

Company announcement – 12 months ended 31 December 2018

Netcompany reports record growth and record operating profit for 2018

Company
announcement
no 2/2019
6 February 2019

Summary

Netcompany realised revenue of DKK 2,053.2m in 2018, corresponding to a reported revenue growth of 45% and an organic revenue growth of 25.5%.

Adjusted EBITA grew by 27.9% to DKK 514.2m compared to DKK 402.0m in 2017, corresponding to an adjusted EBITA margin of 25%.

The average number of full-time employees grew by more than 600 from 1,256 during 2017 to 1,861 during 2018, driven by the continued growth in both Denmark and Norway, as well as the full inclusion of Netcompany UK.

At the beginning of 2019, revenue visibility for the full year increased by 33.8% to DKK 1,579.4m compared to DKK 1,180.0m at the beginning of 2018.

Free cash flow remained strong, and increased from DKK 307.3m in 2017 to DKK 391.3m in 2018, yielding a cash conversion ratio of 75.2% - in line with the level of 2017.

For 2019, Netcompany expects revenue in constant currencies in all geographies to grow between 20% and 25% and Group adjusted EBITA margin in constant currencies of around 26%.

“2018 has been a tremendous year for Netcompany where we passed a number of significant milestones. Revenue grew to above DKK 2 billion with operating profits growing to above half a billion DKK¹. We also welcomed more than 750 new employees during the year and in June we successfully entered the Copenhagen stock exchange as a true Unicorn in a successful IPO.

Looking back at 2018, I am immensely proud of our achievements made possible by all of our fantastic employees, and I look forward to the journey in 2019 and onwards”.

André Rogaczewski, Netcompany CEO and Co-founder

¹ Adjusted EBITA

Performance highlights for Q4 2018

- Revenue increased by 22.5% to DKK 543.3m in reported currencies and by 22.4% in constant currencies.
- Organic revenue increased by 16.8% to DKK 517.8m from DKK 443.4m in Q4 2017.
- Adjusted EBITA margin was 24.1% in reported and constant currencies compared to 26.0% in reported currencies in Q4 2017. The UK operation impacted adjusted EBITA margin negatively by 4.0 percentage points in Q4 2018.
- Profit before tax increased by 50.5% to DKK 91.6m in reported currencies and by 50.2% in constant currencies.
- Revenue visibility for 2019 increased by 33.8% to DKK 1,579.4m compared to DKK 1,180.0m at the beginning of 2018.
- Free cash flow remained strong and increased from DKK 154.8m in Q4 2017 to DKK 163.6m in Q4 2018, yielding a cash conversion ratio of 116.9% compared to 127.4% in Q4 2017.

Financial overview

DKK million	Q4 2018 (reported)	Q4 2018 (constant)*	Q4 2017	% change (reported)	Netcompany UK Ltd. (Netcompany UK) Non-organic Impact**	% change (constant)
Revenue	543.3	542.7	443.4	22.5%	5.7pp	22.4%
Gross profit	213.8	213.6	182.0	17.5%	2.0pp	17.3%
EBITA	130.6	130.4	99.0	31.9%	1.9pp	31.7%
EBITA margin	24.0%	24.0%	22.3%	1.7pp	-0.8pp	1.7pp
Adjusted EBITA	130.8	130.6	115.3	13.4%	1.7pp	13.2%
Adjusted EBITA margin	24.1%	24.1%	26.0%	-1.9pp	-0.8pp	-1.9pp
Operating profit	101.8	101.6	72.2	41.0%	0.2pp	40.8%
Operating profit margin	18.7%	18.7%	16.3%	2.5pp	-0.9pp	2.4pp
Net profit / loss	68.4	68.2	40.6	68.3%	-3.8pp	67.8%
Capex	-9.0	N/A	-8.5	6.4%	N/A	N/A
Net increase / decrease in cash and cash equivalents	-105.6	N/A	73.8	-243.2%	N/A	N/A

*Constant currencies measured using average exchange rates for Q4 2017

**Netcompany UK, acquired at 26 October 2017, is not fully included in the reported figures for 2017. The impact from UK until 26 October 2018 is shown in the table as Non-Organic impact from UK, whereas impact from 27 October 2018 and going forward will be seen as organic impact.

DKK million	YTD 2018 (reported)	YTD 2018 (constant)*	YTD 2017	% change (reported)	Netcompany UK Ltd. (Netcompany UK)	
					Non-organic Impact**	% change (constant)
Revenue	2,053.2	2,057.4	1,416.1	45.0%	19.5pp	45.3%
Gross profit	816.5	818.1	612.7	33.3%	7.8pp	33.5%
EBITA	479.7	480.2	369.0	30.0%	4.0pp	30.1%
EBITA margin	23.4%	23.3%	26.1%	-2.7pp	-2.8pp	-2.7pp
Adjusted EBITA	514.2	514.7	402.0	27.9%	5.5pp	28.1%
Adjusted EBITA margin	25.0%	25.0%	28.4%	-3.3pp	-2.6pp	-3.4pp
Operating profit	364.3	364.9	273.2	33.4%	-2.0pp	33.6%
Operating profit margin	17.7%	17.7%	19.3%	-1.5pp	-3.1pp	-1.6pp
Net profit / loss	181.2	181.6	141.6	28.0%	-12.4pp	28.2%
Capex	-27.2	N/A	-30.2	-9.9%	N/A	N/A
Net increase / decrease in cash and cash equivalents	-85.3	N/A	137.0	-162.3%	N/A	N/A

*Constant currencies measured using average exchange rates for 2017

**Netcompany UK, acquired at 26 October 2017, is not fully included in the reported figures for 2017. The impact from UK until 26 October 2018 is shown in the table as Non-Organic impact from UK, whereas impact from 27 October 2018 and going forward will be seen as organic impact.

Conference call details

In connection with the publication of the results for Q4 2018, Netcompany will host a conference call on 6 February 2019 at 10.00 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) 2071 928000

Confirmation code:..... 2679057
Webcast Player URL: ... <https://edge.media-server.com/m6/p/aszgxjfx>

Additional information

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Financial highlights and key figures

DKK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017	% change YTD
Income statement					
Revenue					
Public	321.0	244.6	1,152.1	730.2	57.8%
Private	222.3	198.8	901.1	685.9	31.4%
Revenue by segments, total	543.3	443.4	2,053.2	1,416.1	45.0%
Development	304.6	211.3	1,005.4	646.9	55.4%
Maintenance	238.7	232.1	1,047.8	769.2	36.2%
Revenue by types, total	543.3	443.4	2,053.2	1,416.1	45.0%
Organic	517.8	353.7	1,777.5	1,232.0	44.3%
Acquisition	25.5	89.7	275.7	184.0	49.8%
Revenue by growth, total	543.3	443.4	2,053.2	1,416.1	45.0%
Special items	-0.1	-16.3	-34.5	-32.9	4.7%
EBITA	130.6	99.0	479.7	369.0	30.0%
Adjusted EBITA	130.8	115.3	514.2	402.0	27.9%
Operating profit (EBIT)	101.8	72.2	364.3	273.2	33.4%
Net financials	-10.2	-11.3	-108.7	-72.1	50.7%
Net profit / loss	68.4	40.6	181.2	141.6	28.0%
Financial position					
Capex	-9.0	-8.5	-27.2	-30.2	-9.9%
Total assets	3,485.4	3,469.5	3,485.4	3,469.5	0.5%
Equity	1,806.3	1,643.9	1,806.3	1,643.9	9.9%
Net increase in cash and cash equivalents	-105.6	73.8	-85.3	137.0	-162.3%
Free cash flow	163.6	154.8	391.3	307.3	27.3%
Earnings per share					
Earnings per share (DKK)	1.38	0.82	3.65	2.92	25.0%
Diluted Earnings per share (DKK)	1.38	0.82	3.65	2.92	24.9%
Employees					
Average number of full-time employees	1,979.2	1,579.3	1,860.7	1,256.0	48.1%

DKK million	Q4 2018	Q4 2017	YTD 2018	YTD 2017	% change YTD
Financial ratios					
Gross profit margin	39.4%	41.1%	39.8%	43.3%	-3.5pp
EBITA margin	24.0%	22.3%	23.4%	26.1%	-2.7pp
Adjusted EBITA margin	24.1%	26.0%	25.0%	28.4%	-3.3pp
Operating profit margin	18.7%	16.3%	17.7%	19.3%	-1.5pp
Effective tax rate	25.4%	33.2%	29.1%	29.6%	-0.4pp
Return on equity	4.0%	2.8%	10.5%	9.8%	0.8pp
Solvency ratio	51.8%	47.4%	51.8%	47.4%	4.4pp
Financial metrics					
Revenue growth	22.5%	67.4%	45.0%	57.4%	-12.4pp
Operating profit margin	18.7%	16.3%	17.7%	19.3%	-1.5pp
Return on invested capital (ROIC)	2.5%	1.6%	6.6%	5.5%	1.0pp
Cash conversion ratio	116.9%	127.4%	75.2%	76.4%	-1.1pp

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

Free cash flow	=	$\frac{\text{EBIT} + \text{Depreciation and Amortisation} + \text{Non-cash} + \text{Change in net working capital}}{\text{Revenue}}$	Operating profit margin	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
EPS	=	$\frac{\text{Net profit for the period} - \text{Dividends on preferred stock}}{\text{Average outstanding common shares}}$	Return on equity	=	$\frac{\text{Net profit for the period} \times 100}{\text{Average equity}}$
EPS diluted	=	$\frac{\text{Net profit / loss for the period} - \text{Dividends on preferred stock}}{\text{Average outstanding common shares} + \text{RSU}}$	Solvency ratio	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	Return on invested capital (ROIC)	=	$\frac{\text{Net profit} \times 100}{\text{Average invested capital}}$
EBITA margin	=	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	Cash conversion rate	=	$\frac{\text{Free cash flow} \times 100}{\text{EBITDA}}$
Adjusted EBITA margin	=	$\frac{(\text{EBITA} - \text{Special items}) \times 100}{\text{Revenue}}$			

Performance overview

DKK million	Netcompany UK Ltd. (Netcompany UK)					
	Q4 2018 (reported)	Q4 2018 (constant)*	Q4 2017	% change (reported)	Non-organic Impact	% change (constant)
Revenue	543.3	542.7	443.4	22.5%	5.7pp	22.4%
Cost of services	-329.5	-329.1	-261.3	26.1%	8.4pp	25.9%
Gross profit	213.8	213.6	182.0	17.5%	2.0pp	17.3%
Gross profit margin	39.4%	39.4%	41.1%	-1.7pp	-1.2pp	-1.7pp
Sales and marketing costs	-2.5	-2.5	-3.2	-21.6%	0.3pp	-21.7%
Administrative costs	-80.6	-80.5	-63.6	26.8%	2.7pp	26.7%
Adjusted EBITA	130.8	130.6	115.3	13.4%	1.7pp	13.2%
Adjusted EBITA margin	24.1%	24.1%	26.0%	-1.9pp	-0.8pp	-1.9pp
Special items	-0.1	-0.1	-16.3	-99.2%	0.1pp	-99.2%
EBITA	130.6	130.4	99.0	31.9%	1.9pp	31.7%
EBITA margin	24.0%	24.0%	22.3%	1.7pp	-0.8pp	1.7pp
Amortisation	-28.8	-28.8	-26.8	7.4%	6.5pp	7.4%
Operating profit (EBIT)	101.8	101.6	72.2	41.0%	0.2pp	40.8%
Operating profit margin	18.7%	18.7%	16.3%	2.5pp	-0.9pp	2.4pp
Net financials	-10.2	-10.2	-11.3	-10.1%	8.9pp	-10.1%
Profit / loss before tax	91.6	91.4	60.9	50.5%	-1.4pp	50.2%
Tax	-23.2	-23.2	-20.2	14.8%	3.5pp	14.6%
Effective tax rate	25.4%	25.4%	33.2%	-7.9pp	1.0pp	-7.9pp
Net profit / loss	68.4	68.2	40.6	68.3%	-3.8pp	67.8%

*Constant currencies measured using average exchange rates for Q4 2017

Reported revenue increased by 22.5% (constant 22.4%) to DKK 543.3m in Q4 2018 compared to the same period last year. The non-organic impact on revenue growth, which related from the acquisition of Netcompany UK in October 2017, was 5.7 percentage points in the period, resulting in an organic revenue growth of 16.8%. Revenue increased in both Denmark, Norway and UK, despite the fact, that Q4 2018 had 1 working day less compared to the same period last year, as Christmas and the national holidays related hereto, fell mostly outside the weekend in 2018, which reduced revenue growth by approximately 1.5% compared to Q4 2017. In addition, Q4 2017 was impacted by a one-time positive revenue adjustment of DKK 8.0m in the UK, offsetting underlying actual revenue growth in Q4 2018 by 2.3 percentage points in a normalised setting. The revenue adjustment of DKK 8.0m in Q4 2017, was a result of changing the accounting principles from UK GAAP to IFRS in the UK operation, when Netcompany acquired the entity in October 2017.

In Q4 2018, the public segment grew by 31.2% to DKK 321.0m, of which 26.9 percentage points was organic revenue growth, while the private segment grew 11.8% to DKK 222.3m, of which 4.2 percentage points was organic revenue growth. The development in the private segment was negatively affected by the one-time revenue adjustment in Q4 2017 of DKK 8.0m, which primarily impacted the private segment. Also the decision to focus on the public segment in both Denmark and Norway, as several of the big public engagements were set in production towards the back-end of 2018, impacted revenue in the private segment negatively. As a result, the main revenue driver in the private segment was the UK operation, while the main revenue driver in the public segment was the Danish and Norwegian business operations.

Cost of services increased by 26.1% (constant 25.9%) to DKK 329.5m in Q4 2018. The higher increase in cost of services relative to revenue growth was, besides the increased activity level in both Denmark and Norway, primarily driven by the fact, that there was 1 working day less in Q4 2018 compared to Q4 2017, which reduced potential revenue, but not the salary costs, as the level of salary costs remains unchanged by the impact of national holidays in a given period of time. In addition to this, the increase in cost of services was driven by the UK operation, which by nature had significantly higher share of cost to serve, due to a higher usage of independent contractors compared to Denmark and Norway. As the UK operation was acquired on 26 October 2017, it only impacted cost of services in Q4 2017 by 2 months and 6 days, while it had full financial impact in Q4 2018. Furthermore, in the UK, revenue growth relative to the increase in cost of services in Q4 2018 compared to Q4 2017, was offset by the one-time adjustment of DKK 8.0m in Q4 2017, making the comparable gross profit margin higher in Q4 2017 compared to Q4 2018.

Gross profit margin decreased by 1.7 percentage points from 41.1% in Q4 2017 to 39.4% in Q4 2018, despite the fact, that the Danish operation increased its gross profit margin by 1.7 percentage points to 45.4% in Q4 2018. The positive contribution in gross profit margin from the Danish operation was offset by a decrease in gross profit margin of 6.0 percentage points in the Norwegian operation and a decrease of 12.8 percentage points in the UK operation. The decrease in the Norwegian gross profit margin was primarily driven by the intake of close to 40 new employees in July and August, representing a relative increase in the workforce by more than 30%. Such a large intake, naturally requires significant time from the rest of the organisation to onboard and train the new employees, which thereby lowered utilisation and thus profitability in Q4 2018 compared to Q4 2017. The decrease in the gross profit margin in the UK operation was, as previously described, primarily driven by the one-time revenue in Q4 2017 of DKK 8.0m. Adjusting for this, gross margin in Q4 2018 decreased by 1.9 percentage point compared to the reported decrease of 12.8 percentage points. In addition, there was 1 working day less in Q4 2018 compared to Q4 2017, which also impacted gross margin negatively.

Sales and marketing costs decreased by 21.6% (constant 21.7%) to DKK 2.5m. The decrease in sales and marketing costs was primarily driven by the timing of marketing events and therefore expenses and the fact that Q4 2017 included costs related to the IPO activities.

Administrative costs increased by 26.8% (constant 26.7%) to DKK 80.6m in Q4 2018. The increase in administrative costs was driven by several factors, of which the most significant was the Group employing an average of 1,979.2 FTEs in Q4 2018 compared to 1,586.8 FTEs in Q4 2017, an increase of 24.7%. This meant, that more consultants in absolute numbers spent time on certification and other course training, as well as increasing the infrastructure costs which are all activities reported as administrative costs. In addition, administrative costs increased due to an increase in remuneration to the Executive Management and Board of Directors "post IPO", aligning it to match market level standards, as well as an increase in administrative staff needed to secure the additional reporting and governance requirements following the IPO of Netcompany. Finally, the increase in administrative costs was driven by an expansion of office space in Denmark and Poland and a new headquarter for the UK operation in London.

Adjusted EBITA increased by 13.4% (constant 13.2%) to DKK 130.8m. This led to an adjusted EBITA margin of 24.1%, which was a decrease of 1.9 percentage points, of which the UK operation accounted for 4.0 percentage points.

Special items decreased by 99.2% in Q4 2018 to DKK 0.1 million. In Q4 2017, DKK 9.6m related to M&A advisory costs while DKK 6.7m related to the IPO of Netcompany.

EBITA increased by 31.9% (constant 31.7%) to DKK 130.6m. This led to an EBITA margin of 24.0%, which was an increase of 1.7 percentage points compared to the same period last year, as the lack of special items costs in Q4 2018 more than covered the dilutive impact from the UK operation on Group EBITA margins.

Amortisation of intangibles recognised upon business combinations in the past increased by 7.4% to DKK 28.8 million in Q4 2018. The increase in amortisation was driven by the purchase of Netcompany UK in October 2017, which had full financial effect in Q4 2018, but only impacted Q4 2017 by 2 months and 6 days, as Netcompany UK was acquired on 25 October 2017.

Operating profit (EBIT) increased by 41.0% (constant 40.8%) to DKK 101.8m. This led to an operating profit margin of 18.7% compared to 16.3% in Q4 2017. The increase in operating profit margin was driven by the increase in EBITA margin and a lower increase in amortisation relative to revenue growth in the same period.

Net financial costs decreased by 10.1% to DKK 10.2m in Q4 2018. The decrease was a result of the refinancing of all external borrowings in connection with the IPO, which led to significantly lower interest rates "post IPO".

The effective tax rate in Q4 2018 was 25.4%, which was a decrease of 7.9 percentage points, compared to the same period last year. The decrease in effective tax rate was primarily driven by the fact, that Q4 2017 was impacted by a negative impact of interest deduction limitation rules adjustments, as well as special items, categorised as non-tax-deductible costs.

The net result in Q4 2018 increased by 68.3% (constant 67.8%) to DKK 68.4m.

DKK million	YTD 2018 (reported)	YTD 2018 (constant)*	YTD 2017	% change (reported)	Netcompany UK Ltd. (Netcompany UK)	
					Non-organic Impact	% change (constant)
Revenue	2,053.2	2,057.4	1,416.1	45.0%	19.5pp	45.3%
Cost of services	-1,236.7	-1,239.3	-803.4	53.9%	28.3pp	54.3%
Gross profit	816.5	818.1	612.7	33.3%	7.8pp	33.5%
Gross profit margin	39.8%	39.8%	43.3%	-3.5pp	-3.5pp	-3.5pp
Sales and marketing costs	-11.9	-11.9	-9.7	22.3%	8.2pp	22.6%
Administrative costs	-290.4	-291.4	-201.0	44.5%	12.6pp	45.0%
Adjusted EBITA	514.2	514.7	402.0	27.9%	5.5pp	28.1%
Adjusted EBITA margin	25.0%	25.0%	28.4%	-3.3pp	-2.6pp	-3.4pp
Special items	-34.5	-34.5	-32.9	4.7%	22.1pp	4.7%
EBITA	479.7	480.2	369.0	30.0%	4.0pp	30.1%
EBITA margin	23.4%	23.3%	26.1%	-2.7pp	-2.8pp	-2.7pp
Amortisation	-115.4	-115.4	-95.9	20.3%	21.1pp	20.3%
Operating profit (EBIT)	364.3	364.9	273.2	33.4%	-2.0pp	33.6%
Operating profit margin	17.7%	17.7%	19.3%	-1.5pp	-3.1pp	-1.6pp
Net financials	-108.7	-108.7	-72.1	50.7%	16.2pp	50.7%
Profit / loss before tax	255.7	256.2	201.0	27.2%	-8.6pp	27.4%
Tax	-74.5	-74.6	-59.4	25.3%	0.6pp	25.5%
Effective tax rate	29.1%	29.1%	29.6%	-0.4pp	2.0pp	-0.4pp
Net profit / loss	181.2	181.6	141.6	28.0%	-12.4pp	28.2%

*Constant currencies measured using average exchange rates for 2017

Revenue increased by 45.0% (constant 45.3%) from DKK 1,416.1m in 2017 to DKK 2,053.2m in 2018, corresponding to an organic revenue growth of 25.5%. The increase in organic revenue, in both the Danish and Norwegian operation, primarily came from the public sector, driven by the large public tender wins in 2017, which was delivered during 2018. In addition to this, several of the large current public customers in the Danish, as well as the Norwegian public segment, prolonged their engagements and some also expanded previously contracted framework agreements.

Cost of services increased by 53.9% (constant 54.3%) to DKK 1,236.7m in 2018. The higher increase in cost of services relative to the revenue growth was principally driven by the UK operation, which generated a higher cost to serve than the Danish and Norwegian operation, since the UK operation utilised a higher proportion of independent contractors compared to the other business operations. In addition, the UK operation impacted 2018 with full financial effect, while only impacting 2017 with 2 months and 6 days in 2017. As a result, gross profit margin

decreased from 43.3% in 2017 to 39.8% in 2018, of which the UK operation reduced gross profit margin by 4.4 percentage points. An offsetting factor to this development, was driven by the Danish operation, which increased its gross profit margin from 44.7% in 2017 to 45.3%, primarily driven by the business operation lowering the amount of freelancers in 2018 compared to 2017, as well as an increased revenue per hour on public projects in the second half of 2018. The increased revenue per hour in the second half of 2018 on public projects, was a result of the projects changing status from development to maintenance, while the lower amount of freelancers was a result of the overall aim, to lower the organic revenue growth to a more sustainable level of around 20-25%. This strategy was implemented in Q3 2018 and Q4 2018, hence the need for freelancers to the cover for the lack of own employees was significantly reduced towards the backend of 2018.

Sales and marketing costs increased by 22.3% (constant 22.6%) to DKK 11.9m. The increase in sales and marketings costs was primarily driven by advisory costs in relation to the listing of Netcompany in the first half of 2018.

Administrative costs increased by 44.5% (constant 45.0%) to DKK 290.4m. The increase in administration costs was driven by several factors, of which the most significant came from the Group employing an average of 1,860.7 FTEs in 2018 compared to 1,256.0 FTEs in 2017, which was an increase of 48.1%. Administrative costs increased as more consultants in absolute numbers spent time on certification and other course training, as well as increasing infrastructure costs such as canteen services etc. In addition, administrative costs increased due to an increase in remuneration to the Executive Management and Board of Directors “post IPO”, aligning it to match market level standards, as well as an increase in administrative staff needed to secure the additional reporting and governance requirements following the IPO. Finally, the increase in administrative costs was driven by an expansion of office space in Denmark and Poland, as well as an organisational restructuring of the UK operation, which meant closing of the offices in Reading in UK and Hanoi in Vietnam and instead the opening of a new headquarter for the UK operation in London.

Adjusted EBITA increased by 27.9% (constant 28.1%) to DKK 514.2m. This led to an adjusted EBITA margin of 25.0% in 2018, which was a decrease of 3.3 percentage points compared to 28.4% in 2017. The decrease in EBITA margin was driven by the decrease in gross profit margin, of which the UK operation reduced the adjusted EBITA margin by 3.6 percentage points.

Special items increased by 4.7% to DKK 34.5m in 2018. Of this, DKK 33.0m related to the IPO and activities related hereto, while the remaining DKK 1.5m was related to M&A activities. In 2017, DKK 19.2m related to the IPO activities, while DKK 13.7m related to M&A activities, including the acquisition of Netcompany UK.

EBITA increased by 30.0% (constant 30.1%) to DKK 479.7m. This led to an EBITA margin of 23.4%, which was a decrease of 2.7 percentage points compared to 2017. The decrease in EBITA margin was driven by the negative impact on adjusted EBITA margin from the UK operation.

Operating profit (EBIT) increased by 33.4% (constant 33.6%) to DKK 364.3m. This led to an operating profit margin of 17.7% in 2018, which was a decrease of 1.5 percentage points compared to 2017.

Net financial costs increased by 50.7% to DKK 108.7m. The increase in net financial costs was primarily driven by the refinancing of the Group in connection with the IPO, in which capitalised loan costs and termination of derivative contracts relating to past borrowings was expensed. As a result, DKK 34.9m was expensed through financial expenses and DKK 19.6m through other comprehensive income, all relating to the refinancing. Adjusted for this, net financial costs increased by 2.3% to DKK 73.8m, primarily driven by the acquisition of Netcompany UK, which

was partly financed with additional borrowings. This development was however partly offset by the fact, that the refinancing “post IPO”, led to significantly lower interest rates in 2018 compared to the same period last year.

Profit before tax increased by 27.2% (constant 27.4%) to DKK 255.7m. The increase in profit before tax was primarily driven by the increase in operating profit, which was somewhat offset by the increase in net financial costs from 2017 to 2018.

The effective tax rate in 2018 was 29.1%, which was 0.4 percentage point lower than the effective tax rate in 2017 at 29.6%. The decrease in effective tax rate was primarily driven by the fact, that the Group was less impacted by the interest deduction limitation rules in 2018 compared to 2017. This development was offset by a higher amount of special items in 2018 compared to 2017, as special items are categorised as non-tax-deductible costs.

Net profit increased by 28.0% (constant 28.2%) to DKK 181.2m.

Business Segments

Public

DKK million				Netcompany UK Ltd. (Netcompany UK)
	Q4 2018	Q4 2017	% change (reported)	Non-organic Impact
Revenue	321.0	244.6	31.2%	4.3pp
Cost of service	-191.9	-165.7	15.8%	5.1pp
Gross profit	129.1	78.9	63.5%	2.4pp
Gross profit margin	40.2%	32.3%	7.9pp	-0.7pp
Allocated costs	-52.5	-37.7	39.3%	1.2pp
Adjusted EBITA	76.5	41.2	85.7%	3.5pp
Adjusted EBITA margin	23.8%	16.8%	7.0pp	-0.3pp
Special items	-0.1	-10.3	-99.3%	0.1pp
EBITA	76.4	30.9	147.6%	4.7pp
EBITA margin	23.8%	12.6%	11.2pp	-0.3pp
Amortisation	-16.9	-17.0	-0.4%	2.8pp
Operating profit	59.5	13.9	329.0%	7.0pp
Operating profit margin	18.5%	5.7%	12.9pp	-0.3pp

Public segment revenue increased by 31.2% to DKK 321.0m, of which 26.9 percentage points came from organic revenue growth. The increase in revenue was primarily driven by high activity on public customers as several of the large public customers prolonged their framework agreements and expanded previously contracted framework agreements. The increase in revenue in Q4 2018, followed the same trend as in Q3 2018 with high activity at Danish customers such as the Danish Ministry of Taxation, ATP, KOMBIT, the Danish Business Authority and the Danish Working Environment Authority, but also the Norwegian and English customers such as Oslo Municipality, the Norwegian Toll Service and the British Home Office and Department for Work and Pension contributed positively to the significant revenue growth.

Cost of services increased by 15.8% to DKK 191.9m, which was lower than the relative increase in revenue growth. As a result, gross profit margin increased by 7.9 percentage points from 32.3% in Q4 2017 to 40.2% in Q4 2018. The increase in gross profit margin was a result of more projects in the public sector changing status from development to maintenance in the second half of 2018, thereby increasing revenue per hour compared to the same period last year. The change from development to maintenance was principally driven by several large production settings in the Danish public sector in the second half of 2018.

Allocated costs increased by 39.3% in Q4 2018 to DKK 52.5m, which was a higher relative increase compared to the combined increase in administration costs and sales and marketing at Group level. This development was primarily driven by a higher level of activity in the public sector compared to the private sector in Q4 2018.

Adjusted EBITA increased by 85.7% to DKK 76.5m, which led to an adjusted EBITA margin of 23.8% compared to 16.8% in Q4 2017. The increase in EBITA margin was driven by the increase in gross profit margin, which was partly offset by the higher relative increase in allocated segment costs compared to revenue growth.

EBITA increased by 147.6% to DKK 76.4m, which led to an EBITA margin of 23.8%, an increase of 11.2 percentage points compared to the same period last year, primarily driven by the higher adjusted EBITA margin and lower amount of special items in Q4 2018 compared to the same period last year.

Operating profit (EBIT) increased by 329.0% to DKK 59.5m in Q4 2018. This led to an operating profit margin of 18.5%, which was an increase of 12.9 percentage points, driven by the increase in EBITA margin and a lower relative increase in amortisation compared to revenue growth.

DKK million	Netcompany UK Ltd. (Netcompany UK)			
	YTD 2018	YTD 2017	% change (reported)	Non-organic Impact
Revenue	1,152.1	730.2	57.8%	9.8pp
Cost of service	-692.1	-453.7	52.6%	12.2pp
Gross profit	459.9	276.5	66.4%	5.9pp
Gross profit margin	39.9%	37.9%	2.1pp	-1.1pp
Allocated costs	-185.3	-119.6	55.0%	4.2pp
Adjusted EBITA	274.6	156.9	75.1%	7.1pp
Adjusted EBITA margin	23.8%	21.5%	2.4pp	-0.6pp
Special items	-19.2	-19.7	-2.8%	6.5pp
EBITA	255.4	137.1	86.3%	7.2pp
EBITA margin	22.2%	18.8%	3.4pp	-0.6pp
Amortisation	-65.2	-53.7	21.4%	7.3pp
Operating profit	190.2	83.4	128.1%	7.1pp
Operating profit margin	16.5%	11.4%	5.1pp	-0.5pp

Revenue in the public segment increased by 57.8% to DKK 1,152.1m in 2018. The increase in revenue was primarily driven by high activity at both Danish and Norwegian public customers, following the large public tender wins in 2017.

Gross profit margin increased by 2.1 percentage points from 37.9% in 2017 to 39.9% in 2018. The increase in gross profit margin, was a result of a relatively higher share of public projects in maintenance compared to development in 2018, thereby increasing revenue per hour compared to 2017. This development, was principally driven by several large production settings in the Danish public sector towards the back-end of 2018.

Private

DKK million	Netcompany UK Ltd. (Netcompany UK)			
	Q4 2018	Q4 2017	% change (reported)	Non-organic Impact
Revenue	222.3	198.8	11.8%	7.6pp
Cost of service	-137.5	-95.6	43.8%	13.9pp
Gross profit	84.7	103.1	-17.8%	1.7pp
Gross profit margin	38.1%	51.9%	-13.8pp	-1.9pp
Allocated costs	-30.5	-29.0	5.2%	4.3pp
Adjusted EBITA	54.2	74.1	-26.8%	0.6pp
Adjusted EBITA margin	24.4%	37.3%	-12.9pp	-1.5pp
Special items	-0.1	-6.0	-99.2%	0.3pp
EBITA	54.2	68.1	-20.5%	0.7pp
EBITA margin	24.4%	34.3%	-9.9pp	-1.6pp
Amortisation	-11.9	-9.8	21.0%	12.9pp
Operating profit	42.3	58.3	-27.5%	-1.4pp
Operating profit margin	19.0%	29.3%	-10.3pp	-1.8pp

Private segment revenue increased by 11.8% to DKK 222.3m in Q4 2018. The increase in revenue was driven by the UK operation, which contributed 26.6 percentage points of the total growth of 11.8% in Q4 2018. The non-organic impact from the UK is limited to revenue for the period up til 25 October only while the revenue growth generated in the full 4th quarter in 2018 counts towards total revenue growth, which is the reason that the total growth impact from the UK operation is higher than the non-organic impact.

Cost of services increased by 43.8% to DKK 137.5m in Q4 2018, which was higher than the relative revenue growth in the same period. The primary driver behind this development was the UK operation, which generated a much higher cost to serve than the other operations in Denmark and Norway, as the UK operation utilised a higher proportion of independent external contractors. As a result, gross profit margin decreased by 13.8 percentage points from 51.9% in Q4 2017 to 38.1% in Q4 2018, of which the UK operation reduced gross profit margin by 10.6 percentage points. The remaining decrease was driven by the Norwegian operation, due to a high intake of approximately 40 new employees in July and August, corresponding to an increase in the Norwegian workforce of approximately 30% at the time.

Allocated segment costs increased by 5.2% to DKK 30.5m in Q4 2018. The lower increase in allocated segments costs relative to revenue growth, was primarily driven by the fact, that there was negative revenue growth in the Danish private sector, which on the other hand generated most of the increase in administrative costs, hence the increase in allocated costs were lower than the increase in revenue.

Adjusted EBITA decreased by 26.8% to DKK 54.2m in Q4 2018. This led to an adjusted EBITA margin of 24.4%, which was a decrease of 12.9 percentage points compared to an adjusted EBITA margin of 37.3% in Q4 2017. This development was primarily driven by the decrease in gross

profit margin. Adjusted for the UK operation in 2018, the adjusted EBITA margin decreased by 2.7 percentage points from 37.3% to 34.6% driven by a negative development in the gross profit margin in the Norwegian operation.

EBITA decreased by 20.5% to DKK 54.2m, which led to an EBITA margin of 24.4%, a decrease of 9.9 percentage points compared to the same period last year and driven by the decrease in adjusted EBITA margin, which was somewhat offset by Q4 2018 having a lower amount of special items.

Operating profit (EBIT) decreased by 27.5% to DKK 42.3m in Q4 2018. This led to an operating profit margin of 19.0%, which was a decrease of 10.3 percentage points and driven by the decrease in EBITA margin. This development was somewhat offset by a lower relative increase in amortisation compared to revenue growth in the same period.

DKK million	Netcompany UK Ltd. (Netcompany UK)			
	YTD 2018	YTD 2017	% change (reported)	Non-organic Impact
Revenue	901.1	685.9	31.4%	29.8pp
Cost of service	-544.6	-349.7	55.7%	49.3pp
Gross profit	356.6	336.3	6.0%	9.5pp
Gross profit margin	39.6%	49.0%	-9.5pp	-7.0pp
Allocated costs	-117.0	-91.1	28.3%	23.1pp
Adjusted EBITA	239.6	245.1	-2.2%	4.4pp
Adjusted EBITA margin	26.6%	35.7%	-9.1pp	-6.2pp
Special items	-15.3	-13.2	16.0%	45.4pp
EBITA	224.3	231.9	-3.3%	2.1pp
EBITA margin	24.9%	33.8%	-8.9pp	-6.6pp
Amortisation	-50.1	-42.1	19.0%	38.6pp
Operating profit	174.1	189.8	-8.2%	-6.0pp
Operating profit margin	19.3%	27.7%	-8.3pp	-7.3pp

Revenue in the private segment increased by 31.4% to DKK 901.1m in 2018, primarily driven by high activity in the UK operation, which contributed to 35.3 percentage points of the total revenue growth of 31.4% in 2018, while the development in the private sector in Denmark and Norway was a consequence of the deliberate decision to focus on the public segment in those two countries.

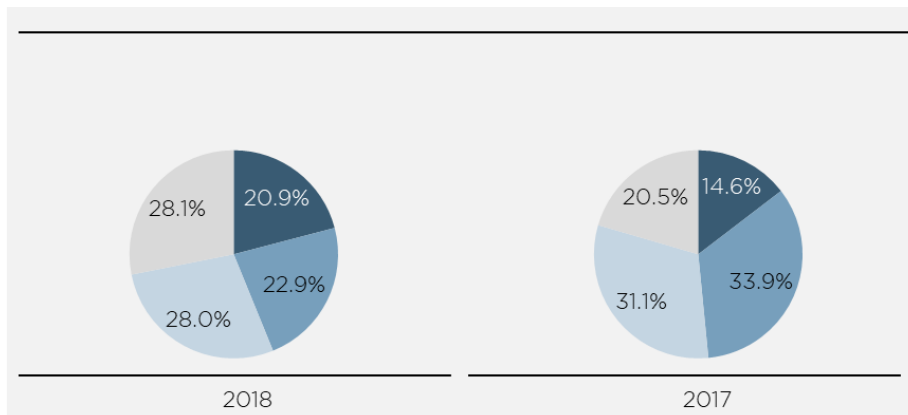
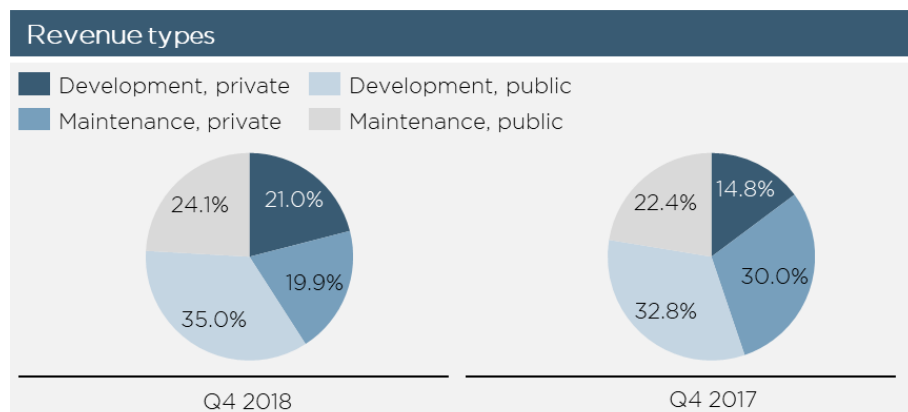
Gross profit margin decreased by 9.5 percentage points to 39.6% in 2018. Adjusted for the fact, that the UK operation impacted the 2018 with full financial effect compared to only 2 months and 6 days in 2017, gross profit margin decreased by 2.5 percentage points, primarily driven by more projects in development in 2018 compared to the same period last year, which had a relative higher share of projects in maintenance.

Revenue types

The relative split between development and maintenance, shifted towards a higher proportion of development in Q4 2018 compared to Q4 2017. As such, development increased by 8.4 percentage points to 56.1% in Q4 2018, primarily driven by the increase in development projects in the UK operation. This development was partly offset by the increase in maintenance in the public sector in Denmark, as several large public projects in the Danish operation were set in production towards the second half of 2018, thereby increasing profitability in the public sector in the same period.

The relative split between development and maintenance, shifted towards a lower proportion of maintenance in 2018 compared to 2017. As such, development increased from 45.7% in 2017 to 49.0% in 2018 and maintenance decreased from 54.3% in 2017 to 51.0% in 2018.

The increase in development was driven by the private sector, as the UK operation had a larger proportion of projects in development in 2018 compared to 2017. This increase in development, at Group level, was somewhat offset by a significant increase in maintenance in the public sector, as several large public projects in the Danish operation were set in production towards the back-end of 2018.

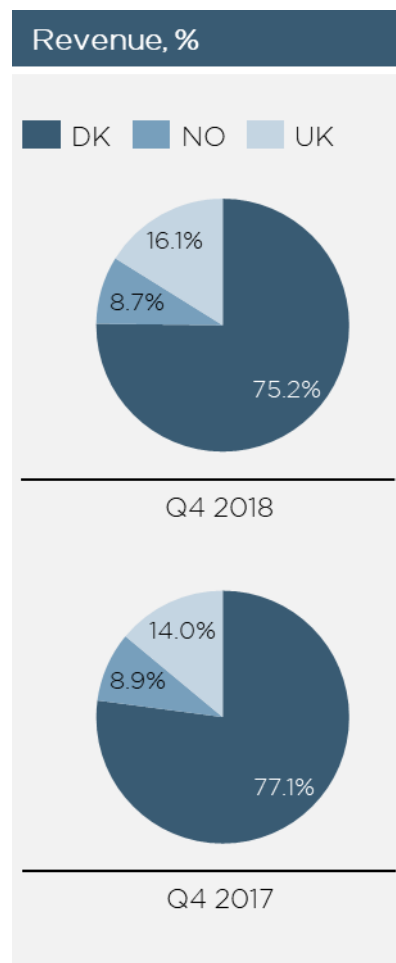


Information related to operating entities

Segment information related to operating entities:

DKK million	Constant (2017 rate)	Q4 2018			Total
		Denmark	Norway	United Kingdom	
Revenue from external customers		408.0	47.1	87.6	542.7
Gross profit		185.2	16.5	11.8	213.6
Gross profit Margin		45.4%	35.1%	13.5%	39.4%
Local admin costs		-57.8	-9.3	-6.9	-73.9
Adjusted EBITA before allocated cost from HQ		127.5	7.3	4.9	139.7
Adjusted EBITA margin before allocated cost from HQ		31.2%	15.5%	5.6%	25.7%
Allocated costs from HQ		-6.3	-0.7	-2.0	-9.1
Special Items, allocated		-0.1	0.0	0.0	-0.1
EBITA		121.1	6.5	2.9	130.4

DKK million	Reported	Q4 2017			Total
		Denmark	Norway	United Kingdom	
Revenue from external customers		341.9	39.6	61.9	443.4
Gross profit		149.4	16.3	16.3	182.0
Gross profit Margin		43.7%	41.3%	26.3%	41.1%
Local admin costs		-51.8	-5.7	-3.9	-61.4
Adjusted EBITA before allocated cost from HQ		97.6	10.7	12.4	120.6
Adjusted EBITA margin before allocated cost from HQ		28.5%	27.0%	20.0%	27.2%
Allocated costs from HQ		-4.8	-0.5	0.0	-5.3
Special Items, allocated		-14.8	-1.5	0.0	-16.3
EBITA		78.0	8.7	12.4	99.0



Revenue in constant currencies increased by 22.4% to DKK 542.7m. Revenue in constant currencies in the Danish operation increased by 19.3% to DKK 408.0m and the Norwegian operation increased by 19.0% to DKK 47.1m, while revenue in the UK operation grew by 41.6% to DKK 87.6m and by 62.6%, when adjusted for the revenue adjustment made in Q4 2017 of DKK 8.0m. Q4 2018 had 1 working day less compared to the same period last year, as Christmas and the national holidays related hereto, fell mostly outside the weekend in 2018, which reduced revenue growth by approximately 1.5% compared to Q4 2017 in all geographies.

Gross profit in constant currencies increased by 17.3% to DKK 213.6m in Q4 2018, which led to a gross profit margin of 39.4% compared to 41.1% in the same period last year. The increase in gross profit margin in the Danish operation of 1.7 percentage points, was more than offset by the decrease in the Norwegian gross profit margin of 6.2 percentage points and the decrease of 12.8 percentage points in the UK operation.

The increase in the Danish gross profit margin was primarily driven a relatively larger share of maintenance in the Danish public sector in the second half of 2018, thereby increasing revenue per hour compared to the same period last year. This development was driven by several large production settings in the Danish public sector in the second half of 2018, which thereby changed status from development to maintenance.

The decrease in the Norwegian gross profit margin was primarily driven by the intake of close to 40 new employees in July and August, representing a relative increase in the workforce of more than 30%. Such a large intake, naturally requires significant time from the rest of the organisation to onboard and train the new employees, which thereby lowered utilisation and thereby profitability in the second half of 2018 compared to the second half of 2017.

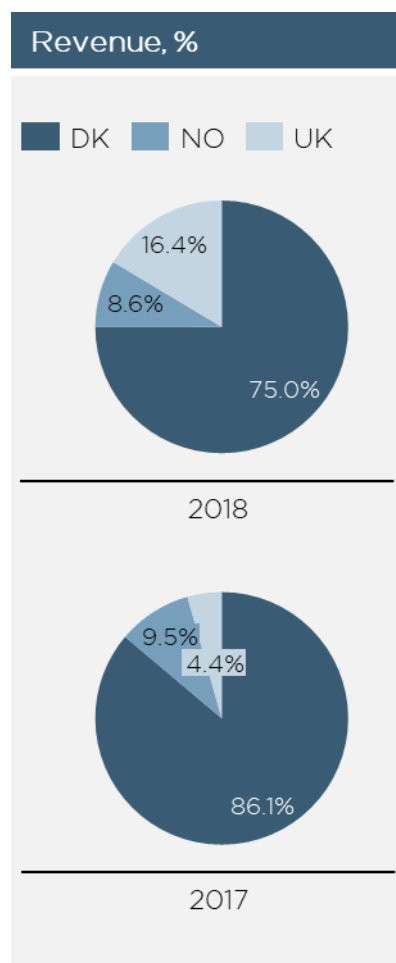
The decrease in the UK gross profit margin was a result of a one-time positive revenue adjustment in Q4 2017 of DKK 8.0m, making comparison against Q4 2017 unbalanced. This adjustment was a result of changing the accounting principles from UK GAAP to IFRS in the UK operation, at the time Netcompany acquired the entity in October 2017.

Adjusted EBITA before allocated costs from HQ increased by 15.8% to DKK 139.7m in Q4 2018. Adjusted EBITA margin before allocated costs from HQ increased in the Danish operation and decreased in the Norwegian and UK operation. The Danish operation increased margins on a combination of higher a gross margin and relatively lower administration costs compared to 2017, whereas the decrease in the adjusted EBITA before allocated costs from HQ, in both the Norwegian and UK, was primarily driven by a lower gross margin and increased administrative costs. The decrease in Norway, was a result of the significant intake of new employees in July and August operation, while the decrease in margins in UK in Q4 2018, was driven by the restructuring of the organisation and the opening of a new headquarter in London, as well as the revenue adjustment in Q4 2017.

EBITA increased by 31.7% to DKK 130.4m in Q4 2018 and was negatively impacted by the increase in allocated costs from HQ. This development was however offset by the decrease in special items in the same period. Special items in Q4 2018 related to M&A activities, while HQ costs included costs from non-operating entities, as well as remuneration to the Executive Management and Board of Directors, which increased due to a market level adjustment of remuneration packages “post IPO”.

DKK million	Constant (2017 rate)	YTD 2018			
		Denmark	Norway	United Kingdom	Total
Revenue from external customers		1,543.8	175.8	337.8	2,057.4
Gross profit		699.2	62.6	56.3	818.1
Gross profit Margin		45.3%	35.6%	16.7%	39.8%
Local admin costs		-218.7	-29.1	-27.1	-274.9
Adjusted EBITA before allocated cost from HQ		480.6	33.4	29.2	543.2
Adjusted EBITA margin before allocated cost from HQ		31.1%	19.0%	8.6%	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	28.7	15.6	480.2

DKK million	Reported	YTD 2017			
		Denmark	Norway	United Kingdom	Total
Revenue from external customers		1,220.3	133.9	61.9	1,416.1
Gross profit		545.3	51.2	16.3	612.7
Gross profit Margin		44.7%	38.2%	26.3%	43.3%
Local admin costs		-174.0	-19.1	-3.9	-196.9
Adjusted EBITA before allocated cost from HQ		371.3	32.1	12.4	415.8
Adjusted EBITA margin before allocated cost from HQ		30.4%	24.0%	20.0%	29.4%
Allocated costs from HQ		-12.5	-1.3	0.0	-13.8
Special Items, allocated		-29.8	-3.1	0.0	-32.9
EBITA		329.0	27.7	12.4	369.0



Revenue in constant currencies increased by DKK 641.3m corresponding to 45.3% from DKK 1,416.1m in 2017 to DKK 2,057.4m in 2018, of which non-organic revenue in constant currencies from the UK operation amounted to DKK 275.7m. Revenue in constant currencies in the Danish operation increased by 26.5% from DKK 1,220.3m to DKK 1,543.8m, while revenue in the Norwegian operation increased by 31.3% from DKK 133.9m to DKK 175.8m. Compared to the normalised UK revenue for 2017 of DKK 286.3m, revenue in the UK operation grew by 18.0% in 2018.

Gross profit in constant currencies increased by 33.5% from DKK 612.7m in 2017 to DKK 818.1m in 2018. This led to a gross profit margin of 39.8%, which was a decrease of 3.5 percentage points compared to 2017, despite the fact that the Danish operation increased its gross profit margin by 0.6 percentage point to 45.3% in 2018 compared to 2017. The positive contribution in gross profit margin from the Danish operation was offset by a decrease in gross profit margin of 2.6 percentage points in the Norwegian operation and a decrease of 9.6 percentage points

in the UK operation. The decrease in the Norwegian gross profit margin was primarily driven by the intake of close to 40 new employees in July and August, representing a relative increase in the workforce by more than 30%.

The decrease in the gross profit margin for the UK operation was a result of a one-time positive revenue adjustment in Q4 2017 of DKK 8.0m. This adjustment was a result of changing the accounting principles from UK GAAP to IFRS in the UK operation. Adjusted for this one-time adjustment, gross profit margin for the UK operation in 2018 increased by 1.3 percentage points from 15.4% in 2017 to 16.7% in 2018.

Adjusted EBITA before allocated costs from HQ increased by 30.6% to DKK 543.2m in 2018. The Danish operation increased margins on a combination of higher gross margins and relatively lower administrative costs compared to 2017. The decrease in the adjusted EBITA in the Norwegian operation was primarily driven by lower gross margins and increased administrative costs following a revenue growth of more than 31% in 2018. The decrease in the adjusted EBITA margin before allocated costs in the UK operation was primarily driven by the earlier mentioned one-time adjustment caused by changing the accounting principles from UK GAAP to IFRS in October 2017. Adjusting for the impact from changes in accounting principles, adjusted EBITA margin before allocated costs would have been 8.2% in 2017 and thus the UK operation increased margins by 0.4 percentage point on the local UK based operation to 8.6% in 2018.

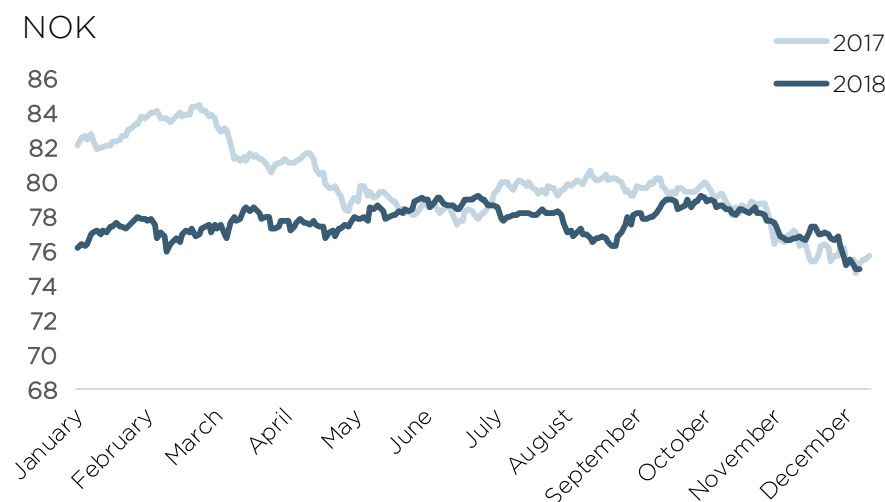
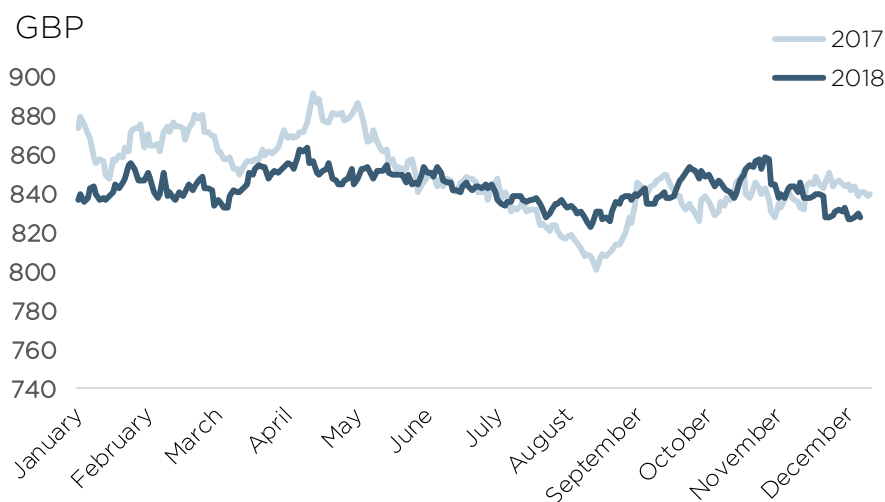
Currency exposures

Local currency million	Q4 2018				
	DKK	NOK	GBP	VND	PLN
Revenue	408.0	61.1	10.4	0.0	0.0
EBIT	94.3	5.7	0.0	1,386.6	1.4
Net result	65.1	5.3	-0.4	1,343.3	1.2

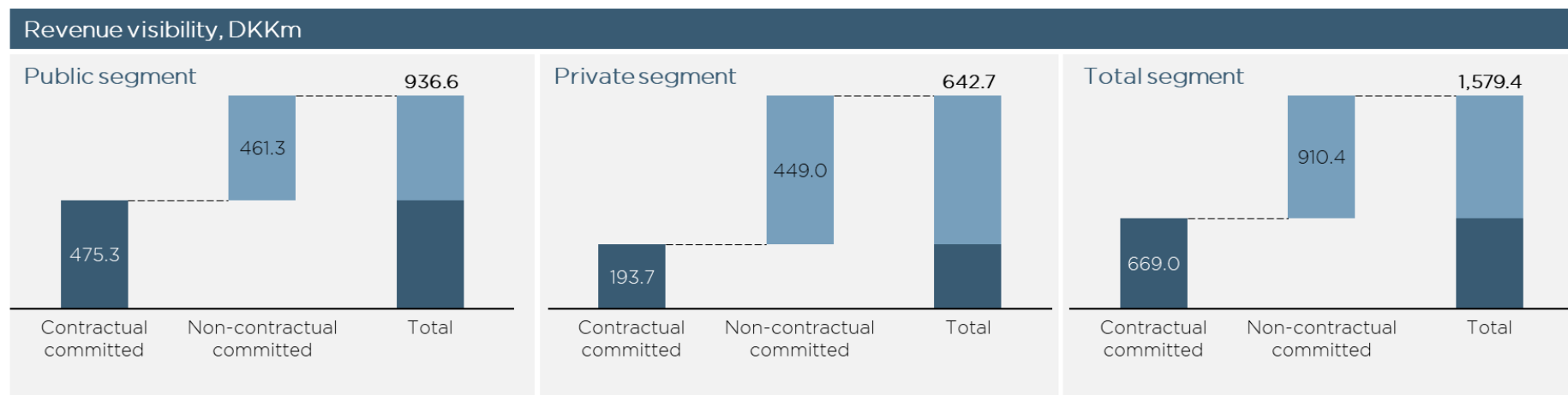
Local currency million	YTD 2018				
	DKK	NOK	GBP	VND	PLN
Revenue	1,543.8	220.9	40.2	0.0	0.0
EBIT	320.7	30.8	1.2	6,888.3	4.1
Net result	148.5	24.5	0.7	5,920.2	3.0

The Group is exposed to exchange rate risk in the countries where the Group has its sales activities outside Denmark, which means Norway and UK 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 the Group’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.



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 total value of planned continued engagements.

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

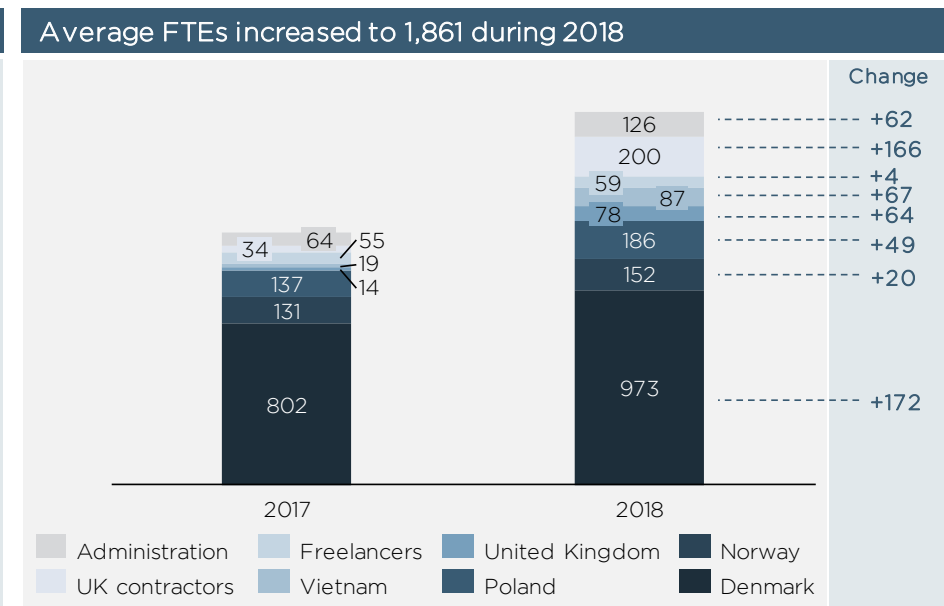
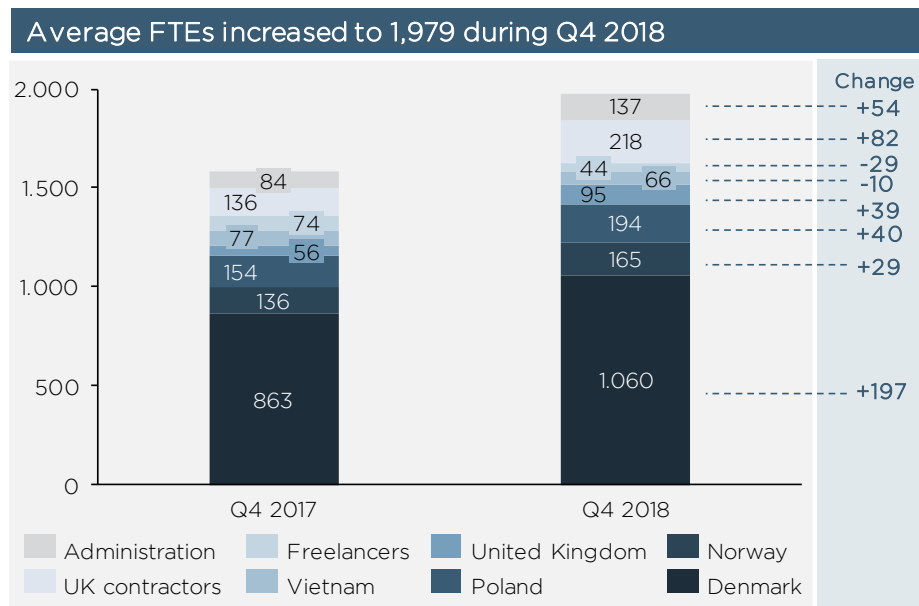
At the beginning of 2019, revenue visibility for 2019 amounted to DKK 1,579.4m. Of this, contractual committed revenue amounted to DKK 669.0m and planned continued engagements amounted to DKK 910.4m. Revenue visibility in the public segment amounted to DKK 936.6m, of which contractual committed revenue amounted to DKK 475.3m and planned continued engagements amounted to DKK 461.3m. Revenue visibility in the private segment amounted to DKK 642.7m, of which, contractual committed revenue amounted to DKK 193.7m and planned continued engagements amounted to DKK 449.0m.

Compared to 2018 revenue visibility improved 33.8% from DKK 1,180.0m to DKK 1,579.4m for 2019.

Employees

Netcompany employed an average of 1,979.2 FTEs in Q4 2018 and 1,860.7 FTEs in 2018, which was an increase of more than 390 FTEs and 600 FTEs respectively, compared to the same periods last year. The increase in FTEs was driven by a high intake of new employees in all countries including Poland and Vietnam, as a result of high activity in all three business operations in Denmark, Norway and UK.

The attrition rate in 2018 was 25.0%, which was an increase of 9.8 percentage points compared to 2017. The increase was primarily driven by the deliberate decision to close down the office in Hanoi Vietnam, which drove the attrition rate up in the second half of 2018. Corrected for this, and the fact that the attrition rate is slightly higher in UK and Vietnam compared to Denmark, Norway and Poland, the attrition rate 18.1% which is in line with the level in 2017 in all countries.



Cash flow and other significant balance sheet items

Free cash flow, cash conversion ratio and balance sheet

Overall, the free cash flow remained strong during Q4 2018, as the free cash flow increased to DKK 163.6m in Q4 2018 compared DKK 154.8m in Q4 2017, which generated a cash conversion ratio of 116.9% compared to 127.4% in Q4 2017. The decrease in cash conversion ratio, was caused by increase in work progress driven by the continued work on several large fixed price projects.

In 2018, Netcompany generated a free cash flow of DKK 391.3m, which led to a cash conversion ratio of 75.2% compared to 76.4% in 2017. The decrease in cash conversion ratio was primarily driven by an increase in work in progress, due the continued work on several large fixed price projects, especially during the last quarter of 2018. This development was however partly offset by an improvement of days sales outstanding, which fell from 115 days in 2017 to 81 days in 2018. As a result of this, trade receivables only increased by 2.7% compared to a revenue growth of 45.0% in the same period.

Funding and liquidity

At 7 June 2018, Netcompany entered into a new bank agreement, which consist of committed facilities constituting a total amount of DKK 1,500m and an additional facility of DKK 400m, available only for new acquisitions. The new bank agreement provides reduced interest rates as well as reduced covenants. In November 2018 and December 2018, Netcompany made voluntary repayments of DKK 50m and DKK 75m respectively, reducing the total borrowings from DKK 1,240m to DKK 1,115m.

In January 2019, payment guarantees with a fair value of DKK 140m was terminated in agreement with the customers to whom the guarantees had been issued, as Netcompany's insurance coverage on general product liability was increased from DKK 10m to DKK 100m.

Based on the expectations for 2019, Netcompany expects to generate sufficient free cash flow from operations, to meet all covenants related to the current financing arrangements. Cash will be used to deleverage the Group, but also used on potential acquisitions.

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

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

Outlook for 2019

Based on the revenue visibility for 2019 and the general expectations to the continued positive development of the market conditions in all the markets where Netcompany is active, Netcompany expects to maintain its historic growth rates.

Netcompany expects organic revenue growth in constant currencies to be between 20% and 25% in both Denmark, Norway and the UK. Adjusted EBITA margin for the Group is expected to be around 26% before any impact of new acquisitions.

	Targets 2019	Actual performance 2018
Organic revenue growth in constant currencies	20-25%	25.8%
Adjusted EBITA margin in constant currencies	~26%	25.0%

Other information

Shareholder information

Capital

Netcompany's share capital is DKK 50m divided into 50 million shares. Netcompany holds 322,580 treasury shares equivalent to 0.6% of the share capital.

Share-based incentive schemes/restricted stock units

In total, 142,055 RSU's were granted during 2018, of which 33,637 were granted to Executive Management and 108,418 were granted to other Key Management Personnel and other employees. The fair value of the RSUs at grant was DKK 22.0m. The cost associated related hereto is expensed over the vesting period. In connection with the IPO, Netcompany entered into an agreement with Danske Bank, whereby Danske Bank on behalf of Netcompany, acquired shares for DKK 50m, at the IPO price of DKK 155 per share equalling 322,580 shares to be delivered in the future as restricted stock units vest during various LTIP.

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 8 to the financial statements.

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 October 2018 to 31 December 2018. The Q4 2018 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 31 December 2018 and of the results of the Group’s operations and cash flows for the period 1 October 2018 to 31 December 2018.

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

Copenhagen, 6 February 2019

Executive Management:

André Rogaczewski
CEO

Claus Jørgensen
COO

Thomas Johansen
CFO

Board of Directors:

Pekka Ala-Pietilä
Chairman of the Board

Thomas Broe-Andersen
Vice Chairman of the Board

Juha Christensen

Carsten Gomard

Pernille Fabricius

Bo Rygaard

Consolidated interim financial statements and notes

Income statement and Statement of comprehensive income

DKK thousands	Note	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Income statement					
Revenue	1	543,275	443,359	2,053,216	1,416,085
Cost of services	2	-329,464	-261,327	-1,236,699	-803,384
Gross profit		213,812	182,032	816,516	612,701
Sales and marketing costs		-2,482	-3,167	-11,871	-9,707
Administrative costs	3	-80,557	-63,555	-290,428	-201,023
Special items	4	-126	-16,281	-34,488	-32,928
EBITA		130,647	99,029	479,729	369,042
Amortisation		-28,847	-26,848	-115,389	-95,890
Operating profit (EBIT)		101,800	72,181	364,340	273,152
Financial income		781	9,142	22,245	10,189
Financial expenses		-10,935	-20,437	-130,903	-82,304
Profit / loss before tax		91,646	60,886	255,682	201,037
Tax on the profit for the period		-23,233	-20,238	-74,465	-59,428
Net profit / loss for the period		68,413	40,649	181,217	141,608
Earnings per share					
Earnings per share (DKK)		1.38	0.82	3.65	2.92
Diluted Earnings per share (DKK)		1.38	0.82	3.65	2.92
Statement of comprehensive income					
Net profit / loss for the period		68,413	40,649	181,217	141,608
Other comprehensive income:					
Cash flow hedging, net fair value gain / (loss)		0	12,197	38,475	12,564
Foreign currency translation subsidiaries		1,462	239	817	-2,847
Change in deferred cost of hedging		0	-12,126	-13,348	-9,716
Tax of other comprehensive income		0	-15	-5,528	-627
Other comprehensive income, net of tax		1,462	294	20,415	-625
Total comprehensive income		69,875	40,943	201,632	140,983

Balance Sheet

DKK thousands	Note	Dec. 31 2018	Dec. 31 2017
Assets			
Intangible assets		2,484,441	2,603,918
Tangible assets		117,284	54,507
Deferred tax assets		1,162	0
Other receivables		13,053	8,776
Total non-current assets		2,615,940	2,667,202
Trade receivables	7	457,518	445,363
Contract work in progress	8	284,717	139,166
Other receivables		19,512	23,287
Cash		107,666	194,479
Total current assets		869,412	802,296
Total assets		3,485,352	3,469,497

Balance Sheet

DKK thousands	Note	Dec. 31 2018	Dec. 31 2017
Equity and liabilities			
Share capital		50,000	49,637
Cash flow hedging reserve		0	-30,011
Exchange differences on translating foreign subsidiaries		-2,116	-2,932
Deferred cost of hedging reserve		0	10,412
Retained earnings		1,758,365	1,616,745
Total equity		1,806,251	1,643,851
Borrowings	9	1,105,780	1,264,895
Leasing		54,149	17,609
Deferred tax liability		89,387	112,418
Total non-current liabilities		1,249,316	1,394,922
Leasing		29,325	13,610
Prepayments received from customers	8	29,610	36,246
Trade payables		54,185	50,552
Other payables	10	266,089	223,087
Provisions	11	36,087	30,396
Income tax payable		14,490	76,833
Total current liabilities		429,785	430,723
Total liabilities		1,679,101	1,825,646
Total equity and liabilities		3,485,352	3,469,497
Financial figures and highlights	12		
Income Statement classified by function	13		
Collateral provided and contingent liabilities	14		
Related party transactions	15		
Accounting policies	16		

Cash Flow statement

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Operating profit (EBIT)	101,800	72,181	364,340	273,152
Depreciation and amortisation	38,149	49,341	155,737	129,213
Non-cash	1,546	0	3,818	0
Working capital changes	22,082	33,325	-132,597	-95,046
Free cash flow	163,576	154,847	391,297	307,319
Income taxes paid	-120,514	-13,845	-166,935	-35,356
Financial income received	-971	274	21,036	1,179
Financial expenses paid	-10,469	-35,628	-58,959	-77,805
Cash flow from operating activities	31,622	105,647	186,440	195,337
Net cash outflow on acquisition of subsidiaries	0	-120,260	0	-120,260
Acquisition of intangible assets	0	-998	0	-11,103
Acquisition of property, plant and equipment	-8,839	-6,785	-22,866	-16,744
Other receivables (deposits)	-210	-723	-4,336	-2,344
Cash flow from investment activities	-9,049	-128,766	-27,202	-150,451
Proceeds from issue of share capital	0	9,304	6,949	16,728
Proceeds from borrowings	0	92,000	1,229,539	92,000
Repayment of borrowings	-128,200	-4,419	-1,481,039	-16,573
Cash flow from financing activities	-128,200	96,884	-244,551	92,155
Net increase in cash and cash equivalents	-105,627	73,766	-85,314	137,041
Cash and cash equivalents at the beginning	215,899	93,718	194,479	31,988
Cash and cash equivalents balances acquired	0	26,287	0	26,287
Effect of exchange rate changes on the balance cash held in foreign currencies	-2,605	709	-1,501	-836
Cash and cash equivalents at the end	107,666	194,479	107,666	194,479

Statement of changes in Equity

DKK thousands	Share capital	Fair value adjustment of interest rate swap	Currency	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 October 2017	48,172	-39,524	-3,172	19,870	1,342,622	1,367,967
Capital increase	1,465	0	0	0	233,474	234,939
Profit for the period	0	0	0	0	40,649	40,649
Other comprehensive income	0	9,513	239	-9,459	0	294
Equity at 31 December 2017	49,637	-30,011	-2,932	10,412	1,616,745	1,643,851
Equity at 1 January 2017	69,283	-39,811	-85	17,990	1,213,125	1,260,502
Capital increase	1,611	0	0	0	240,754	242,365
Effect as of 1 Januar 2017 of the exchange of shares in Netcompany for shares in NC TopCo	-21,258	0	0	0	21,258	0
Profit for the period	0	0	0	0	141,608	141,608
Other comprehensive income	0	9,800	-2,847	-7,578	0	-625
Equity at 31 December 2017	49,637	-30,011	-2,932	10,412	1,616,745	1,643,851
DKK thousands	Share capital	Fair value adjustment of interest rate swap	Currency	Deferred cost of hedging reserve	Retained earnings	Total
Equity at 1 October 2018	50,000	0	-3,578	0	1,688,407	1,734,830
Share based remuneration	0	0	0	0	1,546	1,546
Profit for the period	0	0	0	0	68,413	68,413
Other comprehensive income	0	0	1,462	0	0	1,462
Equity at 31 December 2018	50,000	0	-2,116	0	1,758,365	1,806,251
Equity at 1 January 2018	49,637	-30,011	-2,932	10,412	1,616,745	1,643,850
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	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	20,415
Equity at 31 December 2018	50,000	0	-2,116	0	1,758,365	1,806,251

Notes

Note 1 - Segment information

Segment information related to geographical areas:

DKK thousands	Q4 2018						Total
	Denmark	Norway	Poland	United Kingdom	Vietnam	Elimination	
Revenue from external	407,967	47,405	0	87,904	0	0	543,275
Revenue from internal sales	15,791	127	23,318	30	4,758	-44,024	0
Revenue legal entities	423,757	47,532	23,318	87,934	4,758	-44,024	543,275
Internal cost allocation	-30,645	-3,537	-648	-9,156	-89	44,075	0
Other costs	-269,556	-39,430	-20,590	-78,722	-4,281	-50	-412,628
EBITA legal entities	123,557	4,565	2,080	56	389	0	130,647

DKK thousands	Q4 2017						Total
	Denmark	Norway	Poland	United Kingdom	Vietnam	Elimination	
Revenue from external	341,945	39,559	0	61,855	0	0	443,359
Revenue from internal sales	10,614	0	35,089	0	3,116	-48,819	0
Revenue legal entities	352,559	39,559	35,089	61,855	3,116	-48,819	443,359
Internal cost allocation	-36,156	-3,760	-5,788	-3,086	0	48,790	0
Other costs	-250,630	-28,185	-16,011	-46,706	-2,827	29	-344,330
EBITA legal entities	65,773	7,614	13,289	12,063	289	0	99,029

Note 1 - Segment information (continued)

DKK thousands	YTD 2018						Total
	Denmark	Norway	Poland	United Kingdom	Vietnam	Elimination	
Revenue from external	1,543,764	171,312	0	338,139	0	0	2,053,216
Revenue from internal sales	45,096	1,215	91,757	1,000	20,395	-159,463	0
Revenue legal entities	1,588,861	172,527	91,757	339,139	20,395	-159,463	2,053,216
Internal cost allocation	-105,682	-11,972	-2,679	-38,623	-557	159,512	0
Other costs	-1,043,003	-136,638	-85,348	-290,495	-17,953	-50	-1,573,487
EBITA legal entities	440,175	23,917	3,730	10,020	1,886	0	479,729
Non-current assets	2,581,955	5,745	14,569	12,132	1,539	0	2,615,940

DKK thousands	YTD 2017						Total
	Denmark	Norway	Poland	United Kingdom	Vietnam	Elimination	
Revenue from external	1,220,311	133,919	0	61,855	0	0	1,416,085
Revenue from internal sales	15,586	0	114,218	0	3,116	-132,920	0
Revenue legal entities	1,235,897	133,919	114,218	61,855	3,116	-132,920	1,416,085
Internal cost allocation	-120,006	-3,760	-6,039	-3,086	0	132,891	0
Other costs	-837,147	-99,267	-61,125	-46,706	-2,827	29	-1,047,043
EBITA legal entities	278,743	30,892	47,054	12,063	289	0	369,042
Non-current assets	2,641,591	7,630	15,763	1,523	694	0	2,667,202

Note 2 - Cost of services

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Cost of services	-96,552	-76,509	-371,496	-168,585
Salaries	-230,322	-182,221	-853,669	-624,070
Depreciation	-2,589	-2,597	-11,534	-10,728
Cost of services total	-329,464	-261,327	-1,236,699	-803,384

Note 3 – Administrative costs

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Administrative costs	-41,934	-22,377	-155,763	-113,402
Salaries	-31,910	-21,281	-105,851	-65,026
Depreciation	-6,712	-19,897	-28,815	-22,595
Administrative costs total	-80,557	-63,555	-290,428	-201,023

Note 4 – Special items

DKK thousands	Q4 2018	Q4 2017	Q4 2018	Q4 2017
Costs related to transaction with FSN	0	-1,719	0	-1,719
Costs related to transaction with FSN total	0	-1,719	0	-1,719
Costs related to IPO	0	-4,983	-33,002	-17,462
Costs related to M&A	-126	-9,580	-1,486	-13,747
Costs related to IPO and M&A total	-126	-14,563	-34,488	-31,210
Costs total	-126	-16,281	-34,488	-32,928

Note 5 – Financial income and expenses

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Financial Income				
Interest on corporate income tax	-391	69	3	211
Exchange rate adjustments	-101	8,110	8,329	8,799
Other financial income	1,273	963	13,912	1,179
Financial income total	781	9,142	22,245	10,189
Financial expenses				
Income tax surcharge	-2,411	427	0	2,257
Interest expense, bank loan	7,307	15,697	38,881	62,439
Interest expense, leasing	675	219	1,244	853
Exchange rate adjustments	4,835	1,274	14,446	7,702
Other financial expenses	529	2,819	76,332	9,053
Financial expenses total	10,935	20,437	130,903	82,304

Note 6 - Earnings per share

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Profit	68,413	40,649	181,217	141,608
Average number of shares	50,000	49,637	49,869	48,518
Average number of treasury shares	323	0	182	0
Average number of shares in circulation	49,677	49,637	49,687	48,518
Average number of diluted impact of outstanding restricted stock units	53	0	29	0
Average number of diluted shares in circulation	49,731	49,637	49,716	48,518
Earnings per share - EPS	1.38	0.82	3.65	2.92
Diluted earnings per share - EPS-D	1.38	0.82	3.65	2.92

Note 7 - Trade receivables

DKK thousands	Dec. 31 2018	Dec. 31 2017
Not overdue	274,666	314,867
0-30 days overdue	170,024	75,018
31-60 days overdue	11,796	22,501
61-90 days overdue	273	12,155
Over 90 days overdue	759	20,822
Total	457,518	445,363

The Group is continuously conducting individual assessments of bad debts. If this leads to an assessment that the Group will not be able to collect the amount accounted for, an allowance for bad debt is made. At 31 December 2018, the Group has recognised bad debt provision of DKK 0.0 million (31 December 2017: DKK 0.0 million), and no bad debt losses have been incurred during Q4 2018.

The credit quality of trade receivables at 31 December 2018, is considered satisfactory.

Note 8 - Contract work in progress

DKK thousands	Dec. 31 2018	Dec. 31 2017
Net value - stated on a contract-per-contract basis - is presented in the balance sheet as follows:		
Contract work in progress	284,717	139,166
Prepayments received from customers	-29,610	-36,246
Total contract work in progress	255,107	102,920

Note 9 - Borrowings

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Normal value	Carrying amount
Bank loan	DKK	2023	Floating	9,402	1,115,182	1,105,780
31 December 2018				9,402	1,115,182	1,105,780
Bank loan	EUR	2023	Floating	27,559	1,105,121	1,077,562
Bank loan	NOK	2023	Floating	5,247	105,167	99,920
Bank loan	DKK	2023	Floating	4,587	92,000	87,413
31 December 2017				37,393	1,302,288	1,264,895

Note 10 - Other payables

DKK thousands	Dec. 31 2018	Dec. 31 2017
Interest and currency rate swap, fair value	0	28,007
Wages and salaries, payroll taxes, social security costs, etc payable	43,822	39,261
Holiday pay obligation	96,739	70,618
VAT and duties	43,406	57,607
Obligation to purchase treasury shares	50,000	0
Other costs payable	32,122	27,593
Total	266,089	223,087

The Group has entered into an agreement with Danske Bank to purchase 322,580 shares at a price of 155 per each equal to the IPO price for the shares, totally DKK 50 million. The agreement will be settled in April 2019 at which time the shares will be delivered to the Group. The shares will be used to honour the Group's commitments under its RSU and LTIP programs.

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

Note 11 - Provision

DKK thousands	Dec. 31 2018	Dec. 31 2017
Onerous contracts and warranty obligations beginning of period	30,396	8,899
Additions, acquisition of subsidiaries	0	0
Used in the period	-5,000	-6,353
Provisions for the period	10,691	27,850
Onerous contracts and warranty obligations end of period	36,087	30,396

Note 12 – Financial figures and highlights

DKK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Income statement								
Revenue								
Public	321.0	277.5	267.8	285.8	244.6	187.8	145.2	152.6
Private	222.3	212.8	234.8	231.2	198.8	149.7	157.1	180.3
Revenue by segments, total	543.3	490.3	502.6	517.0	443.4	337.5	302.3	332.9
Development	304.6	260.2	217.4	223.2	211.3	162.6	132.4	140.6
Maintenance	238.7	230.1	285.2	293.8	232.1	174.9	170.0	192.3
Revenue by types, total	543.3	490.3	502.6	517.0	443.4	337.5	302.3	332.9
Organic	517.8	406.2	413.6	439.9	353.7	306.5	274.0	297.8
Acquisition	25.5	84.1	89.0	77.1	89.7	30.9	28.3	35.1
Revenue by growth, total	543.3	490.3	502.6	517.0	443.4	337.5	302.3	332.9
Special items	-0.1	0.0	-26.6	-7.7	-16.3	-14.4	-2.2	0.0
EBITA	130.6	136.3	92.7	120.1	99.0	102.5	71.8	95.7
Adjusted EBITA	130.8	136.4	119.3	127.8	115.3	117.0	74.0	95.7
Operating profit (EBIT)	101.8	107.5	63.8	91.2	72.2	80.0	49.2	71.8
Net financials	-10.2	-8.4	-65.4	-24.7	-11.3	-18.2	-18.8	-23.9
Net profit / loss	68.4	78.3	-16.6	51.2	40.6	43.0	22.0	35.9
Financial position								
Capex	-9.0	-8.5	-5.1	-4.6	-8.5	-2.8	-13.9	-4.9
Total assets	3,485.4	3,537.4	3,477.5	3,426.8	3,469.5	2,973.4	2,943.4	2,841.5
Equity	1,806.3	1,734.8	1,652.9	1,702.6	1,643.9	1,368.0	1,324.9	1,302.3
Net increase in cash and cash equivalents	-105.6	42.9	18.6	-41.2	73.8	39.5	-15.1	38.9
Free cash flow	163.6	69.2	63.9	94.7	154.8	58.9	14.7	78.9
Earnings per share								
Earnings per share (DKK)	1.38	1.61	-0.33	1.03	0.83	0.89	0.46	0.75
Diluted Earnings per share (DKK)	1.38	1.61	-0.33	1.03	0.83	0.89	0.46	0.75
Employees								
Average number of full-time employees	1,979.2	1,842.6	1,817.6	1,766.3	1,579.3	1,167.9	1,075.1	1,005.9

Note 12 – Financial figures and highlights (continued)

DKK million	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Financial ratios								
Gross profit margin	39.4%	42.4%	39.1%	38.3%	41.1%	49.3%	40.9%	42.2%
EBITA margin	24.0%	27.8%	18.4%	23.2%	22.3%	30.4%	23.7%	28.7%
Adjusted EBITA margin	24.1%	27.8%	23.7%	24.7%	26.0%	34.7%	24.5%	28.8%
Operating profit margin	18.7%	21.9%	12.7%	17.6%	16.3%	23.7%	16.3%	21.6%
Effective tax rate	25.4%	21.0%	-986.8%	23.1%	33.2%	30.3%	27.7%	25.2%
Return on equity	4.0%	5.1%	-1.1%	3.5%	2.8%	3.3%	1.7%	2.9%
Solvency ratio	51.8%	49.0%	47.5%	49.7%	47.4%	46.0%	45.0%	45.8%
Financial metrics								
Revenue growth	22.5%	45.3%	66.2%	55.3%	67.4%	49.3%	48.4%	62.4%
Operating profit margin	18.7%	21.9%	12.7%	17.6%	16.3%	23.7%	16.3%	21.6%
Return on invested capital (ROIC)	2.5%	3.0%	-0.6%	2.0%	1.6%	1.8%	0.9%	1.5%
Cash conversion ratio	116.9%	46.9%	62.1%	73.0%	127.4%	55.5%	19.5%	79.2%

Note 13 – Income Statement classified by function

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Income statement				
Revenue	543,275	443,359	2,053,216	1,416,085
Cost of services, incl. depreciation and amortisation	-329,464	-261,327	-1,236,699	-803,384
Gross profit	213,812	182,032	816,516	612,701
Sales and marketing costs, incl. depreciation and amortisation	-2,482	-3,167	-11,871	-9,707
Administrative costs, incl. depreciation and amortisation	-109,530	-106,684	-440,306	-329,842
Operating profit (EBIT)	101,800	72,181	364,340	273,152
Financial income	781	9,142	22,245	10,189
Financial expenses	-10,935	-20,437	-130,903	-82,304
Profit / loss before tax	91,646	60,886	255,682	201,037
Tax on the profit for the period	-23,233	-20,238	-74,465	-59,428
Net profit / loss for the period	68,413	40,649	181,217	141,608
Depreciation and Amortisation have been presented as follows in the income statement:				
Cost of services	-2,589	-2,597	-11,534	-10,728
Administrative costs depreciation	-6,712	-19,897	-28,815	-22,595
Administrative costs amortisation	-28,847	-26,848	-115,389	-95,890
Depreciation and amortisation	-38,149	-49,341	-155,737	-129,213

Note 14 – Collateral provided and contingent liabilities

There have been no changes in collateral provided and contingent liabilities during Q4 2018 compared to the annual report for 2017.

Note 15 – Related party transactions

Transactions with related parties:

The Group has had the following transactions with other companies controlled by the Significant Shareholders:

DKK thousands	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Revenue	3,734	1,466	10,039	2,750

Note 16 – 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. 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 to the 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 of Netcompany Group A/S are prepared on 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.

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 Q4 2018 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 financial statements for 2018 for Netcompany Group A/S.

Financial Calendar

- 29 January 2019: Deadline for the shareholders to submit proposals for the agenda of the Annual General Meeting 2019
- 6 February 2019: Annual Report for the financial year 2018
- 13 March 2019: Annual general Meeting 2019
- 8 May 2019: Interim report for the first 3 months of 2019
- 21 August 2019: Interim report for the first 6 months of 2019
- 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 digitized world. Netcompany also helps our customers to manage and operate IT solutions both on location and in the cloud.