

netcompany

Q1 | 21

Company Announcement
Three months ended 31 March 2021

Netcompany realised a solid start to 2021 with growth of 23% and adjusted EBITA margin of 25.3%. Netcompany maintains expectations for 2021.

Summary

In Q1 2021, revenue grew organically by 23% in constant currencies to DKK 855.8m compared to the same period last year. In reported currencies revenue grew 22.9%.

Adjusted EBITA grew 31.9% to DKK 216.3m corresponding to an adjusted EBITA margin of 25.3% compared to 23.6% in Q1 2020.

Average number of full-time employees grew by 524, equal to an increase of 20.3% to 3,109 compared to 2,585 in Q1 2020.

Free cash flow remained strong and increased by DKK 37.8m to DKK 173.8m normalised for on account income tax payments.

A share buyback programme of DKK 50m will be initiated in connection with the release of this quarterly statement to be executed during Q2 2021.

Revenue visibility for 2021 increased by 29.7% to DKK 2,765.4m compared to DKK 2,131.8m at the same time last year.

For 2021, Netcompany maintains expectations to revenue growth in constant currencies of between 15% and 20% and adjusted EBITA margin of between 23% and 25%. However, based on the performance realised in Q1 2021 it is more likely that full year performance will end in the upper end of the guided range than in the lower end of the guided range.

In Q1 2021, we grew 23% and continued our strong momentum from last year and delivered high quality in all our projects in our different geographies.

It humbles me deeply to see how our employees have embraced a changed working environment and I am amazed by the performance delivered together with our customers.

A continued strong focus on talent attraction has resulted in more than 350 new Netcompany employees joining during the last quarter bringing the total number of employees close to 3.200.

With the COVID-19 restrictions gradually being lifted I am looking forward to spending more time on location with all our customers and employees throughout the Group again.

I remain confident that Netcompany is on the right path and well positioned to become a Northern European market leader within IT Services.

André Rogaczewski

NETCOMPANY CEO AND CO-FOUNDER

Performance highlights Q1

Financial overview

DKK million	Q1 2021 (reported)	Q1 2021 (constant)*	Q1 2020	% change (reported)	% change (constant)*	Total 2020
Revenue	855.1	855.8	695.6	22.9%	23.0%	2,838.6
Gross profit	325.7	324.7	274.5	18.6%	18.3%	1,155.2
Adjusted EBITA	216.3	214.9	164.1	31.9%	31.0%	744.4
<i>Adjusted EBITA margin</i>	25.3%	25.1%	23.6%	1.7pp	1.5pp	26.2%
EBITA	216.3	214.9	164.1	31.9%	31.0%	744.4
<i>EBITA margin</i>	25.3%	25.1%	23.6%	1.7pp	1.5pp	26.2%
Operating profit	207.2	205.7	138.8	49.3%	48.2%	644.9
<i>Operating profit margin</i>	24.2%	24.0%	19.9%	4.3pp	4.1pp	22.7%
Net profit / loss	199.5	198.1	92.8	115.0%	113.4%	321.9
Free cash flow	100.6	N/A	95.0	5.8%	N/A	557.0
Cash conversion rate	48.7%	N/A	84.4%	-35.8pp	N/A	139.4%

*Constant currencies measured using average exchange rates for Q1 2020

- Revenue increased by 22.9% to DKK 855.1m in reported currencies and by 23% in constant currencies.
- Gross profit margin was 38.1% against 39.5% in Q1 2020.
- Adjusted EBITA increased 31.9% and yielded a margin of 25.3%.
- Free cash flow remained strong and improved by 5.8% to DKK 100.6m.
- Fair value adjustment of the investment in the Netherlands reflects a decrease of the total purchase price and impacted net profit positively by DKK 49.5m.
- Cash conversion rate was 48.7%. Adjusted for the fair value adjustment to the contingent purchase price and on account income tax payments conversion rate was 110.6%.
- Debt leverage to 12 months rolling adjusted EBITA was 0.7.

Conference call details

In connection with the publication of the results for Q1 2021, Netcompany will host a conference call on 6 May 2021 at 12.00 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

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Webcast Player URL

<https://streams.eventcdn.net/netcompany/2021q1>

Additional information

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Financial highlights and key figures

DKK million	Q1 2021	Q1 2020	% change	Total 2020
Income statement				
Revenue				
Public	502.3	433.3	15.9%	1,777.7
Private	352.8	262.2	34.6%	1,060.9
<i>Revenue by segments, total</i>	855.1	695.6	22.9%	2,838.6
Development	517.5	355.7	45.5%	1,517.0
Maintenance	337.7	339.8	-0.6%	1,321.6
<i>Revenue by types, total</i>	855.1	695.6	22.9%	2,838.6
Organic	855.1	677.9	26.1%	2,812.4
Acquisition	0.0	17.7	-100.0%	26.2
<i>Revenue by growth, total</i>	855.1	695.6	22.9%	2,838.6
Special items	0.0	-0.0	-100.0%	-0.0
Adjusted EBITA	216.3	164.1	31.9%	744.4
EBITA	216.3	164.1	31.9%	744.4
Operating profit (EBIT)	207.2	138.8	49.3%	644.9
Net financials	-6.6	-19.2	-65.3%	-47.0
Net profit / loss	199.5	92.8	115.0%	321.9
Financial position				
Free cash flow	100.6	95.0	5.8%	557.0
Total assets	4,074.5	3,791.6	7.5%	4,039.4
Equity	2,595.9	2,169.5	19.7%	2,428.6
Dividends Paid	-49.1	0.0	N/A	0.0
Net increase in cash and cash equivalents	-49.6	83.8	-159.2%	233.6
Free cash flow	100.6	95.0	5.8%	557.0
Free cash flow (tax normalised)	173.8	136.0	27.8%	537.3

CONTINUED FINANCIAL HIGHLIGHTS AND KEY FIGURES

DKK million	Q1 2021	Q1 2020	% change	Total 2020
Earnings per share				
Earnings per share (DKK)	4.06	1.89	115.0%	6.56
Diluted earnings per share (DKK)	4.02	1.88	113.2%	6.53
Employees				
Average number of full-time employees	3,109	2,585	20.3%	2,768
Financial ratios				
Revenue growth	22.9%	16.4%	6.6pp	15.7%
Gross profit margin	38.1%	39.5%	-1.4pp	40.7%
Adjusted EBITA margin	25.3%	23.6%	1.7pp	26.2%
EBITA margin	25.3%	23.6%	1.7pp	26.2%
Operating profit margin	24.2%	19.9%	4.3pp	22.7%
Effective tax rate	18.2%	22.4%	-4.2pp	28.7%
Return on equity	8.4%	4.7%	3.7pp	14.3%
Solvency ratio	63.7%	57.2%	6.5pp	60.1%
ROIC	6.7%	3.3%	3.4pp	11.2%
ROIC (Adjusted for Goodwill)	27.8%	14.8%	13.0pp	53.7%
Cash conversion rate	48.7%	84.4%	-35.8pp	139.4%
Cash conversion ratio (tax normalised)	84.1%	120.9%	-36.8pp	1.3%

Performance overview Q1

DKK million	Q1 2021 (reported)	Q1 2021 (constant)*	Q1 2020	% change (reported)	% change (constant)*	Total 2020
Revenue	855.1	855.8	695.6	22.9%	23.0%	2,838.6
Cost of services	-529.5	-531.1	-421.0	25.8%	26.1%	-1,683.4
Gross profit	325.7	324.7	274.5	18.6%	18.3%	1,155.2
<i>Gross profit margin</i>	<i>38.1%</i>	<i>37.9%</i>	<i>39.5%</i>	<i>-1.4pp</i>	<i>-1.5pp</i>	<i>40.7%</i>
Sales and marketing costs	-6.1	-6.1	-4.4	38.7%	38.9%	-17.1
Administrative costs	-103.2	-103.7	-106.1	-2.7%	-2.2%	-393.7
Adjusted EBITA	216.3	214.9	164.1	31.9%	31.0%	744.4
<i>Adjusted EBITA margin</i>	<i>25.3%</i>	<i>25.1%</i>	<i>23.6%</i>	<i>1.7pp</i>	<i>1.5pp</i>	<i>26.2%</i>
Special items	0.0	0.0	-0.0	-100.0%	-100.0%	-0.0
EBITA	216.3	214.9	164.1	31.9%	31.0%	744.4
<i>EBITA margin</i>	<i>25.3%</i>	<i>25.1%</i>	<i>23.6%</i>	<i>1.7pp</i>	<i>1.5pp</i>	<i>26.2%</i>
Amortisation	-9.2	-9.2	-25.3	-63.8%	-63.8%	-99.4
Operating profit (EBIT)	207.2	205.7	138.8	49.3%	48.2%	644.9
<i>Operating profit margin</i>	<i>24.2%</i>	<i>24.0%</i>	<i>19.9%</i>	<i>4.3pp</i>	<i>4.1pp</i>	<i>22.7%</i>
Net financials	-6.6	-6.7	-19.2	-65.3%	-65.3%	-47.0
Fair value adjustment of contingent consideration	49.5	49.5	0.0	N/A	N/A	-43.2
Income / loss from investment in joint venture	-6.0	-6.0	0.0	N/A	N/A	-5.5
Profit / loss before tax	244.0	242.5	119.6	104.0%	102.8%	451.7
Tax	-44.5	-44.4	-26.8	65.9%	65.7%	-129.8
<i>Effective tax rate</i>	<i>18.2%</i>	<i>18.3%</i>	<i>22.4%</i>	<i>-4.2pp</i>	<i>-4.1pp</i>	<i>28.7%</i>
Net profit / loss	199.5	198.1	92.8	115.0%	113.4%	321.9

*Constant currencies measured using average exchange rates for Q1 2020

Reported revenue grew by 22.9% (constant 23%) to DKK 855.1m in Q1 2021 – all organic – as a result of growth in all geographies. In the same period, client facing FTEs grew by 21.3% and in general all business units have benefitted from high utilisation driven by low level of vacation and education activities following the imposed COVID-19 restrictions. To a certain degree, some of the growth realised in Q1 2021 is expected to be eliminated later in the year as more vacation and education are expected to be held after the summer break.

Gross profit margin decreased by 1.4 percentage points as margins declined in all geographies apart from Norway.

In UK, gross profit margin decreased by 5.7 percentage points as a higher proportion of staff were own employees rather than independent contractors, thereby realising relatively higher salary increase in January compared to last year.

In the Netherlands, the impact from an adjustment made to a fixed fee project impacted gross profit margin by more than 19 percentage points and explains the re-

CONTINUED PERFORMANCE OVERVIEW Q1

duction in gross profit margin from 31.2% in Q1 2020 to 12.5% in Q1 2021.

The gross profit margin in Denmark was slightly lower than in Q1 2020 – mostly due to various timing effects on projects in the public segment and higher usage of sub-contractors on a few projects.

In Norway, gross profit margin increased by 1.8 percentage points as a result of utilising the employee base fully as a consequence of the contracts won during Q4 2020.

Sales and marketing costs increased by 38.7%, however, based on a small nominal spend of DKK 4.4m in Q1 2020. The increased sales and marketing costs was based on the increased number of campaigns to enhance the knowledge of Netcompany in countries outside Denmark.

Administrative costs declined by 2.7% in Q1 2021 despite the underlying increase in number of FTEs of 20.3%. The main reason for the low administrative costs is fully related to the restrictions imposed in con-

nection to the COVID-19 pandemic, which has reduced costs for travels, on location education, and staff events to practically nil. Once COVID-19 restrictions are lifted these costs will return and, in some quarters, it is also anticipated that the burn rate will be higher than in a normal quarter to catch up on particular education activities.

Adjusted EBITA margin was

25.3%

Adjusted EBITA increased by 31.9% to DKK 216.3m, compared to the same period last year, yielding an adjusted EBITA margin of 25.3% (constant 25.1%). The development in adjusted EBITA margin in all our entities follows the same trend as the gross profit margin for the reasons explained above, meaning that Denmark and Norway realised increased margins, whereas margins in the UK and the Netherlands was reduced.

Amortisation of intangible assets recognised upon business combinations decreased by 63.8% as a number of assets related to FSN acquiring Netcompany on 1 February 2016 were fully amortised during Q1 2021.

EBIT margin was

24.2%

Operating profit (EBIT) increased by 49.3% to DKK 207.2m compared to DKK 138.8m in Q1 2020. This led to an operating profit margin of 24.2% in Q1 2021 (constant 24%) compared to 19.9% in Q1 2020.

Net financials were negative with DKK 6.6m compared to negative DKK 19.2m in Q1 2020. Interest related to bank loans were reduced from DKK 3.9m in Q1 2020 to DKK 2.6m in Q1 2021. The remaining part of the reduction was mainly related to lower currency exchange rate adjustments following the conversion of a loan to equi-

ty in the UK subsidiary in Q3 2020.

Fair value adjustment of contingent consideration was positive with DKK 49.5m in Q1 2021, as a result of the adjustment made in the estimated time to complete estimate on the fixed fee project in the Netherlands. The adjustment is reflected in the calculated purchase price.

Loss from investment in joint venture equals the calculated internal profit on the revenue realised under the development phase in the JV Smarter Airports, which are to be eliminated following IFRS.

Net profit for the period increased by 115% (constant 113.4%) as a result of improved results from the operation and the positive impact of the adjustment to the contingent purchase price related to the investment in Netcompany Netherlands, which in turn also impacted effective tax rate positively to be 18.2% compared to 22.4% in Q1 2020.

Business Segments Q1

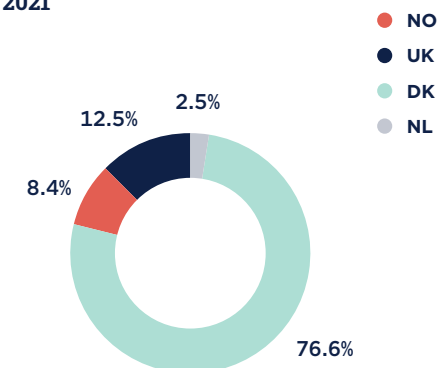
Segment information related to operating entities

DKK million Constant (2020 rate)	Q1 2021				
	Group	Denmark	Norway	UK	Netherlands
Revenue from external customers	855.8	655.7	71.7	106.6	21.7
Gross profit	324.7	280.3	20.7	21.0	2.7
<i>Gross profit margin</i>	37.9%	42.7%	28.9%	19.7%	12.5%
Local admin costs	-102.7	-78.3	-8.0	-11.4	-5.1
Adjusted EBITA before allocated cost from HQ	222.0	202.0	12.7	9.6	-2.3
<i>Adjusted EBITA margin before allocated cost from HQ</i>	25.9%	30.8%	17.7%	9.0%	-10.8%
Allocated costs from HQ	-7.1	-5.0	-0.6	-1.1	-0.3
Special Items, allocated	0.0	0.0	0.0	0.0	0.0
EBITA	214.9	197.0	12.1	8.5	-2.7
Client facing FTEs	2,923	2,128	245	409	141

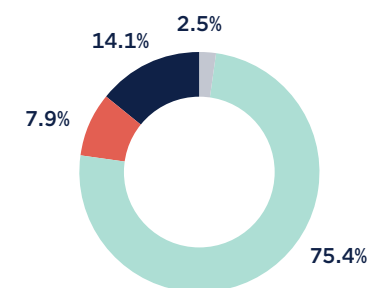
*Constant currencies measured using average exchange rates for 2020

DKK million Reported	Q1 2020				
	Group	Denmark	Norway	UK	Netherlands
Revenue from external customers	695.6	524.7	54.9	98.3	17.7
Gross profit	274.5	229.0	15.1	24.9	5.5
<i>Gross profit margin</i>	39.5%	43.6%	27.5%	25.4%	31.2%
Local admin costs	-98.0	-72.3	-7.4	-13.8	-4.4
Adjusted EBITA before allocated cost from HQ	176.6	156.7	7.7	11.2	1.1
<i>Adjusted EBITA margin before allocated cost from HQ</i>	25.4%	29.9%	13.9%	11.3%	6.2%
Allocated costs from HQ	-12.5	-7.6	-2.7	-1.7	-0.4
Special Items, allocated	-0.0	-0.0	-0.0	-0.0	-0.0
EBITA	164.1	149.0	4.9	9.4	0.7
Client facing FTEs	2,410	1,722	224	372	92

Revenue, %
Q1 2021



Revenue, %
Q1 2020



CONTINUED BUSINESS SEGMENTS Q1

Group revenue increased by 23% Q1 2021 to DKK 855.8m driven by an increase of 21.3% in client facing FTEs in the Group and high utilisation in all entities.

Revenue increased by

23%



The Danish and Norwegian business units grew by 25% and 30.6%, respectively accompanied by close to 23% growth in the Netherlands. The growth in the Group was somewhat offset by the UK business operation, which grew by 8.5%.

Revenue growth in the Danish business was supported by an increase in client facing employees of 23.6% and high utilisation. The high utilisation was driven by strong execution in projects and fewer hours spent on vacations and education as a consequence of the imposed COVID-19 restrictions. The private segment grew by 51% in the quarter and continued

the trend from the latter part of 2020 with high growth rates driven by increased activity level and more larger scale projects coming to the market in the private segment. The public segment in Denmark grew 11% in Q1 2021 as a consequence of more resources being allocated to projects in the private segments rather than reduced market opportunities. Netcompany continues to be a key provider of digitalisation projects in the public segment in Denmark.

Norway continued to deliver strong performance in Q1 2021, as seen towards the end of Q4 2020. Coming from a low base in Q1 2020, revenue increased by 30.6% in Q1 2021 partly as a result of growth in client facing FTEs of 9.3%, but also driven by significantly improved utilisation following recent wins in Q4 2020 and continued strong demand for Netcompany services during Q1 2021 too. As in Denmark, part of the high utilisation was driven by lower amount of hours spent on vacation and education than normal. Revenue in the public segment has increased rapidly and grew by 53.4% during Q1 2021 following

the larger public tenders won in Q4 2020, while private segment revenue grew 14.4% in Q1 2021 in Norway.

In UK, revenue increased by 8.5% compared to Q1 2020. The relatively low increase compared to the rest of the Group was mainly due to a strong Q1 in 2020 in UK, where COVID-19 restrictions were not imposed until April 2020, yielding a comparable base that for all practical purposes was slightly abnormal as there were no negative COVID-19 restrictions impacting revenue. However, on a sequential basis, revenue grew 21.5% from Q4 2020 into Q1 2021 underlining that the UK business is on a sustainable growth trajectory. Client facing FTEs increased 10% in Q1 2021 but declined 1.8% sequentially from Q4 2020.

Revenue in the Netherlands increased by 22.9% in Q1 2021 to DKK 21.7m. The increase in revenue was impacted negatively by the adjustment of estimated time to complete on one large fixed fee project and also the election in the Netherlands, which somewhat slowed public tendering during Q1 2021. Adjusted for the impact

the adjustment in estimated time to complete had, revenue in the Netherlands would have increased by more than 56%, in line with the increase in client facing FTEs of 52.3%.

Gross profit margin was

37.9%



Gross profit margin for the Group was 37.9% compared to 39.5% for the same period last year.

In Denmark, gross profit margin was slightly lower than Q1 2020 driven by an increased number of sub-contractors used on some public segment projects as a consequence of the high activity level. As has been the case in most of 2020, Danish resources were still to a certain extent used for projects in both Norway, the UK and in the Netherlands to ensure quality in projects across the Group. However, with slightly lower gross profit margins on

CONTINUED BUSINESS SEGMENTS Q1

Danish projects as a consequence. In Norway, gross profit margin increased by 1.4 percentage points in Q1 2021 as a result of high utilisation. The improvement in the underlying projects is on a gradually positive trend expected to continue during the year as more and more projects that were initiated in the middle of 2020 are completed and the newly won projects resume a larger proportion of the total project portfolio in Norway.

In UK, gross profit margin decreased by 5.7 percentage points, mainly due to the successful conversion of independent contractors to own employees following IR35, which means that a much larger part of the client facing FTEs in the UK received an increase in their salaries in January 2021, increasing cost of services for Q1 2021 compared to Q1 2020.

Gross profit margin in the Netherlands decreased by 18.7 percentage points in constant currencies, as a result of the adjustment on the estimated time to complete on one larger project. Without this adjustment, gross profit margin would

have been in line with gross profit margin realised in Q1 2020.

Adjusted EBITA margin before allocated cost from HQ was

25.9%



The relative lower increase in administration costs compared to growth had a positive effect on adjusted EBITA, which grew by 0.6 percentage point. The increase in margins were driven by the Danish and Norwegian business, which grew 1 percentage point and 3.8 percentage points, respectively. The increase was mainly a result of the ongoing COVID-19 restrictions in all business across the Group, which led to less travel, fewer internal courses, and social events during Q1 2021. Costs related to internal courses and social events are expected to be picked up later in 2021.

Increase in adjusted EBITA in Denmark was driven by a relative low increase in ad-

ministration cost, which increased by 8.2% compared to an increase in FTEs of 22.9%. The lower increase in administration costs relative to the increase in FTEs was mainly due to less internal education for employees due to COVID-19 restrictions.

Adjusted EBITA in Norway increased by 3.8 percentage points to 17.7%. The increase in adjusted EBITA was mainly due to the high utilisation in the Norwegian business during Q1 2021.

Adjusted EBITA in the UK business was 9.0%, a decrease of 2.4 percentage points compared to Q1 2020. The decrease in adjusted EBITA was a direct consequence of the decrease in gross profit margin of 5.7 percentage points, somewhat offset by lower administration cost in UK, which was 17.4% lower compared to Q1 2021.

In the end of March 2021, Netcompany changed the UK management and a new country managing partner has resumed responsibility for the UK business unit. This means that non-recurring severance costs of around DKK 6.7m will be ex-

pensed in Q2 2021.

Adjusted EBITA in the Netherlands decreased by 17 percentage points, as a consequence of the decrease in gross profit. Administrative costs increased by 14.4% compared to Q1 2020, mainly due to the hiring of administrative staff focusing on hiring and training the large intake of new FTEs for the Dutch business. Furthermore, new offices in Netherlands had full impact on costs in Q1 2021 compared to Q1 2020 and an increased focus on business development has contributed to the increase of administrative costs.

Public Q1

DKK million	Group			Denmark		Norway		UK		Netherlands	
	Q1 2021	Q1 2020	% change	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue	502.3	433.3	15.9%	379.5	341.8	39.3	25.6	62.3	48.7	21.2	17.2
Cost of service	-336.4	-272.5	23.4%	-236.8	-204.7	-30.6	-19.3	-50.3	-36.6	-18.6	-11.9
Gross profit	166.0	160.8	3.2%	142.7	137.1	8.7	6.3	12.0	12.1	2.6	5.3
<i>Gross profit margin</i>	<i>33.0%</i>	<i>37.1%</i>	<i>-4.1pp</i>	<i>37.6%</i>	<i>40.1%</i>	<i>22.1%</i>	<i>24.7%</i>	<i>19.3%</i>	<i>24.8%</i>	<i>12.3%</i>	<i>30.8%</i>
Allocated costs	-64.6	-63.9	1.2%	-48.7	-50.2	-4.7	-3.5	-6.4	-5.8	-4.9	-4.3
Adjusted EBITA before allocated cost from HQ	101.3	96.9	4.5%	94.0	86.9	4.0	2.8	5.6	6.2	-2.3	1.0
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>20.2%</i>	<i>22.4%</i>	<i>-2.2pp</i>	<i>24.8%</i>	<i>25.4%</i>	<i>10.3%</i>	<i>11.0%</i>	<i>9.0%</i>	<i>12.8%</i>	<i>-11.1%</i>	<i>5.6%</i>
Allocated costs from HQ	-4.5	-7.7	-41.9%	-3.1	-5.3	-0.4	-1.3	-0.6	-0.7	-0.3	-0.4
Special items	0.0	-0.0	-100.0%	0.0	-0.0	0.0	-0.0	0.0	-0.0	0.0	-0.0
EBITA	96.9	89.2	8.5%	90.9	81.6	3.7	1.6	5.0	5.5	-2.7	0.6
<i>EBITA margin</i>	<i>19.3%</i>	<i>20.6%</i>	<i>-1.3pp</i>	<i>23.9%</i>	<i>23.9%</i>	<i>9.3%</i>	<i>6.1%</i>	<i>8.0%</i>	<i>11.3%</i>	<i>-12.6%</i>	<i>3.4%</i>
Amortisation	-5.8	-16.3	-64.7%	-4.1	-12.7	-0.5	-0.9	-0.8	-1.8	-0.4	-0.9
Operating profit	91.1	73.0	24.9%	86.8	68.9	3.2	0.7	4.2	3.7	-3.1	-0.3
<i>Operating profit margin</i>	<i>18.1%</i>	<i>16.8%</i>	<i>1.3pp</i>	<i>22.9%</i>	<i>20.1%</i>	<i>8.1%</i>	<i>2.6%</i>	<i>6.7%</i>	<i>7.7%</i>	<i>-14.5%</i>	<i>-1.9%</i>

CONTINUED PUBLIC Q1

Revenue in the public segment increased by 15.9% in Q1 2021 to DKK 502.3m. The growth was mainly driven by UK and Norway, which grew by 53.4% and 28%, respectively.

Public revenue increased by

15.9%



Public segment revenue grew by 11% in Denmark, which was in line with a previously taken decision to focus more on a balanced growth between the public and private segment in Denmark. In addition, a number of Danish resources from the public sector were allocated to both Norway and UK, to assist writing public tenders and work on business development in general.

In Norway, public segment revenue grew by 53.4% compared to Q1 2020. Growth was both due to the continued work performed on “New National Child Protec-

tion”, “Platform for Handling Immigration” and “Smittestop” (Track and Trace app for COVID-19), which were all won in Q4 2020 and an increased activity with already existing customers.

Public segment revenue in UK grew by 28% compared to Q1 2020. The growth in UK was mainly driven by projects won in Q4 2020, with the NHS frame agreement being a key growth driver.

In the Netherlands, public segment revenue increased by 23.2%, despite an adjustment of estimated time to complete on a larger fixed fee project in Q1 2021 and the impact the election in March had on utilisation during the quarter. Adjusted for the impact from the adjustment on the fixed fee project, the Dutch public business segment would have realised a growth of more than 58%.

Cost of service across the public segment in the Group increased by 23.4% to DKK 336.4m yielding a gross profit margin of 33% compared to 37.1% in the same period last year. The decrease in gross profit mar-

gin in the public segment was seen in all geographies but for different reasons.

In Denmark, gross profit margin decreased slightly following a combination of more time spent on business development, slightly lower rates for a limited number of framework contracts and higher usage of independent contractors.

The decrease in gross profit margin in Norway was mainly driven by slightly higher usage of resources from Denmark on new projects compared to Q1 2020. In addition, one of the projects won in 2020 yielded a lower margin based on a conscious decision to utilise all employees better.

In the UK, cost of service grew by 37.4% yielding a decrease in gross profit margin of 5.5 percentage points compared to Q1 2020. UK’s initial response to COVID-19 was later than in the other markets meaning that Q1 2020 was a relatively strong quarter. In addition, the transition away from independent contractors to own employees during 2020 and into Q1 2021, had

a negative impact on margins as a larger proportion of the client facing employees in the UK were permanent Netcompany employees in Q1 2021, whom were given a salary increase in January following the Netcompany methodology.

In the Netherlands, gross profit margin decreased by 18.5 percentage points. The decrease was fully attributable to the impact from the adjustment to the larger fixed fee project where the estimated time to complete was increased in Q1 2021 – adjusted for this gross profit margins would have been on the same level as Q1 2020.

Allocated costs increased by 1.2%. The relative lower increase in allocated costs compared to growth was mainly due to the ongoing COVID-19 restrictions, which led to less travel, fewer internal courses and social events.

Adjusted EBITA in the public segment was 20.2%, which was slightly lower compared Q1 2020.

Private Q1

DKK million	Group			Denmark		Norway		UK		Netherlands	
	Q1 2021	Q1 2020	% change	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020	Q1 2021	Q1 2020
Revenue	352.8	262.2	34.6%	276.2	182.9	33.5	29.3	42.7	49.6	0.4	0.5
Cost of service	-193.1	-148.5	30.0%	-138.6	-91.0	-20.9	-20.5	-33.3	-36.7	-0.3	-0.2
Gross profit	159.7	113.7	40.5%	137.6	91.9	12.6	8.7	9.4	12.9	0.1	0.2
<i>Gross profit margin</i>	<i>45.3%</i>	<i>43.4%</i>	<i>1.9pp</i>	<i>49.8%</i>	<i>50.2%</i>	<i>37.6%</i>	<i>29.8%</i>	<i>22.0%</i>	<i>25.9%</i>	<i>22.2%</i>	<i>48.0%</i>
Allocated costs	-37.6	-34.1	10.4%	-29.6	-22.1	-3.4	-3.9	-4.5	-7.9	-0.1	-0.1
Adjusted EBITA before allocated cost from HQ	122.1	79.6	53.3%	108.0	69.8	9.2	4.8	4.9	4.9	0.0	0.1
<i>Adjusted EBITA margin before allocated cost from HQ</i>	<i>34.6%</i>	<i>30.4%</i>	<i>4.2pp</i>	<i>39.1%</i>	<i>38.1%</i>	<i>27.6%</i>	<i>16.5%</i>	<i>11.4%</i>	<i>9.9%</i>	<i>1.9%</i>	<i>28.7%</i>
Allocated costs from HQ	-2.6	-4.8	-45.3%	-1.9	-2.3	-0.3	-1.5	-0.5	-1.0	-0.0	-0.0
Special items	0.0	-0.0	-100.0%	0.0	-0.0	0.0	-0.0	0.0	-0.0	0.0	-0.0
EBITA	119.5	74.8	59.7%	106.1	67.4	9.0	3.4	4.4	3.9	0.0	0.1
<i>EBITA margin</i>	<i>33.9%</i>	<i>28.5%</i>	<i>5.3pp</i>	<i>38.4%</i>	<i>36.9%</i>	<i>26.8%</i>	<i>11.5%</i>	<i>10.3%</i>	<i>7.9%</i>	<i>0.8%</i>	<i>27.1%</i>
Amortisation	-3.4	-9.0	-62.3%	-2.5	-5.6	-0.3	-1.0	-0.6	-2.4	-0.0	-0.0
Operating profit	116.1	65.8	76.4%	103.6	61.8	8.6	2.4	3.8	1.5	-0.0	0.1
<i>Operating profit margin</i>	<i>32.9%</i>	<i>25.1%</i>	<i>7.8pp</i>	<i>37.5%</i>	<i>33.8%</i>	<i>25.8%</i>	<i>8.1%</i>	<i>9.0%</i>	<i>3.1%</i>	<i>-0.8%</i>	<i>22.9%</i>

CONTINUED PRIVATE Q1

Private segment revenue for the Group grew by 34.6% in Q1 2021 to DKK 352.8m. The growth was mainly driven by the Danish business, which grew by 51%.

Private revenue increased by



Revenue growth in Denmark was a result of a planned increased focus on strengthening the private segment in Denmark throughout second half of 2020 and a strong demand in the private segment.

In Norway, revenue grew by 14.4% in Q1 2021, which was a result of the increased focus on the public segment in Norway. In addition, a number of projects were delayed and even cancelled in the private segment in Norway during 2020. Projects in the private segment are beginning to re-emerge again in Norway though.

During the second and third quarter in

the UK, a number of private customers cancelled projects with short notice deteriorating the basis for short term growth in 2021 in the private segment. In addition, the UK business realised a fair activity in the private segment in Q1 2020 as the COVID-19 related restrictions were not imposed until April 2020. Hence, making Q1 2020 a somewhat tough comparable. Consequently revenue in the private segment in the UK decreased by 13.8% in Q1 2021.

Revenue in the private segment in the Netherlands decreased by 7.9%, although based on small absolute numbers as the Dutch business unit for all practical matters are 100% focusing on the public segment for now.

Gross profit in private segment was



Gross profit margin increased by 1.9 per-

centage points across the Group mainly driven by the improvement in margins in Norway.

In Denmark, gross profit margin was 49.8% in Q1 2021, which was in line with Q1 2020. Continued high utilisation on projects impacted margins positively whereas the increased usage of sub-contractors more than offset the positive impact.

Gross profit margin in Norway increased by 7.8 percentage points compared to Q1 2020, driven by an increased utilisation.

Cost of service decreased 9.2% in UK, mainly due to more resources being allocated to the growing public segment. The relative low decrease in cost of service compared to decrease in revenue yielded a gross profit margin of 22.0%, a decrease of 4 percentage points compared to Q1 2020.

Cost of services has increased by 38% in the Netherlands, which did not affect the Group notably as the absolute monetary impact was limited.

Allocated costs for the Group increased by 10.4% to DKK 37.6m. The relative lower increase in allocated costs compared to growth was mainly due to the ongoing COVID-19 restrictions, which has led to less travel, fewer internal courses and social events.

Adj. EBITA before allocated costs from HQ in private segment was



Increase in gross profit margin of 1.9 percentage points and a relative lower allocated cost compared to revenue consequently increased adjusted EBITA in the private segment by 4.2 percentage points yielding a margin of 34.6% in Q1 2021.

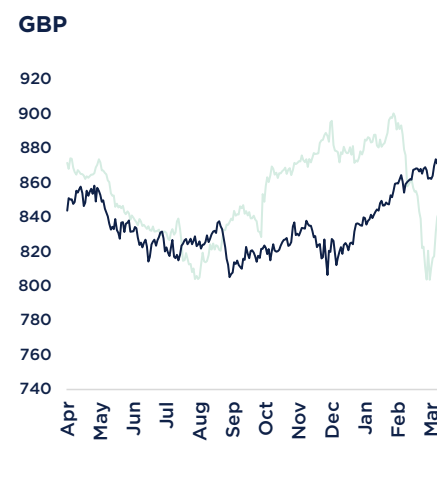
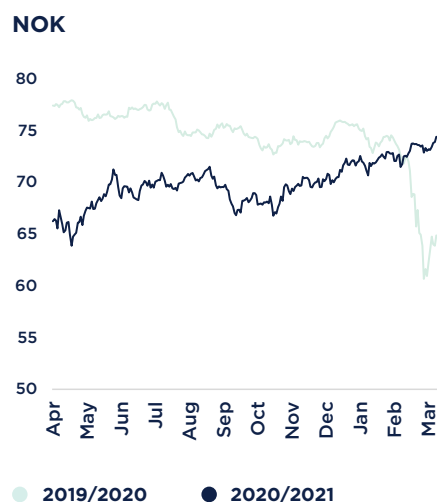
Currency exposures

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 the given currency. The graphs on the right show the currency exchange rates used for Netcompany's main currencies.

Local currency million	Q1 2021					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	655.7	100.4	12.3	2.9	0.0	0.0
EBIT	190.4	13.2	0.3	-0.4	3,499.9	2.3
Net result	185.9	10.7	0.3	-0.4	2,884.7	1.6

Local currency million	Q1 2020					
	DKK	NOK	GBP	EUR	VND	PLN
Revenue	524.7	76.6	11.3	2.4	0.0	0.0
EBIT	125.1	8.0	0.5	0.0	2,402.8	1.5
Net result	83.1	5.9	0.3	-0.0	1,437.0	1.1



Revenue visibility

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

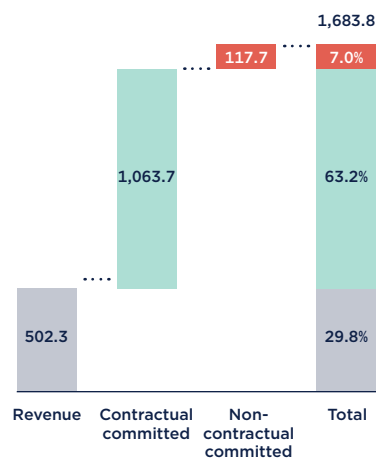
By the beginning of April 2021, revenue visibility for 2021 amounted to DKK 2,765.4m. Of this, contractual committed revenue amounted to DKK 1,691.1m and non-contractual committed engagements amounted to DKK 219.2m, while realised revenue in Q1 2021 amounted to DKK 855.1m.

Compared to Q1 2020, revenue visibility improved 29.7% from DKK 2,131.8m to DKK 2,765.4m for 2021.

Revenue visibility in the public segment amounted to DKK 1,683.8m, of which contractual committed revenue amounted to DKK 1,063.7m and non-contractual com-

DKK million

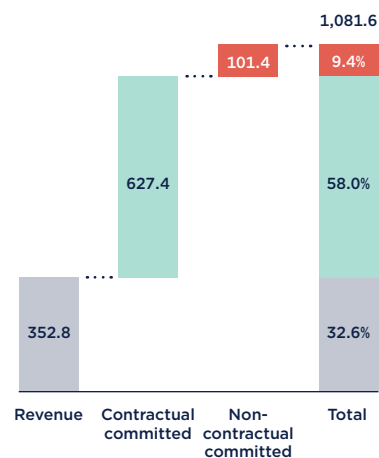
Public segment



mited engagements amounted to DKK 117.7m, while realised revenue in Q1 2021 amounted to DKK 502.3m.

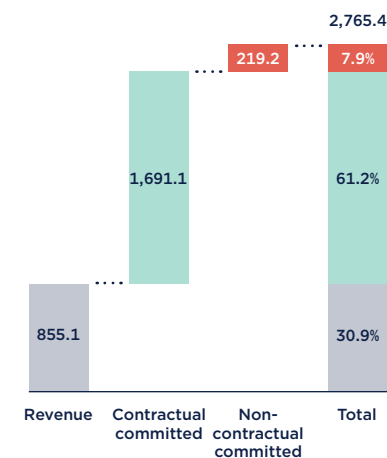
Revenue visibility in the private segment amounted to DKK 1,081.6m, of which contractual committed revenue amounted to DKK 627.4m and non-contractual com-

Private segment



mited engagements amounted to DKK 101.4m, while realised revenue in Q1 2021 amounted to 352.8m.

Total segment



Employees

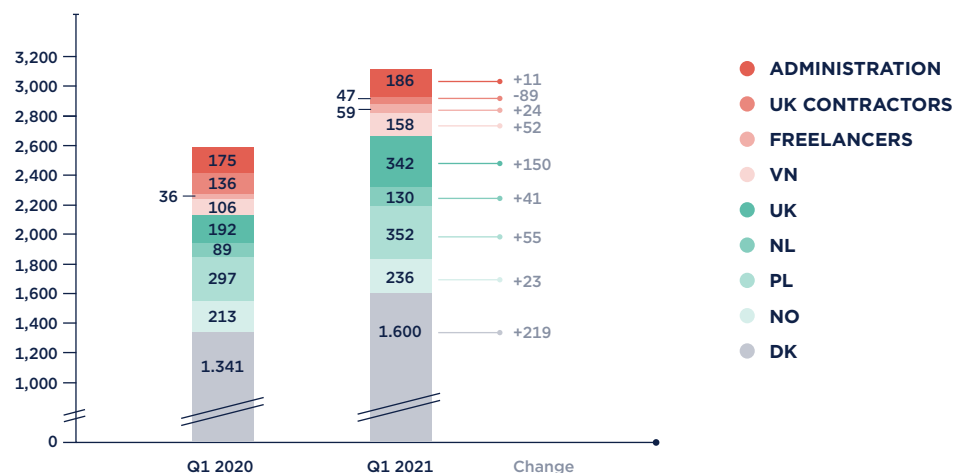
Netcompany employed an average of 3,109 FTEs in Q1 2021, which was an increase of 524 FTEs compared to Q1 2020 (2,585 FTEs). The increase in FTEs was driven by the intake of new employees in all countries.

The number of client facing employees for the Group increased by 513 from 2,410 in Q1 2020 to 2,923 in Q1 2021, while the level of non-client facing employees was 6% in Q1 2021 compared to 6.8% in Q1 2020.

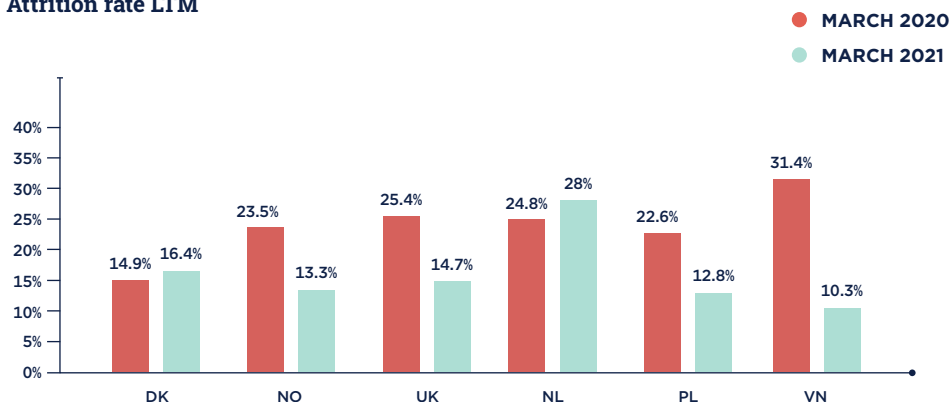
The transition away from independent contractors towards own employees in the UK continued in Q1 2021. As of March 2021, the independent contractors in the UK operation were 43, which is 11% of the client facing FTEs (37% in March 2020).

The attrition rate for the last twelve months was 15.8%, which was a decrease of 2.8 percentage point compared to the same period last year. The decrease was primarily driven by increased focus on onboarding activities, leading to low churn and was also positively impacted by COVID-19, as fewer employees were actively seeking new job opportunities.

Average FTEs increased to 3,109 during Q1 2020



Attrition rate LTM



Cash flow and other significant financial positions

Free cash flow and cash conversion rate

The Group generated a free cash flow of DKK 100.6m in Q1 2021, which was an increase of 5.8% compared to DKK 95m in Q1 2020. Adjusted for taxes paid on account¹, the Group generated a free cash flow of DKK 173.8m in Q1 2021 compared to DKK 136m in Q1 2020, corresponding to an increase in free cash flow of 27.8%.

The increase in free cash flow was mainly driven by an improved operating result and adjustment of non-cash items, which more than offset the negative development in working capital changes compared to the same period last year.

The difference in adjustment of non-cash items was mainly caused by the development in exchange rates, but also due to an increase in the share-based remuneration, now being fully expensed.

The development in working capital changes in Q1 2021 was driven by an in-

crease in work in progress of DKK 63.5m from DKK 434.9m by the end of Q4 2020 to DKK 498.4m, which was slightly offset by a decrease in other payables of 45m from DKK 305.4m by the end of 2020 to DKK 350.4m.

Cash conversion rate decreased from 84.4% in Q1 2020 to 48.7% in Q1 2021. Adjusted for the taxes paid on account and the fair value adjustment of the purchase price of the acquired Netcompany Netherlands (QDelft B.V.) cash conversion rate decreased from 120.9% in Q1 2020 to 110.6% in Q1 2021.

Trade receivables

At 31 March 2021, trade receivables excluding expected credit losses amounted to DKK 442.1m, which was an increase of 2.8% compared to the same period last year. Days sales outstanding continued to decrease and was reduced from 56 days in Q1 2020 to 47 days in Q1 2021. The overdue part of trade receivables was re-

DKK million	Not overdue	0-30 days	30-60 days	60-90 days	>90 days	Total
Trade receivables, 31 March 2021	370.2	49.2	4.6	2.1	16.0	442.1
<i>Paid in the following month</i>	<i>136.4</i>	<i>41.5</i>	<i>3.6</i>	<i>0.2</i>	<i>3.2</i>	<i>185.0</i>
<i>% paid subsequently</i>	<i>36.9%</i>	<i>84.4%</i>	<i>78.9%</i>	<i>8.9%</i>	<i>20.1%</i>	<i>41.8%</i>

DKK million	Not overdue	0-30 days	30-60 days	60-90 days	>90 days	Total
Trade receivables, 31 March 2020	333.0	56.3	12.5	7.6	20.9	430.2
<i>Paid in the following month</i>	<i>200.3</i>	<i>54.7</i>	<i>5.1</i>	<i>0.9</i>	<i>1.1</i>	<i>262.0</i>
<i>% paid subsequently</i>	<i>60.2%</i>	<i>97.1%</i>	<i>40.6%</i>	<i>12.0%</i>	<i>5.1%</i>	<i>60.9%</i>

duced from 22.6% by the end of Q1 2020 to 16.3% by the end of Q1 2021.

Trade receivables paid in the following month amounted to DKK 185m, of which DKK 48.5m was overdue as of 31 March 2021.

¹Taxes 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.

CONTINUED CASH FLOW AND OTHER SIGNIFICANT FINANCIAL POSITIONS

Work in progress

At 31 March 2021, Netcompany's work in progress amounted to DKK 498.7m, of which contract work in progress was DKK 530m and prebilled invoices was DKK 31.6m.

Work in progress increased by 39.1% from DKK 358.4m in Q1 2020 to DKK 498.7m in Q1 2021. In the same period revenue increased by 22.9% from DKK 695.6m in Q1 2020 to DKK 855.2m in Q1 2021.

As a total, trade receivables and work in progress increased by 20.7% from DKK 784.7m end of Q1 2020 to DKK 947m end of Q1 2021.

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. At 31 March 2021 DKK 765.2m of the committed

lines were utilised on borrowings and DKK 96.3m on guarantees, leaving a total of DKK 1,038.5m available in unutilised funding of which DKK 638.5m can be utilised for normal operations if needed with no additional costs or covenants. Including the net cash balance as of 31 March of DKK 314.8m available funding was DKK 1,353.3m.

Risk management

Please refer to the overview of risk factors provided by the Group in the Annual Report for 2020.

Capital structure

Netcompany considers a debt ratio of between 0.5 to 1.0 as desirable. End of Q1 2021, the debt ratio was 0.7.

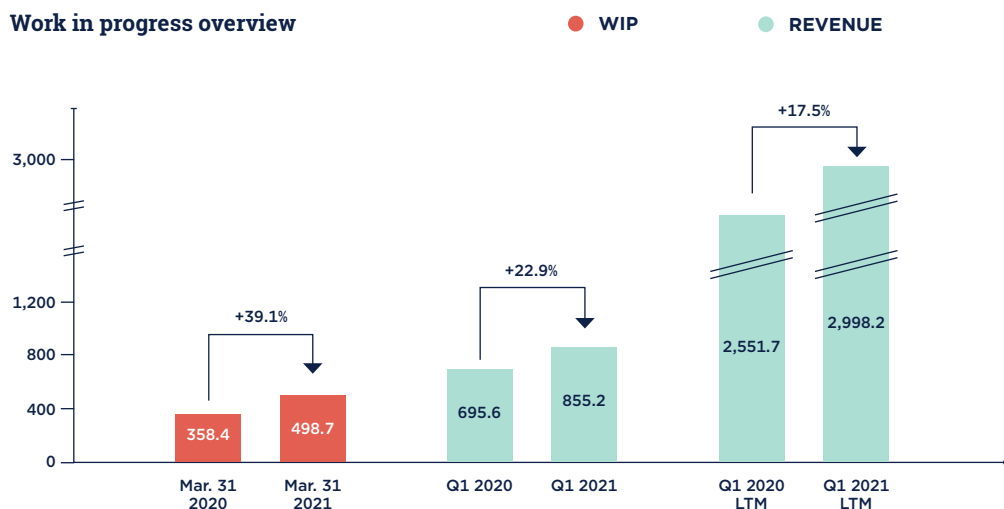
In March 2021, Netcompany has paid DKK 49.1m as dividend for 2020.

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.

DKK million

Work in progress overview



Guidance 2021

Financial metrics in constant currencies	Target 2021	Actual performance 2020
Organic revenue growth in constant currencies	-15-20%	15.5%
Adjusted EBITA margin from organic businesses in constant currencies	-23-25%	26.3%
Non-organic revenue growth	0	1.1%
Reported revenue growth in constant currencies	-15-20%	16.6%
Adjusted EBITA margin in constant currencies	-23-25%	26.1%

Despite a strong start to 2021 with growth of 23% and adjusted EBITA margin of 25.1%, Netcompany currently maintains expectations for organic revenue growth of 15% - 20% in constant currencies and an adjusted EBITA margin between 23% to 25%.

Part of the revenue growth realised in Q1 2021 is caused by employees taking less vacation than expected and time spent for on location training and education being less than expected - both driven by the restrictions imposed related to COVID-19. Hence, we expect those to be impacting revenue growth negatively sometime dur-

ing 2021. The exact timing and absolute magnitude hereof are difficult to predict as restrictions are only now being gradually lifted in our markets.

This also means that the savings seen in Q1 2021 on administrative costs cannot be expected to be of the same magnitude in all the remaining quarters of the year.

However, these factors are not alone determining performance in Q1 2021, and hence, it is more likely that full year performance will be realised in the upper end of the guided range for revenue growth and adjusted EBITA margin, than in the lower

end of the guided range.

A number of risks to our initial guidance for 2021 was given in connection with our Annual Report for 2020. Those risks still exist and could impact our performance for the remaining part of 2021 even though, they are currently unlikely to occur.

The main risks are as follows:

- Change in our markets following negative changes in the macroeconomic environment.
- New hard lockdown restrictions imposed related to new mutations of COVID-19.
- A stop to public digitalisation.
- Delay of deferral of ongoing or planned public tender processes.
- Increased competition for talent combined with increased flexibility in the workforce following a general re-opening of society.

Shareholder information

Capital

Netcompany's share capital is DKK 50m divided into 50m shares. Netcompany holds 899,813 treasury shares equivalent to 1.8% of the share capital. The shares will be used to honour the Group's commitments under its RSU and LTIP programmes.

Share-based incentive schemes/restricted stock units

In total, 391,877 RSUs were issued at 31 March 2021, of which 120,771 were granted to Executive Management and 271,106 were granted to other Key Management Personnel and other employees. The fair value of the RSUs at grant was DKK 109.8m. The cost related hereto is expensed over the vesting period. A total amount of DKK 8.5m was recognised as personnel costs in the income statement in Q1 2021.

Additional information on the Remuneration to members of the Board of Directors and Executive Management Board is disclosed in the remuneration policy.

Contingent purchase price / restricted stock units

In connection with the acquisition of 100% of the shares of QDelft B.V. (now Netcompany Netherlands) in 2019, a total of 305,067 RSUs have been granted, which will vest in February 2023. Further 285,262 RSUs will be granted and vest in February 2023 depending performance in the period 2020-2022.

Share buyback

Netcompany will initiate a share buyback programme of DKK 50m to be executed during Q2 2021.

Financial Calendar

18 August 2021

Interim report for the first 6 months of 2021.

4 November 2021

Interim report for the first 9 months of 2021.

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 2021 to 31 March 2021. The Q1 2021 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 2020.

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 March 2021 and of the results of the Group’s operations and cash flows for the period 1 January 2021 to 31 March 2021.

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 MAY 2021

Executive Management

André Rogaczewski
CEO

Claus Jørgensen
COO

Thomas Johansen
CFO

Board of Directors

Bo Rygaard
Chairman of the Board

Juha Christensen
Vice Chairman of the Board

Scanes Bentley

Hege Skryseth

Åsa Riisberg

CONSOLIDATED INTERIM FINANCIAL STATEMENTS



Income statement and Statement of comprehensive income

DKK thousands	Note	Q1 2021	Q1 2020	Total 2020
Income statement				
Revenue	1	855,146	695,563	2,838,590
Cost of services	2	-529,487	-421,034	-1,683,372
Gross profit		325,659	274,529	1,155,218
Sales and marketing costs		-6,114	-4,409	-17,104
Administrative costs	3	-103,215	-106,060	-393,741
Special items	4	0	-3	-3
EBITA		216,330	164,057	744,371
Amortisation		-9,153	-25,299	-99,426
Operating profit (EBIT)		207,177	138,758	644,945
Financial income	5	1,907	6,333	19,347
Financial expenses	5	-8,543	-25,484	-66,306
Fair value adjustment of contingent consideration		49,485	0	-141,268
Income / loss from investment in joint venture		-6,027	0	-5,035
Profit / loss before tax		243,999	119,608	451,683
Tax on the profit for the period		-44,453	-26,792	-129,766
Net profit / loss for the period		199,545	92,816	321,918
Earnings per share				
Earnings per share (DKK)	6	4.06	1.89	6.56
Diluted Earnings per share (DKK)	6	4.02	1.88	6.53

DKK thousands	Note	Q1 2021	Q1 2020	Total 2020
Statement of comprehensive income				
Net profit / loss for the period		199,545	92,816	321,918
Other comprehensive income:				
Foreign currency translation subsidiaries		8,289	-62	10,250
Other comprehensive income, net of tax		8,289	-62	10,250
Total comprehensive income		207,834	92,754	332,168

Statement of financial position

DKK thousands	Note	31 March 2021	31 March 2020	31 December 2020
Assets				
Intangible assets		2,441,981	2,525,262	2,451,134
Tangible assets		141,683	145,806	135,321
Deferred tax assets		10,607	3,502	8,842
Other receivables		18,964	16,419	18,482
Investment in joint venture		63,938	0	69,965
Total non-current assets		2,677,173	2,690,988	2,683,745
Trade receivables	7	436,240	426,299	458,774
Receivables from joint venture		12,317	0	8,260
Contract work in progress	8	529,971	394,342	476,603
Other receivables		73,270	56,145	53,045
Tax receivables		30,661	15,336	0
Total receivables		1,082,459	892,122	996,682
Cash		314,834	208,538	358,996
Total current assets		1,397,294	1,100,660	1,355,678
Total assets		4,074,467	3,791,647	4,039,423

DKK thousands	Note	31 March 2021	31 March 2020	31 December 2020
Equity and liabilities				
Share capital		50,000	50,000	50,000
Treasury shares		-175,000	-175,000	-175,000
Share-based remuneration		50,993	22,765	42,478
Exchange differences on trans- lating foreign subsidiaries		4,496	-14,105	-3,793
Retained earnings		2,665,381	2,285,834	2,514,936
Total equity		2,595,870	2,169,494	2,428,621
Borrowings	9	761,034	959,120	760,556
Leasing		54,313	56,071	57,377
Other payables	10	122,819	0	173,207
Deferred tax liability		67,816	73,364	66,037
Total non-current liabilities		1,005,982	1,088,555	1,057,177
Leasing		34,492	41,760	35,392
Prebilled invoices	8	31,568	35,943	41,747
Trade payables		56,158	55,981	39,875
Other payables	10	350,397	396,391	393,944
Provisions	11	0	3,525	0
Income tax payable		0	0	42,667
Total current liabilities		472,616	533,599	553,625
Total liabilities		1,478,598	1,622,154	1,610,802
Total equity and liabilities		4,074,467	3,791,647	4,039,423

Cash Flow statement

DKK thousands	Q1 2021	Q1 2020	Total 2020
Operating profit (EBIT)	207,177	138,758	644,945
Depreciation and amortisation	27,641	41,040	164,431
Non-cash items	17,289	-3,715	17,596
Working capital changes	-4,057	981	-103,248
Total	248,051	177,065	723,724
Income taxes paid	-117,567	-68,008	-126,163
Financial income received	540	863	2,533
Financial expenses paid	-12,250	-3,329	-19,220
Cash flow from operating activities	118,774	106,590	580,873
Net cash outflow on acquisition of subsidiaries	-89,405	0	0
Other investments	0	0	-75,000
Acquisition of property, plant and equipment	-18,210	-11,577	-23,869
Other receivables (deposits)	-406	-327	-2,779
Cash flow from investment activities	-108,021	-11,904	-101,649
Dividends paid	-49,100	0	0
Repayment of borrowings	0	0	-200,000
Repayment of right of use assets	-11,281	-10,919	-45,652
Cash flow from financing activities	-60,382	-10,919	-245,652
Net increase in cash and cash equivalents	-49,629	83,767	233,573
Cash and cash equivalents at the beginning	358,996	132,350	132,349
Effect of exchange rate changes on the balance cash held in foreign currencies	5,467	-7,580	-6,927
Cash and cash equivalents at the end	314,834	208,538	358,996

Statement of changes in Equity

DKK thousands	Share capital	Treasury shares	Share-based remuneration	Foreign currency translation subsidiaries	Retained earnings	Total
Equity at 1 January 2021	50,000	-175,000	42,478	-3,793	2,514,936	2,428,621
Share-based remuneration for the period	0	0	8,515	0	0	8,515
Dividend paid	0	0	0	0	-49,100	-49,100
Profit for the period	0	0	0	0	199,545	199,545
Other comprehensive income	0	0	0	8,289	0	8,289
Equity at 31 March 2021	50,000	-175,000	50,993	4,496	2,665,381	2,595,870

DKK thousands	Share capital	Treasury shares	Share-based remuneration	Foreign currency translation subsidiaries	Retained earnings	Total
Equity at 1 January 2020	50,000	-175,000	17,724	-14,044	2,193,018	2,071,699
Share-based remuneration for the period	0	0	5,041	0	0	5,041
Profit for the period	0	0	0	0	92,816	92,816
Other comprehensive income	0	0	0	-62	0	-62
Equity at 31 March 2020	50,000	-175,000	22,765	-14,105	2,285,834	2,169,494

Equity at 1 January 2020	50,000	-175,000	17,724	-14,044	2,193,018	2,071,699
Share-based remuneration for the period	0	0	24,754	0	0	24,754
Profit for the period	0	0	0	0	321,918	321,918
Other comprehensive income	0	0	0	10,250	0	10,250
Equity at 31 December 2020	50,000	-175,000	42,478	-3,793	2,514,936	2,428,621

NOTE 1

Segment information

Segment information related to geographical areas

DKK thousands	Q1 2021					Total
	Denmark	Norway	UK	Netherlands	Other	
Revenue from external customers	655,694	72,798	105,025	21,628	0	855,146
EBITA, operating entities	196,962	12,625	9,407	-2,664	0	216,330
Allocated cost	5,118	-3,062	-6,842	-295	5,080	0
EBITA, reported in legal entities	202,081	9,563	2,565	-2,959	5,080	216,330

DKK thousands	Q1 2020					Total
	Denmark	Norway	UK	Netherlands	Other	
Revenue from external customers	524,707	54,909	98,266	17,680	0	695,563
EBITA, operating entities	149,008	4,918	9,415	716	0	164,057
Allocated cost	4,408	1,002	-5,039	-698	326	0
EBITA, reported in legal entities	153,416	5,920	4,376	19	326	164,057

DKK thousands	Total 2020					Total
	Denmark	Norway	UK	Netherlands	Other	
Revenue from external customers	2,199,865	199,778	340,315	98,632	0	2,838,589
EBITA, operating entities	706,183	11,988	9,377	16,823	0	744,370
Allocated cost	14,590	2,761	-20,064	-3,486	6,198	0
EBITA, reported in legal entities	720,773	14,750	-10,687	13,337	6,198	744,371

NOTE 2 **Cost of services**

DKK thousands	Q1 2021	Q1 2020	Total 2020
Cost of services	-64,082	-77,560	-255,491
Salaries	-459,428	-340,035	-1,412,104
Depreciation	-5,976	-3,439	-15,777
Cost of services total	-529,487	-421,034	-1,683,372

NOTE 3 **Administrative costs**

DKK thousands	Q1 2021	Q1 2020	Total 2020
Administrative costs	-44,129	-51,136	-179,992
Salaries	-46,574	-42,621	-164,520
Depreciation	-12,512	-12,302	-49,228
Administrative costs total	-103,215	-106,060	-393,741

NOTE 4 **Special items**

DKK thousands	Q1 2021	Q1 2020	Total 2020
Costs related to M&A	0	-3	-3
Total special items	0	-3	-3

NOTE 5 **Financial income and expenses**

DKK thousands	Q1 2021	Q1 2020	Total 2020
Financial income			
Exchange rate adjustments	1,890	6,317	19,266
Other financial income	18	16	81
Financial income total	1,907	6,333	19,347
Financial expenses			
Interest expense, bank loan	-2,590	-3,927	-13,661
Interest expense, leasing	-813	-985	-3,986
Exchange rate adjustments	-1,410	-19,472	-43,177
Other financial expenses	-3,730	-1,099	-5,481
Financial expenses total	-8,543	-25,484	-66,306

NOTE 6 Earnings per share

DKK thousands	Q1 2021	Q1 2020	Total 2020
Earnings per share - EPS (DKK)	4.06	1.89	6.56
Diluted earnings per share - EPS-D (DKK)	4.02	1.88	6.53
Profit	199,545	92,816	321,918
Average number of shares	50,000	50,000	50,000
Average number of treasury shares	900	900	900
Average number of shares in circulation	49,100	49,100	49,100
Average number of outstanding restricted stock units	576	158	215
Average number of diluted shares in circulation	49,676	49,258	49,316

In Q1 2021, the earnings per share was affected by the fair value adjustment of the contingent consideration and would have been 3.06 in Q1 2021 if normalised for this adjustment.

NOTE 7 Trade receivables

DKK thousands	31 March 2021	31 March 2020	31 December 2020
Not overdue	370,161	333,008	326,415
0-30 days overdue	49,176	56,281	99,180
31-60 days overdue	4,612	12,451	19,876
61-90 days overdue	2,087	7,581	4,572
Over 90 days overdue	16,035	20,882	14,562
Total trade receivables excl. expected credit loss	442,071	430,204	464,605
Expected credit loss	-5,831	-3,904	-5,831
Total trade receivables	436,240	426,299	458,774

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 31 March 2021, the Group recognised a provision for expected credit losses of DKK 5.8m (31 March 2020: DKK 3.9m), and no credit losses have incurred during Q1 2021.

The credit quality of trade receivables at 31 March 2021, is considered satisfactory.

NOTE 8

Contract work in progress

DKK thousands	31 March 2021	31 March 2020	31 December 2020
Selling price of work performed on fixed price projects	1,212,977	963,108	1,083,501
Invoiced amount on fixed price projects	-714,575	-604,709	-648,646
Total contract work in progress	498,403	358,400	434,856

Net value - stated on a contract-per-contract basis - is presented in the statement of financial position as follows:

Contract work in progress	529,971	394,342	476,603
Prebilled invoices	-31,568	-35,943	-41,747
Total contract work in progress	498,403	358,400	434,856

NOTE 9

Borrowings

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Nominal value	Carrying amount
Bank loan	DKK	2023	Floating	4,147	765,182	761,034
31 March 2021				4,147	765,182	761,034

DKK thousands	Currency	Maturity	Fixed or floating interest	Loan cost	Nominal value	Carrying amount
Bank loan	DKK	2023	Floating	6,061	965,182	959,120
31 March 2020				6,061	965,182	959,120

Bank loan	DKK	2023	Floating	4,626	765,182	760,556
31 December 2020				4,626	765,182	760,556

NOTE 10 **Other payables**

DKK thousands	31 March 2021	31 March 2020	31 December 2020
Wages and salaries, payroll taxes, social security costs, etc. payable	33,132	25,815	53,235
Holiday pay obligation	208,886	160,011	144,836
VAT and duties	74,835	52,311	58,889
Contingent purchase price & earn out	122,819	120,441	261,709
Other costs payable	33,544	37,813	48,482
Total other payables	473,216	396,391	567,151

For further details on contingent purchase price and earn out, please refer Annual Report 2020 note 14.

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	Q1 2021	Q1 2020	Total 2020
Onerous contracts and warranty obligations beginning of period	0	3,525	3,525
Decrease in the period	0	0	-3,525
Onerous contracts and warranty obligations end of period	0	3,525	0

NOTE 12 **Income Statement classified by function**

DKK thousands	Q1 2021	Q1 2020	Total 2020
Income statement			
Revenue	855,146	695,563	2,838,590
Cost of services, incl. depreciation and amortisation	-529,487	-421,034	-1,683,372
Gross profit	325,659	274,529	1,155,218
Sales and marketing costs, incl. depreciation and amortisation	-6,114	-4,409	-17,104
Administrative costs, incl. depreciation and amortisation	-112,368	-131,362	-493,170
Operating profit (EBIT)	207,177	138,758	644,945
Financial income	1,907	6,333	19,347
Financial expenses	-8,543	-25,484	-66,306
Fair value adjustment of contingent consideration	49,485	0	-141,268
Income / loss from investment in joint venture	-6,027	0	-5,035
Profit / loss before tax	243,999	119,608	451,683
Tax on the profit for the period	-44,453	-26,792	-129,766
Net profit / loss for the period	199,545	92,816	321,918

Depreciation and Amortisation have been presented as follows in the income statement:

Cost of services	-5,976	-3,439	-15,777
Administrative costs	-21,665	-37,601	-148,654
Depreciation and amortisation	-27,641	-41,040	-164,431

NOTE 13

Collateral provided and contingent liabilities

As part of its contract commitments with customers, the Group has through its banks provided performance guarantees of DKK 96.3m (nil).

There are no collaterals provided for the Group's bank loan.

NOTE 14

Related party transactions

In Q1 2021, Netcompany recognised revenue from Smarter Airports A/S of DKK 25.8m.

NOTE 15

Financial figures and highlights

DKK million	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Income statement								
Revenue								
Public	502.3	465.9	436.3	442.2	433.3	406.9	356.4	341.5
Private	352.8	306.9	258.4	233.4	262.2	264.1	235.7	251.6
<i>Revenue by segments, total</i>	855.1	772.7	694.7	675.5	695.6	671.0	592.1	593.1
Development	517.5	433.7	380.1	347.4	355.7	338.9	299.1	289.7
Maintenance	337.7	339.1	314.6	328.1	339.8	332.1	293.0	303.4
<i>Revenue by types, total</i>	855.1	772.7	694.7	675.5	695.6	671.0	592.1	593.1
Organic	855.1	772.7	694.7	667.1	677.9	654.7	578.1	586.0
Acquisition	0.0	0.0	0.0	8.5	17.7	16.3	14.0	7.1
<i>Revenue by growth, total</i>	855.1	772.7	694.7	675.5	695.6	671.0	592.1	593.1
Special items	0.0	0.0	0.0	0.0	-0.0	-0.0	-0.6	-2.7
Adjusted EBITA	216.3	223.5	195.5	161.3	164.1	179.9	164.1	126.1
EBITA	216.3	223.5	195.5	161.3	164.1	179.8	163.5	123.5
Operating profit (EBIT)	207.2	200.0	170.2	136.0	138.8	154.4	137.5	98.9
Net financials	-6.6	-5.4	-6.2	-16.2	-19.2	5.1	-3.7	-21.3
Net profit / loss	199.5	5.0	128.1	96.0	92.8	125.6	102.5	61.7
Financial position								
Free cash flow	100.6	-3.7	-5.3	-3.3	-11.6	-9.1	-4.3	-5.0
Total assets	4,074.5	4,039.4	3,875.9	3,916.8	3,791.6	3,727.6	3,731.5	3,680.0
Equity	2,595.9	2,428.6	2,413.8	2,281.1	2,169.5	2,071.7	1,950.7	1,847.8
Net increase in cash and cash equivalents	-49.6	120.4	-62.7	92.1	83.8	-44.7	40.8	-29.2
Free cash flow	100.6	208.9	149.9	103.1	95.0	116.8	126.5	117.2
Free cash flow (tax normalised)	173.8	210.5	115.0	75.7	136.0	117.4	89.6	99.1

CONTINUED NOTE 15 FINANCIAL FIGURES AND HIGHLIGHTS

DKK million	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Earnings per share								
Earnings per share (DKK)	4.06	0.10	2.61	1.96	1.89	2.56	2.09	1.26
Diluted Earnings per share (DKK)	4.02	0.10	2.60	1.95	1.88	2.55	2.08	1.25
Employees								
Average number of full-time employees	3,109	2,996	2,827	2,663	2,585	2,468	2,345	2,259
Financial ratios								
Revenue growth	22.9%	15.2%	17.3%	13.9%	16.4%	23.5%	20.8%	18.0%
Gross profit margin	38.1%	42.4%	42.2%	38.4%	39.5%	42.3%	43.2%	37.6%
Adjusted EBITA margin	25.3%	28.9%	28.1%	23.9%	23.6%	26.8%	27.7%	21.3%
EBITA margin	25.3%	28.9%	28.1%	23.9%	23.6%	26.8%	27.6%	20.8%
Operating profit margin	24.2%	25.9%	24.5%	20.1%	19.9%	23.0%	23.2%	16.7%
Effective tax rate	18.2%	89.6%	21.9%	19.9%	22.4%	21.2%	23.4%	20.5%
Return on equity	8.4%	0.2%	5.9%	4.6%	4.7%	6.5%	5.6%	3.5%
Solvency ratio	63.7%	60.1%	62.3%	58.2%	57.2%	55.6%	52.3%	50.2%
ROIC	6.7%	0.2%	4.4%	3.3%	3.3%	4.4%	3.6%	2.2%
ROIC (Adjusted for Goodwill)	27.8%	0.8%	19.8%	14.7%	14.8%	18.9%	16.3%	10.0%
Cash conversion rate	48.7%	893.4%	101.4%	89.1%	84.4%	80.3%	103.1%	145.0%
Cash conversion rate (tax normalised)	84.1%	900.4%	77.8%	65.4%	120.9%	80.7%	73.0%	122.6%

NOTE 16

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 Q1 2021 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 2020 for Netcompany Group A/S.

Formulas

Key figures and financial ratios have been compiled in accordance with the following calculation formulas.

*Marked formulas have been calculated in accordance with "Recommendations & Financial Ratios" issued by the Danish Finance Society.

Gross profit margin*	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	EBITDA*	=	EBIT + Depreciation and amortisation	Days sales outstanding*	=	$\frac{\text{Trade receivables} \times \text{days}}{\text{Revenue}}$
EBITA*	=	Operating profit + Amortisation	EPS*	=	$\frac{\text{Net profit}}{\text{Average outstanding shares}}$	Return on equity*	=	$\frac{\text{Net profit} \times 100}{\text{Average equity}}$
EBITA margin*	=	$\frac{\text{EBITA} \times 100}{\text{Revenue}}$	EPS diluted*	=	$\frac{\text{Net profit}}{\text{Average outstanding shares} + \text{Diluted shares}}$	ROIC*	=	$\frac{\text{Net profit} \times 100}{\text{Average invested capital}}$
Adjusted EBITA	=	EBITA + Special items	Free cash flow*	=	Cash flow from operating activities - Capex	ROIC (Adjusted for Goodwill)*	=	$\frac{\text{Net profit} \times 100}{\text{Average invested capital} - \text{average Goodwill}}$
Adjusted EBITA margin	=	$\frac{\text{Adjusted EBITA} \times 100}{\text{Revenue}}$	CAPEX*	=	Cost spent to buy intangible and tangible assets, excluding impact from business acquisitions	Solvency (equity ratio)*	=	$\frac{\text{Equity} \times 100}{\text{Total assets}}$
Operating profit margin*	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$	Cash conversion ratio	=	$\frac{\text{Free cash flow} \times 100}{\text{Net profit} - \text{amortisation and deferred tax of amortisation}}$			

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 2020 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 mar-

keting 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 2020 of Netcompany Group A/S is available at our website 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.