was somewhat offset by a higher relative amount of revenue coming from development projects in both UK and Norway, driven by the increase in private segment growth in the Norwegian operation and public segment growth in the UK business.

In 6M 2019, 48.0% of the revenue came from maintenance, while maintenance revenue compared to the same period last year decreased by 8.8 percentage points driven by the same tendencies as in Q2 2019.



Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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

Currency exposures

Local currency million	DKK	NOK	Q2 2019 GBP	EUR	VND	PLN
Revenue	434.6	61.1	12.2	1.0	0.0	0.0
EBIT	87.5	6.7	0.5	-0.1	2,398.9	0.5
Net result	53.4	4.6	0.4	-0.1	2,076.9	0.3

Local currency million	DKK	NOK	Q2 2018 GBP	EUR	VND	PLN
Revenue	372.6	52.8	10.4	0.0	0.0	0.0
EBIT	33.0	8.5	0.7	0.0	2,319.4	10.1
Net result	-38.7	6.5	0.4	0.0	1,639.7	7.3

Local currency million	DKK	NOK	YTD 2019 GBP	EUR	VND	PLN
Revenue	876.5	133.0	24.0	1.0	0.0	0.0
EBIT	190.0	23.0	1.0	-0.1	4,255.2	1.2
Net result	137.7	17.9	0.8	-0.1	3,334.2	0.6

Local currency million	DKK	NOK	YTD 2018 GBP	EUR	VND	PLN
Revenue	769.7	108.2	19.6	0.0	0.0	0.0
EBIT	97.9	18.2	1.3	0.0	3,893.8	17.6
Net result	-12.0	13.9	1.2	0.0	3,206.7	14.0

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

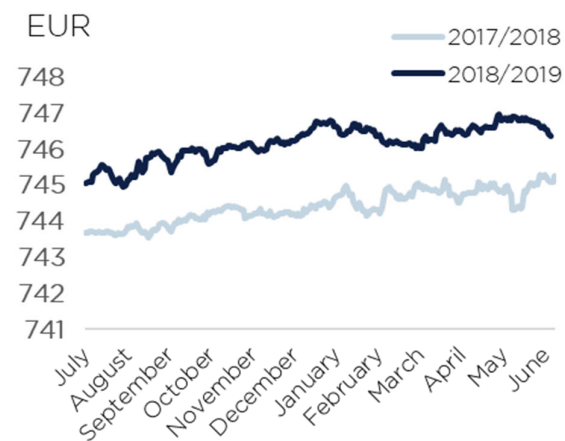
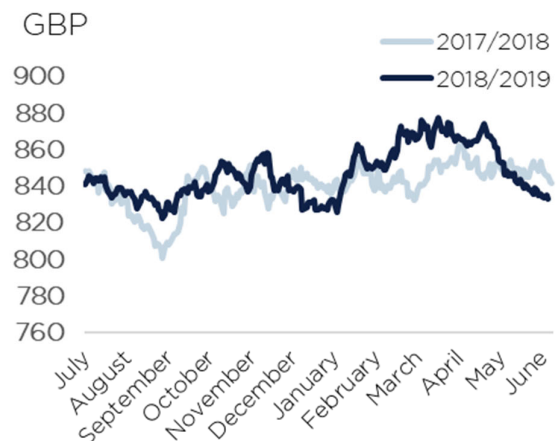
Netcompany's policy is to hedge any exchange risk net exposure, that would yield a +2/-2 percentage points EBIT margin impact from a 10%/-10% change in that given currency. The graphs below show the currency exchange rates used for Netcompany's main currencies.

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

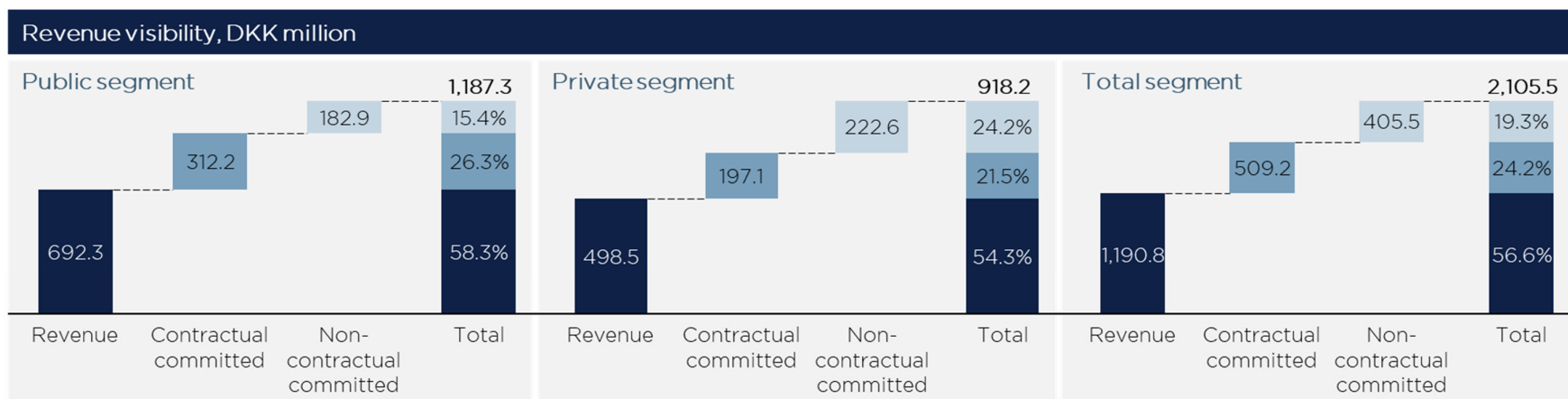
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Company Registration no. 39 48 89 14

Currency exposures (continued)



Revenue visibility



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

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

By the beginning of July 2019, revenue visibility for 2019 amounted to DKK 2,105.5m. Of this, contractual committed revenue amounted to DKK 509.2m and non-contractual committed engagements amounted to DKK 405.5m, while realised revenue in 6M 2019 amounted to DKK 1,190.8m. Revenue visibility in the public segment amounted to DKK 1,187.3m, of which contractual committed revenue amounted to DKK 312.2m and non-contractual committed engagements amounted to DKK 182.9m, while realised revenue in 6M 2019 amounted to DKK 692.3m. Revenue visibility in the private segment amounted to DKK 918.2m of which, contractual committed revenue amounted to DKK 197.1m and non-contractual committed engagements amounted to DKK 222.6m, while realised revenue in 6M 2019 amounted to 498.5m.

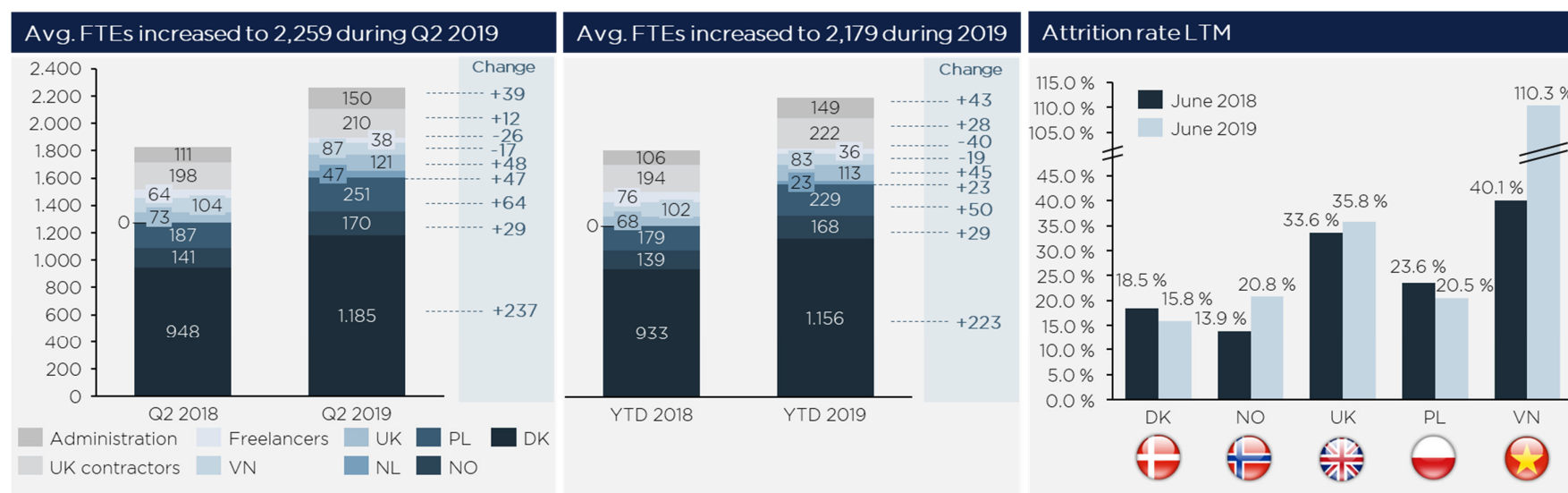
Compared to 6M 2018 revenue visibility improved 25.6% from DKK 1,675.9m to DKK 2,105.5m for 2019.

Employees

Netcompany employed an average of 2,259.1 FTEs in Q2 2019 and 1,827.5 FTEs in Q2 2018, which was an increase of 431.6 FTEs. The increase in FTEs was driven by the intake of new employees in all countries supporting the continued increase in underlying business activities in both Denmark, Norway and UK. Further, the FTEs in Netcompany Netherlands affected the average FTEs in Q2 2019 by 47 and came with a total of 88 FTEs. The increase was partly offset by a decrease in Vietnam related to closing of the Hanoi office in 2018.

The usage of the freelancers has been reduced by 26 from a level of 64 freelancers at the end of Q2 2018 to 38 at the end of Q2 2019.

The attrition rate for last twelve months was 21.7%, which was an increase of 1.8 percentage points compared to the same period last year. The increase was primarily driven by the close down of the Hanoi office in Vietnam, which drove the attrition rate up in the second half of 2018.



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

Cash flow and other significant balance sheet items

Free cash flow and cash conversion rate¹

The Group generated a free cash flow of DKK 117.2m in Q2 2019, which was an increase of 390.4% compared to DKK 23.9m in Q2 2018. Adjusted for taxes paid on account, the Group generated a free cash flow of DKK 99.1m in Q2 2019 compared to DKK 31.3m in Q2 2018, corresponding to an increase in free cash flow of 216.6%. The increase was a combination of improved operating results and improvement in working capital primarily driven by a lower outstanding of trade receivables in Q2 2019 compared to Q2 2018.

Cash conversion rate decreased from 407.7% in Q2 2018 to 145.0% in Q2 2019. Adjusted for the taxes paid on account, cash conversion rate decreased from 534.9% in Q2 2018 to 122.6% in Q2 2019. The decrease in cash conversion rate was primarily driven by the refinancing of all external borrowings in connection with the IPO in Q2 2018, which increased financial costs by DKK 34.9m in one-offs in Q2 2018. Adjusted for this and the taxes paid on account, cash conversion rate decreased from 162.5% in Q2 2018 to 145.0% in Q2 2019, in a normalised setting. The decrease was caused by a higher increase in net profit compared to free cash flow adjusted for taxes paid on account.

In 6M 2019 Netcompany generated a free cash flow of DKK 192.4m, which was an increase of 110.4% compared to DKK 91.5m in 6M 2018. The increase was a combination of improved operating results and improvement in working capital.

Cash conversion rate decreased from 115.0% in 6M 2018 to 96.4% in 6M 2019. Adjusted for the taxes paid on account, cash conversion rate decreased from 122.8% in 6M 2018 to 105.3% in 6M 2019. Adjusted for the DKK 34.9m in one-offs relating to the refinancing of all external borrowings in connection with the IPO in Q2 2018 and the taxes paid on account, the cash conversion rate was 115.9% in 6M 2018 in a normalised setting. The decrease from 115.9% in 6M 2018 to 105.3% in 6M 2019 was caused by a higher increase in net profit compared to free cash flow adjusted for taxes paid on account.

Investments

On 13 May 2019, Netcompany acquired 100% of the shares in Q Delft B.V. (now Netcompany Netherlands), an IT-development and consultancy company delivering complex and business critical IT-solutions mainly within the public sector in the Netherlands. The acquisition is expected to increase Netcompany's market share in the Netherlands and is fully in line with Netcompany's ambition and strategy to become a Northern European market leading IT-development and consulting company. Please refer to note 7 and Company Announcement no. 14/2019.

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

Trade receivables

At 30 June 2019, trade receivables amounted to DKK 427.2m, which was an increase of 7.1% compared to the same period last year. Days sales outstanding decreased from 67 days in Q1 2019 to 65 days in Q2 2019. The overdue part of trade receivables has been reduced from 36.1% by the end of Q2 2018 to 31.9% by the end of Q2 2019. Trade receivables paid in the following month amounted to DKK 223.3m, of which DKK 106.1m was overdue as of 30 June 2019.

DKK million	Not overdue	0-30 days	30-60 days	60- 90 days	>90 days	Total
Trade receivables, 30 June 2019	290.8	111.0	8.8	13.3	3.3	427.2
<i>Paid in the following month</i>	<i>117.2</i>	<i>91.6</i>	<i>3.3</i>	<i>10.9</i>	<i>0.3</i>	<i>223.3</i>
<i>% paid subsequently</i>	<i>40.3%</i>	<i>82.5%</i>	<i>38.1%</i>	<i>81.8%</i>	<i>7.9%</i>	<i>52.3%</i>
Trade receivables, 30 June 2018	254.9	116.4	18.3	2.6	6.8	399.0
<i>Paid in the following month</i>	<i>129.6</i>	<i>71.4</i>	<i>18.3</i>	<i>2.2</i>	<i>2.8</i>	<i>224.2</i>
<i>% paid subsequently</i>	<i>50.8%</i>	<i>61.3%</i>	<i>100.0%</i>	<i>84.5%</i>	<i>41.6%</i>	<i>56.2%</i>

Work in progress

At 30 June 2019, Netcompany's work in progress amounted to DKK 309.0m, represented by contract work in progress of DKK 330.4m and prepayments received from customers of DKK 21.4m.

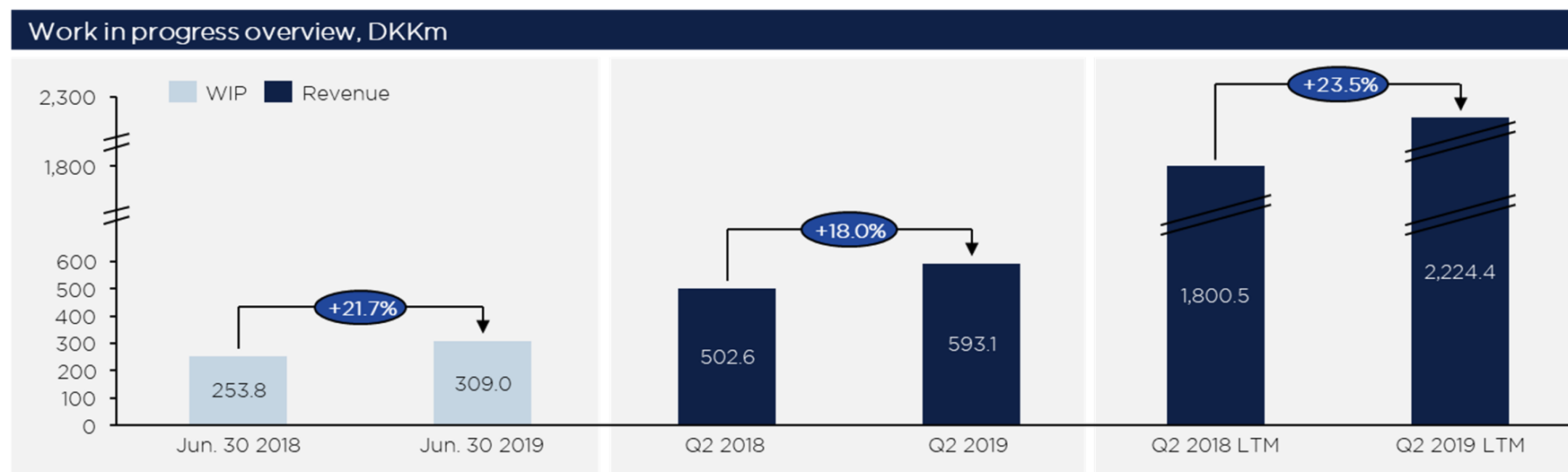
Work in progress increased by 21.7% from DKK 253.8m in Q2 2018 to DKK 309.0m in Q2 2019. In the same period revenue increased by 18.0% from DKK 502.6m in Q2 2018 to DKK 593.1m in Q2 2019. As work in progress consists of multi-year projects with back-end loaded payment milestones, it will give a better view of the development in the WIP balances, when comparing with the revenue over the last twelve months. Revenue for the last twelve months increased by 23.5% whereas work in progress increased by 21.7% reflecting the ongoing delivery of project work from the WIP balances to end customers. Further, reduction of the nominal balances of work in progress is expected in Q3 and Q4 2019 as a number of large public projects will be reaching defined payment milestones.

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Work in progress (continued)



Funding and liquidity

Netcompany's bank agreement consists of committed facilities constituting a total amount of DKK 1,500m and an additional facility of DKK 400m, available only for new acquisitions. The total amount utilised at 30 June 2019 was DKK 1,190m.

The Group has complied with the covenants determined in the agreement.

Risk management

Please refer to the overview of risk factors provided by the Group in the annual report for 2018.

Events after the balance sheet date

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

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Outlook for 2019

As a result of the Danish general election in the early summer, a number of late stage tenders and projects have been delayed. This will have an impact on Netcompany in Denmark and consequently the range for organic revenue growth has been narrowed to be between 20% - 22%. As the cases are not lost, but merely delayed the negative impact on revenue growth in 2019 is expected to be offset by additional revenue growth in 2020. In addition, the acquired business in the Netherlands will impact reported revenue by between 0.75% and 1.25%. Consequently, reported revenue growth in local currencies is expected to be between 20.75% - 23.25%.

Adjusted EBITA margin in constant currencies for the organic based business is still expected to be around 26% and the impact from the acquired business in the Netherlands is expected to be negative of around 0.3 percentage point. Consequently, reported Adjusted EBITA margin in constant currencies is expected to be around 25.7%

	Updated targets 2019	Original targets 2019	Actual performance 2018
Organic revenue growth in constant currencies	20-22%	20-25%	25.8%
Adjusted EBITA margin in constant currencies – organic businesses	~26%	~26%	25.0%
Reported revenue growth	20.75-23.25%	N/A	45.0%
Adjusted EBITA margin in constant currencies	~25.7%	N/A	25.0%

Shareholder information

Capital

Netcompany's share capital is DKK 50.0m divided into 50m shares. Netcompany holds 899,813 treasury shares equivalent to 1.8% of the share capital. In Q2 2019, the Group purchased 322,580 shares at a price of DKK 155, total DKK 50.0m, and another 577,233 shares at a price of DKK 216.55, totalling DKK 125.0m. The shares will be used to honour the Group's commitments under its RSU and LTIP programs.

Share-based incentive schemes/restricted stock units

In total, 244,284 RSUs were granted at 30 June 2019, of which 78,242 were granted to Executive Management and 166,042 were granted to other Key Management Personnel and other employees. The fair value of the RSUs at grant was DKK 43.5m. The cost related hereto is expensed over the vesting period. A total amount of DKK 4.2m was recognised as personnel costs in the income statement in Q2 2019 and DKK 6.7m in 6M 2019.

Contingent purchase price / restricted stock units

In connection with the acquisition of 100% of the shares of Q Delft B.V. (now Netcompany Netherlands) a total of 464,283 RSUs have been granted of which 188,086 will vest in February 2021 and 276,197 will vest – pending performance – in February 2024.

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 policy.

Company announcement no 19/2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Statement of the Board of Directors and Executive Management

Today, the Board of Directors and Executive Management considered and approved the interim consolidated financial statements for Netcompany Group A/S (“Netcompany” or “the company” and together with all its subsidiaries “the Group”) for the period 1 January 2019 to 30 June 2019. The Q2 2019 report has not been audited or reviewed by the company’s independent auditors.

The interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the EU and additional Danish regulations for the presentation of interim reports by listed companies. Furthermore, the interim report has been prepared in accordance with the accounting policies set out in the Group’s Annual Report for 2018.

In our opinion, the accounting policies used are appropriate, and the overall presentation of the interim consolidated financial statements gives a true and fair view of the Group’s assets, liabilities and financial position as at 30 June 2019 and of the results of the Group’s operations and cash flows for the period 1 January 2019 to 30 June 2019.

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

Copenhagen, 21 August 2019

Executive Management:

André Rogaczewski
CEO

Claus Jørgensen
COO

Thomas Johansen
CFO

Board of Directors:

Bo Rygaard
Chairman of the Board

Pernille Fabricius
Vice Chairman of the Board

Juha Christensen

Robbert Kuppens

Scanes Bentley

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Consolidated interim financial statements and notes

Income statement and Statement of comprehensive income

DKK thousands	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Income statement						
Revenue	1	593,100	502,606	1,190,783	1,019,625	2,053,216
Cost of services	2	-370,384	-306,165	-734,442	-624,984	-1,236,699
Gross profit		222,716	196,441	456,341	394,641	816,516
Sales and marketing costs		-3,324	-4,298	-6,059	-7,003	-11,871
Administrative costs	3	-93,251	-72,882	-176,939	-140,550	-290,428
Special items	4	-2,660	-26,580	-3,734	-34,313	-34,488
EBITA		123,481	92,681	269,609	212,775	479,729
Amortisation		-24,582	-28,847	-50,238	-57,695	-115,389
Operating profit (EBIT)		98,899	63,833	219,372	155,080	364,340
Financial income	5	477	12,418	15,806	19,482	22,245
Financial expenses	5	-21,779	-77,783	-31,186	-109,545	-130,903
Profit / loss before tax		77,596	-1,532	203,991	65,017	255,682
Tax on the profit for the period		-15,894	-15,115	-43,583	-30,463	-74,465
Net profit / loss for the period		61,702	-16,647	160,408	34,554	181,217
Earnings per share						
Earnings per share (DKK)	6	1.26	-0.33	3.27	0.70	3.65
Diluted Earnings per share (DKK)	6	1.25	-0.33	3.26	0.70	3.65
Statement of comprehensive income						
Net profit / loss for the period		61,702	-16,647	160,408	34,554	181,217
Other comprehensive income:						
Cash flow hedging, net fair value gain / (loss)		0	38,213	0	38,475	38,475
Foreign currency translation subsidiaries		9,355	-215	-588	-2,507	817
Change in deferred cost of hedging		0	-16,803	0	-13,348	-13,348
Tax of other comprehensive income		0	-4,710	0	-5,528	-5,528
Other comprehensive income, net of tax		9,355	16,485	-588	17,092	20,415
Total comprehensive income / loss		71,058	-162	159,819	51,646	201,632

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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

Balance Sheet

DKK thousands	Note	Jun. 30 2019	Jun. 30 2018	Dec. 31 2018
Assets				
Intangible assets		2,601,997	2,543,783	2,484,441
Tangible assets		136,724	47,215	117,284
Deferred tax assets		2,249	511	1,162
Other receivables		14,585	11,989	13,053
Total non-current assets		2,755,554	2,603,499	2,615,940
Trade receivables	8	427,154	398,954	457,518
Contract work in progress	9	330,405	289,524	284,717
Other receivables		27,353	13,101	19,512
Tax receivables		3,145	0	0
Cash		136,405	172,447	107,666
Total current assets		924,461	874,025	869,412
Total assets		3,680,015	3,477,524	3,485,352

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Balance Sheet (continued)

DKK thousands	Note	Jun. 30 2019	Jun. 30 2018	Dec. 31 2018
Equity and liabilities				
Share capital		50,000	50,000	50,000
Exchange differences on translating foreign subsidiaries		-2,704	-5,439	-2,116
Treasury shares		-175,000	-50,000	-50,000
Share-based remuneration		10,560	497	3,818
Retained earnings		1,964,956	1,657,885	1,804,548
Total equity		1,847,811	1,652,943	1,806,250
Borrowings	10	1,182,685	1,229,716	1,105,780
Leasing		48,717	17,133	54,149
Deferred tax liability		82,289	109,594	89,387
Total non-current liabilities		1,313,690	1,356,443	1,249,316
Leasing		46,830	5,796	29,325
Prepayments received from customers	9	21,419	35,726	29,610
Trade payables		48,100	37,388	54,185
Other payables	11	375,769	284,890	266,089
Provisions	12	26,395	25,896	36,087
Income tax payable		0	78,443	14,490
Total current liabilities		518,513	468,138	429,785
Total liabilities		1,832,203	1,824,581	1,679,101
Total equity and liabilities		3,680,015	3,477,524	3,485,352

Income Statement classified by function
Collateral provided and contingent liabilities
Related party transactions
Financial figures and highlights
Accounting policies

13
14
15
16
17

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Cash Flow statement

DKK thousands	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Operating profit (EBIT)		98,899	63,833	219,372	155,080	364,340
Depreciation and amortisation		37,992	39,031	75,629	77,489	155,737
Non-cash items		4,153	497	6,742	497	3,818
Working capital changes		-4,958	-39,503	-14,007	-74,501	-132,597
Total		136,086	63,859	287,736	158,566	391,298
Income taxes paid		-3,905	-29,823	-70,396	-40,204	-166,935
Financial income received		477	12,604	15,806	13,666	21,036
Financial expenses paid		-10,427	-19,777	-29,615	-34,105	-58,960
Cash flow from operating activities		122,231	26,862	203,532	97,923	186,439
Net cash outflow on acquisition of subsidiaries	7	-37,325	0	-37,325	0	0
Acquisition of property, plant and equipment		-4,995	-2,992	-11,110	-6,451	-22,866
Other receivables (deposits)		22	-2,128	-1,524	-3,240	-4,336
Cash flow from investment activities		-42,299	-5,120	-49,960	-9,691	-27,202
Proceeds from issue of share capital		0	0	0	6,949	6,949
Payment of treasury shares		-175,000	0	-175,000	0	0
Proceeds from borrowings		75,000	1,229,539	75,000	1,229,539	1,229,539
Repayment of borrowings		-9,113	-1,206,013	-17,518	-11,830	-1,481,039
Cash flow from financing activities		-109,113	-3,110	-117,518	-110,844	-244,551
Net increase in cash and cash equivalents		-29,180	18,632	36,055	-22,612	-85,314
Cash and cash equivalents at the beginning		174,694	154,230	107,666	194,479	194,479
Cash and cash equivalents balances acquired		-8,519	0	-8,519	0	0
Effect of exchange rate changes on the balance cash held in foreign currencies		-589	-416	1,204	579	-1,501
Cash and cash equivalents at the end		136,405	172,447	136,405	172,447	107,666

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Statement of changes in Equity

DKK thousands	Share capital	Fair value adjustment of interest rate swap	Foreign currency translation subsidiaries	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 April 2018	49,725	-29,806	-5,224	13,106	1,674,806	1,702,607
Capital increase	275	0	0	0	-275	0
Treasury shares for the period	0	0	0	0	-50,000	-50,000
Share-based remuneration	0	0	0	0	497	497
Profit for the period	0	0	0	0	-16,647	-16,647
Other comprehensive income	0	29,806	-215	-13,106	0	16,485
Equity at 30 June 2018	50,000	0	-5,439	0	1,608,382	1,652,943
Equity at 1 January 2018	49,637	-30,011	-2,932	10,412	1,616,746	1,643,851
Capital increase	363	0	0	0	6,585	6,949
Obligation to purchase treasury shares	0	0	0	0	-50,000	-50,000
Share-based remuneration	0	0	0	0	497	497
Profit for the period	0	0	0	0	34,554	34,554
Other comprehensive income	0	30,011	-2,507	-10,412	0	17,092
Equity at 30 June 2018	50,000	0	-5,439	0	1,608,382	1,652,943
Equity at 1 January 2018	49,637	-30,011	-2,932	10,412	1,616,746	1,643,851
Capital increase	363	0	0	0	6,585	6,949
Treasury shares for the period	0	0	0	0	-50,000	-50,000
Share-based remuneration	0	0	0	0	3,818	3,818
Profit for the period	0	0	0	0	181,217	181,217
Other comprehensive income	0	30,011	817	-10,412	0	20,416
Equity at 31 December 2018	50,000	0	-2,116	0	1,758,366	1,806,250

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Statement of changes in Equity (continued)

DKK thousands	Share capital	Treasury shares	Share-based remuneration	Foreign currency translation subsidiaries	Retained earnings	Total
Equity at 1 April 2019	50,000	-175,000	6,406	-12,060	1,903,254	1,772,600
Profit for the period	0	0	0	0	61,702	61,702
Other comprehensive income	0	0	0	9,355	0	9,355
Share-based remuneration for the period	0	0	4,154	0	0	4,154
Equity at 30 June 2019	50,000	-175,000	10,560	-2,704	1,964,956	1,847,811
Equity at 1 January 2019	50,000	-50,000	3,818	-2,116	1,804,548	1,806,250
Profit for the period	0	0	0	0	160,408	160,408
Other comprehensive income	0	0	0	-588	0	-588
Share-based remuneration for the period	0	0	6,742	0	0	6,742
Treasury Shares for the period	0	-125,000	0	0	0	-125,000
Equity at 30 June 2019	50,000	-175,000	10,560	-2,704	1,964,956	1,847,811

Netcompany reported 18% revenue growth and continued to improve free cash flow in Q2 2019

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Notes

Note 1 - Segment information

Segment information related to geographical areas:

DKK thousands	Q2 2019					Total
	Denmark	Norway	United Kingdom	Netherlands	Other	
Revenue from external customers	434,569	46,969	104,420	7,143	0	593,100
EBITA, operating entities	109,119	5,888	9,561	-1,087	0	123,481
Allocated cost	11,495	-732	-4,917	0	-6,933	0
EBITA, reported in legal entities	120,614	5,156	4,644	-1,087	-6,933	123,481

DKK thousands	Q2 2018					Total
	Denmark	Norway	United Kingdom	Netherlands	Other	
Revenue from external customers	372,425	41,175	89,007	N/A	0	502,606
EBITA, operating entities	83,524	5,581	3,575	N/A	0	92,681
Allocated cost	9,733	1,014	2,374	N/A	-13,121	0
EBITA, reported in legal entities	93,257	6,595	5,949	N/A	-13,121	92,681

DKK thousands	YTD 2019					Total
	Denmark	Norway	United Kingdom	Netherlands	Other	
Revenue from external customers	876,473	102,078	205,089	7,143	0	1,190,783
EBITA, operating entities	232,193	20,027	18,476	-1,087	0	269,610
Allocated cost	20,159	-2,356	-10,037	0	-8,852	0
EBITA, reported in legal entities	252,351	17,671	8,439	-1,087	-8,852	269,609

DKK thousands	YTD 2018					Total
	Denmark	Norway	United Kingdom	Netherlands	Other	
Revenue from external customers	769,749	83,786	166,090	N/A	0	1,019,625
EBITA, operating entities	189,534	14,532	8,709	N/A	0	212,775
Allocated cost	10,072	-464	2,341	N/A	-11,948	0
EBITA, reported in legal entities	199,606	14,068	11,049	N/A	-11,948	212,775

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 1 - Segment information (continued)

DKK thousands	Denmark	Norway	Total 2018 United Kingdom	Netherlands	Other	Total
Revenue from external customers	1,543,764	171,312	338,139	N/A	0	2,053,216
EBITA, operating entities	435,959	28,094	15,676	N/A	0	479,729
Allocated cost	50,350	-4,177	-5,655	N/A	-40,517	0
EBITA, reported in legal entities	486,308	23,917	10,020	N/A	-40,517	479,729

Note 2 - Cost of services

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Cost of services	-90,521	-89,384	-186,742	-191,831	-371,496
Salaries	-276,531	-213,822	-541,690	-427,370	-853,669
Depreciation	-3,332	-2,959	-6,010	-5,783	-11,534
Cost of services total	-370,384	-306,165	-734,442	-624,984	-1,236,699

Note 3 - Administrative costs

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Administrative costs	-45,798	-37,512	-86,858	-75,431	-155,763
Salaries	-37,376	-28,146	-70,699	-51,108	-105,851
Depreciation	-10,077	-7,225	-19,382	-14,012	-28,815
Administrative costs total	-93,251	-72,882	-176,939	-140,550	-290,428

Note 4 - Special items

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Costs related to IPO	0	-26,280	0	-33,001	-33,002
Costs related to M&A	-2,660	-300	-3,734	-1,312	-1,486
Costs related to IPO and M&A total	-2,660	-26,580	-3,734	-34,313	-34,488
Costs total	-2,660	-26,580	-3,734	-34,313	-34,488

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 5 – Financial income and expenses

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Financial Income					
Interest on corporate income tax	0	92	0	252	3
Exchange rate adjustments	466	1,586	15,787	8,430	8,329
Other financial income	11	10,740	18	10,799	13,912
Financial income total	477	12,418	15,806	19,482	22,245
Financial expenses					
Income tax surcharge	0	786	0	1,289	0
Interest expense, bank loan	4,722	9,764	9,514	22,805	38,881
Interest expense, leasing	711	292	1,401	569	1,244
Exchange rate adjustments	14,452	297	14,848	9,079	14,446
Other financial expenses	1,895	66,643	5,423	75,803	76,332
Financial expenses total	21,779	77,783	31,186	109,545	130,903

Note 6 – Earnings per share

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Profit	61,702	-16,647	160,408	34,554	181,217
Average number of shares	50,000	49,795	50,000	49,738	49,869
Average number of treasury shares	900	82	900	41	182
Average number of shares in circulation	49,100	49,713	49,100	49,697	49,687
Average number of diluted impact of outstanding restricted stock units	102	10	102	5	29
Average number of diluted shares in circulation	49,202	49,723	49,202	49,703	49,716
Earnings per share - EPS	1.26	-0.33	3.27	0.70	3.65
Diluted earnings per share - EPS-D	1.25	-0.33	3.26	0.70	3.65

The 'average number of diluted impact of outstanding restricted stock units' announced in Q1 2019 should have been 70k instead of 251k stock units. This also affects the 'average number of diluted shares in circulation', which should have been 49,497k instead of 49,679. Since this is a small correction to already announced figures, the EPS-D in Q1 2019 Company Announcement will be unchanged.

Note 7 – Acquisition of subsidiaries

On 13 May 2019, Netcompany acquired 100% of the shares in Q Delft B.V. (now Netcompany Netherlands). Netcompany has preliminary estimated a total purchase price of DKK 163.4m after adjustments of DKK 2.3m reflecting a lower value of the net assets acquired.

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 preliminary estimated purchase price has been allocated to identifiable assets and liabilities of Netcompany Netherlands as set out in the table on the right.

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 72.3m. The contingent purchase price to be paid in cash, has been discounted into net present value at purchase date.

The earn-out related purchase price will be paid in 2023 subject to financial performance and will be 100% RSUs based. The value of this part of the contingent purchase price amounts to DKK 53.7m and corresponds to 276,197 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.

Preliminary fair value at acquisition

Local currency thousands	EUR	DKK
Consideration		
Goodwill	20,814	155,377
Customer relationships	855	6,382
Order back-log	808	6,034
Tangible assets	778	5,806
Trade receivables	741	5,535
Contract work in progress	1,739	12,981
Right of use assets	1,290	9,630
Deferred tax	-316	-2,359
Bank debt facilities	-741	-5,533
Credit institutions	-400	-2,986
Leasing liability	-1,310	-9,777
Trade payables	-491	-3,662
Other payables	-1,884	-14,064
Total consideration	21,884	163,364
Purchase consideration		
Up front cash payment	5,000	37,325
Contingent considerations (1)	16,884	126,038
Total consideration	21,884	163,364

(1) The contingent consideration consists of two elements:

- A contingent purchase price based on performance in 2020 adjusted for the upfront cash payment and net debt on 13 May 2019. The contingent purchase price before adjustments have been agreed to be a multiple of 11 on the adjusted 2020 EBITA.
- An earn-out element of 5 times the adjusted 2020 EBITA based on growth targets for the period 2020 to 2022 and achieving an agreed target EBITA margin in 2022.

Note 7 – Acquisition of subsidiaries (continued)

The total number of RSUs to be delivered as part of the contingent purchase price is 464,283. The purchase price determination is based on Management judgement regarding the expected financial performance of Netcompany Netherlands until 2022.

The purchase price allocation is also based on Management judgement in determining the fair value of underlying identifiable assets and liabilities based on order back-log on closing, expected customer churn-rate and various assumptions, such as cash flow projections, discount rate and terminal growth rates. The sensitivity of the estimated measurement to these assumptions, combined or individually, can be significant and change in future periods.

Acquired assets

The difference between the purchase consideration and the fair value of the identified net assets equals DKK 155.4m, which represents the goodwill from the acquisition of Netcompany Netherlands. The goodwill is attributable to Netcompany Netherlands' market position within the public segment in the Netherlands and the benefit of expected synergies, revenue growth, the assembled workforce of Netcompany Netherlands and future market development. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Intangible assets related to the acquired customer list and order back-log are preliminary assessed to DKK 12.4m and will be amortised over 5 and 3 years respectively. Deferred tax of DKK 2.4m has been provided for in relation to these fair value adjustments.

The fair value of trade and other receivables amounts to DKK 5.5m and it is Netcompany's best estimate that the full amount is collectible.

Work in progress has been adjusted with additional project costs of DKK 2.3m giving a fair value of DKK 13.0m. The adjustment has been reflected in the contingent purchase price with the same amount. The adjustment relates to adjustments in fixed fee projects that are not to be paid for by Netcompany in accordance with the SPA.

The fair value of right of use assets and leasing liability has been recognised in accordance with IFRS 16 and the effect has been adjusted in the result for the year with DKK 0.1m.

The above amounts in the purchase price allocation have been calculated using Netcompany Netherlands' results adjusted for differences in accounting policies between the Group and the subsidiary, where IFRS 16 had the largest impact.

In Q2 2019 special items of DKK 2.3m was related to the acquisition of Netcompany Netherlands.

Note 8 – Trade receivables

DKK thousands	Jun. 30 2019	Jun. 30 2018	Dec. 31 2018
Not overdue	290,765	254,888	274,666
0-30 days overdue	111,015	116,413	170,024
31-60 days overdue	8,773	18,277	11,796
61-90 days overdue	13,337	2,622	273
Over 90 days overdue	3,264	6,754	759
Total	427,154	398,954	457,518

The Group is continuously conducting individual assessments of bad debt. If this leads to an assessment that the Group will not be able to collect the amount accounted for, an allowance for bad debt is made. At 30 June 2019, the Group recognised bad debt provision of DKK 0.0m (30 June 2018: DKK 0.0m), and no bad debt losses have been incurred during Q2 2019.

The credit quality of trade receivables at 30 June 2019, is considered satisfactory.

Note 9 – Contract work in progress

DKK thousands	Jun. 30 2019	Jun. 30 2018	Dec. 31 2018
Selling price of work performed	759,738	645,220	763,299
Prepayments received	-450,752	-391,422	-508,192
Total contract work in progress	308,986	253,798	255,107
<i>Net value – stated on a contract-per-contract basis – is presented in the balance sheet as follows:</i>			
Contract work in progress	330,405	289,524	284,717
Prepayments received from customers	-21,419	-35,726	-29,610
Total contract work in progress	308,986	253,798	255,107

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 10 – Borrowings

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Nominal Value	Carrying amount
Bank loan 30 June 2019	DKK	2023	Floating	7,497	1,190,182	1,182,685
				7,497	1,190,182	1,182,685
Bank loan 30 June 2018	DKK	2023	Floating	10,466	1,240,182	1,229,716
				10,466	1,240,182	1,229,716
Bank loan 31 December 2018	DKK	2023	Floating	9,402	1,115,182	1,105,780
				9,402	1,115,182	1,105,780

Note 11 – Other payables

DKK thousands	Jun. 30 2019	Jun. 30 2018	Dec. 31 2018
Wages and salaries, payroll taxes, social security costs, etc payable	30,404	45,727	43,822
Holiday pay obligation	120,684	86,284	96,739
VAT and duties	42,354	34,680	43,406
Obligation to purchase treasury shares	0	50,000	50,000
Contingent purchase price & earn out	126,038	0	0
Other costs payable	56,287	68,199	32,122
Total	375,769	284,890	266,089

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

Note 12 – Provision

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Onerous contracts and warranty obligations beginning of period	26,395	30,396	36,087	30,396	30,396
Used in the period	0	-5,000	-9,692	-5,000	-5,000
Provisions for the period	0	500	0	500	10,691
Onerous contracts and warranty obligations end of period	26,395	25,896	26,395	25,896	36,087

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 13 – Income Statement classified by function

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Income statement					
Revenue	593,100	502,606	1,190,783	1,019,625	2,053,216
Cost of services, incl. depreciation and amortisation	-370,384	-306,165	-734,442	-624,984	-1,236,699
Gross profit	222,716	196,441	456,341	394,641	816,516
Sales and marketing costs, incl. depreciation and amortisation	-3,324	-4,298	-6,059	-7,003	-11,871
Administrative costs, incl. depreciation and amortisation	-120,492	-128,310	-230,910	-232,558	-440,306
Operating profit (EBIT)	98,899	63,833	219,372	155,080	364,340
Financial income	477	12,418	15,806	19,482	22,245
Financial expenses	-21,779	-77,783	-31,186	-109,545	-130,903
Profit / loss before tax	77,596	-1,532	203,991	65,017	255,682
Tax on the profit for the period	-15,894	-15,115	-43,583	-30,463	-74,465
Net profit / loss for the period	61,702	-16,647	160,408	34,554	181,217
Depreciation and Amortisation have been presented as follows in the income statement:					
Cost of services	-3,332	-2,959	-6,010	-5,783	-11,534
Administrative costs depreciation	-10,077	-7,225	-19,382	-14,012	-28,815
Administrative costs amortisation	-24,582	-28,847	-50,238	-57,695	-115,389
Depreciation and amortisation	-37,992	-39,031	-75,629	-77,489	-155,737

Note 14 – Collateral provided and contingent liabilities

There have been no changes in collateral provided and contingent liabilities during Q2 2019 compared to the annual report for 2018.

Note 15 – Related party transactions

The Group has had the following transactions with other companies controlled by the related parties:

DKK thousands	Q2 2019	Q2 2018	YTD 2019	YTD 2018	Total 2018
Revenue	1,062	2,291	3,822	4,747	10,039

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 16 – Financial figures and highlights

DKK million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Income statement							
Revenue							
Public	341.5	350.8	321.0	277.5	267.8	285.8	244.6
Private	251.6	246.9	222.3	212.8	234.8	231.2	198.8
<i>Revenue by segments, total</i>	593.1	597.7	543.3	490.3	502.6	517.0	443.4
Development	289.7	330.0	304.6	260.2	217.4	223.2	211.3
Maintenance	303.4	267.6	238.7	230.1	285.2	293.8	232.1
<i>Revenue by types, total</i>	593.1	597.7	543.3	490.3	502.6	517.0	443.4
Organic	586.0	597.7	517.8	406.2	413.6	439.9	353.7
Acquisition	7.1	0.0	25.5	84.1	89.0	77.1	89.7
<i>Revenue by growth, total</i>	593.1	597.7	543.3	490.3	502.6	517.0	443.4
Special items	-2.7	-1.1	-0.1	0.0	-26.6	-7.7	-16.3
EBITA	123.5	146.1	130.6	136.3	92.7	120.1	99.0
Adjusted EBITA	126.1	147.2	130.8	136.4	119.3	127.8	115.3
Operating profit (EBIT)	98.9	120.5	101.8	107.5	63.8	91.2	72.2
Net financials	-21.3	5.9	-10.2	-8.4	-65.4	-24.7	-11.3
Net profit / loss	61.7	98.7	68.4	78.3	-16.6	51.2	40.6
Financial position							
Capex	-5.0	-6.1	-8.8	-7.6	-3.0	-3.5	-7.8
Total assets	3,680.0	3,582.2	3,485.4	3,537.4	3,477.5	3,426.8	3,469.5
Equity	1,847.8	1,772.6	1,806.3	1,734.8	1,652.9	1,702.6	1,643.9
Net increase in cash and cash equivalents	-29.2	65.2	-105.6	42.9	18.6	-41.2	73.8
Free cash flow	117.2	75.2	22.8	49.3	23.9	67.6	97.9
Free cash flow (tax normalised)	99.1	111.1	104.3	31.1	31.3	66.4	88.0
Earnings per share							
Earnings per share (DKK)	1.26	2.00	1.38	1.61	-0.33	1.03	0.83
Diluted Earnings per share (DKK)	1.25	1.99	1.38	1.61	-0.33	1.03	0.83
Employees							
Average number of full-time employees	2,259.1	2,098.8	1,979.2	1,842.6	1,817.6	1,766.3	1,579.3

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Netcompany Group A/S
Grønningen 17, 1270 Copenhagen
Company Registration no. 39 48 89 14

Note 16 – Financial figures and highlights (continued)

DKK million	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Financial ratios							
Gross profit margin	37.6%	39.1%	39.4%	42.4%	39.1%	38.3%	41.1%
EBITA margin	20.8%	24.4%	24.0%	27.8%	18.4%	23.2%	22.3%
Adjusted EBITA margin	21.3%	24.6%	24.1%	27.8%	23.7%	24.7%	26.0%
Operating profit margin	16.7%	20.2%	18.7%	21.9%	12.7%	17.6%	16.3%
Effective tax rate	20.5%	21.9%	25.4%	21.0%	-986.8%	23.1%	33.2%
Return on equity	3.5%	5.7%	4.0%	5.1%	-1.1%	3.5%	2.8%
Solvency ratio	50.2%	49.5%	51.8%	49.0%	47.5%	49.7%	47.4%
Financial metrics							
Revenue growth	18.0%	15.6%	22.5%	45.3%	66.2%	55.3%	67.4%
Operating profit margin	16.7%	20.2%	18.7%	21.9%	12.7%	17.6%	16.3%
Return on invested capital (ROIC)	2.2%	3.6%	2.5%	3.0%	-0.6%	2.0%	1.6%
Cash conversion rate	145.0%	63.3%	25.1%	49.0%	407.7%	91.7%	146.0%
Cash conversion rate (tax norm.)	122.6%	92.7%	114.7%	30.9%	534.8%	90.1%	142.8%

Note 17 – Accounting policies

The annual consolidated financial statements of the Group are prepared in accordance with IFRS as adopted by the European Union. The interim consolidated financial statements included in this Q2 2019 financial report has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted by the European Union. The accounting policies applied are consistent with those applied in the consolidated annual report for the year ended 31 December 2018 for Netcompany Group A/S.

Financial Calendar

- 6 November 2019: Interim report for the first 9 months of 2019

Disclaimer

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

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

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

Although Netcompany believes that the estimates and projections reflected in the forward-looking statements are reasonable, they may prove materially incorrect, and actual results may materially differ, e.g. as the result of risks related to the industry in general or Netcompany in particular, including those described in Netcompany Group A/S' Annual Report 2018 and other information made available by Netcompany.

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

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

The Annual Report 2018 of Netcompany Group A/S is available at www.netcompany.com

About Netcompany

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