

INTERIM RESULTS ORDINA N.V.

H1 2020



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About Ordina

Ordina is a local, independent IT services provider in the Benelux, with around 2,650 employees. We focus on giving our clients a digital edge in the sectors: financial services, industry and the public sector. We do this by devising, building and managing technological applications. Ordina helps its clients to stay ahead of the challenges and changes in their business. Ordina was founded in 1973. Ordina's shares have been listed on Euronext Amsterdam since 1987 and are included in the Smallcap Index (AScX). In 2019, Ordina recorded revenues of EUR 372 million. For more information, please go to:

www.ordina.nl/en/

Forward-looking statements

This document contains forward-looking statements regarding the financial performance of Ordina N.V. and outlines certain plans, targets and ambitions based on current insights. Such forecasts are obviously not without risk and entail a certain degree of uncertainty since there are no guarantees regarding future circumstances. There are multiple factors that could potentially result in the actual results and outcomes differing from those outlined in this document. Such factors include: general economic trends, the pace of globalisation of the markets for solutions, IT and consulting, increased performance commitments, scarcity on the labour market, and future acquisitions and disposals.

Financial calendar

29 October 2020	Trading update Q3
18 February 2021	Publication annual results 2020
1 April 2021	General Meeting

ORDINA DELIVERS STRONG PERFORMANCE IN FIRST HALF OF 2020

Nieuwegein, 30 July 2020 – Ordina N.V. (Ordina), a local, independent IT services provider in the Benelux, today presents the results for the first half of 2020 and the key figures for the second quarter of 2020.

H1 2020 highlights

- Revenue remains stable at EUR 188.0 million (H1 2019: EUR 186.9 million);
- Revenue from business propositions increases to 37% in H1 2020 (H1 2019: 32%);
- EBITDA increases to EUR 22.9 million (H1 2019: EUR 17.1 million);
- EBITDA margin increases to 12.2% (H1 2019: 9.2%);
- Net profit higher at EUR 10.3 million (H1 2019: EUR 6.0 million);
- Net cash at end-H1 EUR 31.0 million (at end-H1 2019: EUR 6.5 million).

Q2 2020 highlights

- Revenue remains stable at EUR 91.8 million (Q2 2019: EUR 92.3 million);
- EBITDA increases to EUR 10.8 million (Q2 2019: EUR 8.5 million);
- EBITDA margin higher at 11.7% (Q2 2019: 9.2%);
- Employee engagement score increases to 7.4 (May 2020), from 7.1 (October 2019);
- COVID-19 has limited impact on results.

Key figures

	H1 2020	H1 2019	Change H1 2020 vs. H1 2019	Q2 2020	Q2 2019	Change Q2 2020 vs. Q2 2019
<small>(in thousands of euro or percentage)</small>						
Revenue	188,040	186,851	0.6%	91,765	92,296	-0.6%
EBITDA	22,910	17,118	5,792	10,766	8,499	2,267
EBITDA margin	12.2%	9.2%	3.0%	11.7%	9.2%	2.5%
Net profit	10,340	5,958	4,382	4,575	2,896	1,679
Workable days (NL/Belux)	124 / 125	125 / 124	-1 / +1	60 / 61	62 / 61	-2 / 0
Net cash position	30,980	6,514	24,466			
Free cash flow	24,644	9,283	15,361			

Jo Maes, CEO Ordina, about the results

“Ordina had a strong first half of the year. Despite COVID-19 and the ensuing uncertainties, we succeeded in limiting the impact on our results. I am grateful to our clients and employees for their flexibility; working in cooperation with our clients, we managed to switch to working from home in a short space of time.

Our strong performance is the result of a greater number of teams of our own professionals, more contracts based on our business propositions and more efficient operations. This puts us on track with the execution of our Ordina 2022 strategy: our revenue from business propositions increased to 37% in the first half of the year, compared to 32% in the first half of 2019. As a top services provider, we help our clients to develop, maintain and accelerate a digital edge. Making sure they are Ahead of change for the challenges of the future.

We are obviously following COVID-19-related developments closely. We can see that some sectors have been more badly affected by the COVID-19 measures than others. This is why we put our dividend proposal and recruitment of IT professionals on hold in the first half. However, we are now planning to expand our recruitment efforts once again.

Our financial results, cash position and progress in the execution of our strategy put us in a strong position for the future. However, in view of the uncertain outlook, we believe caution remains necessary. In every step we take, we put the stability of our company, the care for our employees and the engagement with our clients first.”

GROUP PERFORMANCE

Revenue

Revenue rose by 0.6% to EUR 188.0 million in the first half of the year (H1 2019: EUR 186.9 million). The revenue from business propositions showed particularly strong growth to 37% of total revenues in H1 2020, from 32% in H1 2019. Revenue booked with external hires declined significantly, in line with our strategy, and this was offset by increased revenue from our business propositions.

Revenue per market

	H1 2020	H1 2019 ¹	Change H1 2020 vs. H1 2019	Q2 2020	Q2 2019 ¹	Change Q2 2020 vs. Q2 2019
(in thousands of euro)						
Public sector	76,442	73,500	4.0%	37,578	37,052	1.4%
Financial services	50,485	54,721	-7.7%	24,660	26,964	-8.5%
Industry	61,113	58,630	4.2%	29,527	28,280	4.4%
Total	188,040	186,851	0.6%	91,765	92,296	-0.6%

¹ 2019 figures adjusted for the reclassification of a number of clients that were previously reported under the healthcare segment.

The digital agenda remains a high priority in the **public sector**. This resulted in higher revenue in that sector from our High performance teams, Intelligent data-driven solutions and Cybersecurity & compliance business propositions. In the **financial sector**, we recorded a considerable increase in revenue from our High performance teams and Intelligent data-driven companies solutions. The decline in revenue from external hires resulted in a decline in overall revenue in the financial sector. The picture in the **industry sector** is mixed and the impact of COVID-19 is the most varied in that sector. On the one hand, we are seeing clients accelerate their digital agenda, while on the other hand we have clients that have been badly affected by the impact of the COVID-19 outbreak and where we are seeing a decline in demand. In the pharmaceutical industry, we recorded an increase in revenue and saw growing demand for Business platforms and Cybersecurity & compliance solutions. Our approach in the utilities segment (energy, water and waste disposal) is starting to pay off.

Employees and productivity

	Year-end 2019	Net change	End-Q1 2020	Net change	End-H1 2020
Direct FTEs	2,340	+2	2,342	-34	2,308
Indirect FTEs	289	+8	297	-	297
Total	2,629	+10	2,639	-34	2,605

The number of direct employees declined by 32 FTEs in the first half to 2,308 FTEs. Due to the uncertain market conditions, we temporarily cut back on the recruitment of new employees. At the same time, the outflow of direct employees declined in the first half of the year. However, the average number of direct employees in the first half of the year increased by six FTEs to 2,305 (H1 2019: 2,299) as the inflow of new employees to Ordina started primarily in the first quarter. We are now planning to step up our recruitment efforts once again. Productivity in the first half of 2020 was 72.7% (H1 2019: 70.6%).

In May 2020, we once again measured our employee engagement. Our score rose to 7.4 (7.1 in October 2019) and we saw a sharp increase in employees' commitment to Ordina. The question related to 'pride in Ordina', in particular, was answered considerably more positively than in October 2019. Employees value Ordina in the time of COVID-19

because of our clear communications, personal contact with managers via digital media and Ordina's appreciation of its employees.

EBITDA

EBITDA increased by EUR 5.8 million to EUR 22.9 million in the first half of 2020, while the EBITDA margin increased by 3.0% to 12.2%. Our result improved strongly due to the increasing deployment of our professionals in teams and contracts for our business propositions, higher productivity and lower revenues from external hires.

Performance per region

Revenue per region

	H1 2020	H1 2019	Change H1 2020 vs. H1 2019	Q2 2020	Q2 2019	Change Q2 2020 vs. Q2 2019
(in thousands of euro)						
The Netherlands	124,797	129,706	-3.8%	60,448	64,353	-6.1%
Belgium/Luxembourg	63,243	57,145	10.7%	31,317	27,943	12.1%
Total	188,040	186,851	0.6%	91,765	92,296	-0.6%

In the **Netherlands**, revenue declined by 3.8% to EUR 124.8 million in the first half, as a result of our effort to reduce revenue booked with external hires. However, we saw a strong increase in revenue from High performance teams and Data-driven solutions. The number of workable days in the first half of the year was 124 in the Netherlands (H1 2019: 125). The effect of this working day was around EUR 0.9 million in revenue and around EUR 0.7 million in EBITDA. The number of working days in the second quarter was 60 in the Netherlands (Q2 2019: 62). The impact of this difference in working days was around EUR 1.8 million in revenue and around EUR 1.4 million in EBITDA.

In **Belgium/Luxembourg**, revenue came in 10.7% higher at EUR 63.2 million in the first half, driven by an increase in the number of direct employees and higher revenue based on the Cybersecurity & compliance and Business platforms business propositions. The number of workable days in Belgium/Luxembourg was 125 in the first half of the year (H1 2019: 124). The effect of a workable day is around EUR 0.4 million in revenue and around EUR 0.3 million in EBITDA. The number of workable days in the second quarter in Belgium/Luxembourg was unchanged from the previous year at 61.

EBITDA per division

	H1 2020		H1 2019		Delta	
(in thousands of euro and percentage)						
The Netherlands	11,826	9.5%	8,254	6.4%	3,572	3.1%
Belgium/Luxembourg	11,084	17.5%	8,864	15.5%	2,220	2.0%
Total	22,910	12.2%	17,118	9.2%	5,792	3.0%

In the **Netherlands**, EBITDA was up EUR 3.6 million at EUR 11.8 million. The EBITDA margin was 3.1% higher at 9.5%. This improvement was the result of an increase in productivity, a higher quality turnover mix with fewer external hires and reduced operating costs, such as fuel costs, for instance, as a result of staff working from home.

In **Belgium/Luxembourg**, EBITDA came in EUR 2.2 million higher at EUR 11.1 million. The EBITDA margin was 2.0% higher at 17.5%. The high margin is the result of the growth of the organisation with its own staff, continuing high productivity and reduced operating costs, such as fuel costs, for instance, as a result of staff working from home.

Net profit

From EBITDA to net profit

	H1 2020	H1 2019
(in thousands of euro)		
EBITDA	22,910	17,118
Depreciation & amortisation	-7,390	-7,316
Operating result (EBIT)	15,520	9,802
Net finance costs	-613	-584
Earnings before tax	14,907	9,218
Taxes	-4,567	-3,260
Net profit	10,340	5,958

Net profit came in EUR 4.4 million higher at EUR 10.3 million in the first half of 2020 (H1 2019: EUR 6.0 million), entirely in line with the increase in our operating result. Earnings per share rose to EUR 0.11 (H1 2019: EUR 0.06).

Net cash and cash flow

Main changes in the net cash position

(rounded off into millions of euro)

Year-end 2019	24.6
Net profit	10.3
Depreciation	7.4
Working capital, provisions and other changes	-5.8
Interest & taxes	1.8
Net investments	-1.3
Dividend payment	-
Other cash flows from financing activities	-6.2
End-H1 2020	31.0

The free cash flow increased to EUR 24.6 million in the first half of the year (H1 2019: EUR 9.3 million). This increase was due to the improved operational performance, as well as the result of the (precautionary) withdrawal of the 2019 dividend proposal.

As at 30 June 2020, Ordina had not taken up any amounts under its financing facility. The net debt to adjusted EBITDA ratio, as formulated in the financing agreement, stood at -0.9 on 30 June 2020, below the maximum of 2.50 agreed with our financiers. The Interest Cover Ratio stood at 311.3 on 30 June 2020, which was above the minimum of 5.0. For more information on the financing facility, see page 23.

Ordina's capital position and liquidity position are strong and provide a solid basis for the future. However given the uncertain outlook we believe caution is still required.

Risk management

In the 2019 Annual Report (page 64 and onwards), Ordina describes the main objectives and procedures of its risk management and control systems, as well as the main risks and any mitigating measures. Ordina has assessed the identified risks and has determined that the main risks identified remain the same in the second half of 2020.

The main risks are:

- There is a shortage of highly trained IT professionals. This is due to a limited supply (and proportionally low inflow from colleges of applied sciences and universities) on the labour market compared with the high demand for digitalisation. Due to the uncertain market conditions, we have temporarily cut back on the recruitment of new employees. At the same time, the outflow of direct employees fell in the first half of the year. We are now planning to expand our recruitment once again.
- Fluctuations in the economic climate due to, for example, an unstable (geo-) political situation in combination with a relatively fixed cost structure have a direct impact on our results. We have noted that some sectors are more badly affected by the impact of the COVID-19 measures. As a precautionary measure, we therefore withdrew our dividend proposal in the first half of the year. Our financial results, cash position and the progress booked on our strategy put us in a strong position for the future. Given the uncertain outlook, we will continue to be cautious and, if necessary, take measures to safeguard the stability of our business.
- Ordina's scale in relation to a client or a contract is sometimes a cause for concern or doubt among (potential) clients. On the other hand, Ordina can quickly become dependent on a specific client as the revenue from that client increases.
- Data security is vital in the current digital age. Sensitive information can fall into the wrong hands as a result of cyber-crime or the failure of IT systems.
- Market conditions may necessitate the impairment of goodwill related to acquisitions. Given the positive development of the results in the first half of 2020, there was no question of a triggering event for Ordina based on internal factors. However, the COVID-19 outbreak resulted in changed market conditions, both in our sales market and on the capital markets. Ordina therefore conducted an interim impairment test, which did not result in impairment (for more information on this, please see page 19).
- At year-end 2019, Ordina had total loss carry-forwards of EUR 26.3 million. In the context of these loss carry-forwards, Ordina has recognised a deferred tax asset of EUR 6.0 million. There is a risk that Ordina will be unable to offset these losses in time, which would result in the depreciation of (part of) its deferred tax assets.

For additional details on this subject, we refer you to Ordina's 2019 annual report on our website: www.ordina.nl/en/.

We monitor the risks we have identified on a continuous basis. Nevertheless, it is possible that new or previously unidentified risks emerge that are not yet known and that could potentially have a material impact on our business operations, targets and results. We will continuously monitor any known and new risks and take control measures and initiate mitigating actions whenever this is deemed necessary.

STATEMENT BY THE MANAGEMENT BOARD

This document comprises Ordina N.V.'s 2020 interim report and the condensed consolidated interim financial statements. This interim report has been prepared in accordance with IAS 34, 'Interim Financial Reporting'. This interim report does not contain all the information required for financial statements. It should therefore be read in conjunction with the consolidated financial statements for the full year 2019. These interim financial statements have not been audited.

The Management Board hereby declares, in accordance with Section 5:25d (2) (c) of the Dutch Financial Supervision Act, that to the best of their knowledge:

- o the interim financial statements give a true and fair view of the assets and liabilities, and the financial position as at 30 June 2020 and the results for the first six months of 2020 of Ordina N.V. and its consolidated companies, and;
- o the Management Board's interim report incorporated in this 2020 interim report gives a true and fair view of the information required pursuant to Sections 5:25d (8) and, insofar as applicable, 5:25d (9) of the Dutch Financial Supervision Act, subject to the disclaimer regarding forward-looking statements included on page 2.

Nieuwegein, 29 July 2020

J. Maes, CEO

J.W. den Otter, CFO

Additional information

Workable days 2020 and 2019

	2020		2019	
	NL	B	NL	B
Q1	64	64	63	63
Q2	60	61	62	61
Q3	66	64	66	64
Q4	65	63	64	63
Total	255	252	255	251

Media call and analysts presentation

09:00 hrs CET – Media call

Ordina will explain its results on 30 July 2020 09:00 hrs CET during a media conference call (call number +31 (0)20 531 5856).

10:30 hrs CET – Analyst presentation

Ordina will present its results on 30 July 2020 at 10:30 hrs CET at the analyst meeting in the Van der Valk Hotel Amsterdam-Amstel. You can follow this presentation via a webcast. You can follow the webcast via the link you will find on our website: www.ordina.nl. The presentation will be available on our website after the webcast.

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CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS ORDINA N.V.

H1 2020



CONSOLIDATED BALANCE SHEET (before appropriation of profit)

<i>(In euro thousands)</i>	30 June 2020	31 Dec 2019	30 June 2019
Assets			
Intangible assets	129,032	129,751	129,788
Right-of-use assets	34,946	37,046	34,033
Property, plant and equipment	4,540	4,376	4,979
Investments in associates	340	340	364
Deferred income tax assets	12,502	14,233	14,775
Total non-current assets	181,360	185,746	183,939
Trade receivables and other short-term assets	67,620	67,427	74,238
Cash and cash equivalents	30,980	24,649	6,514
Total current assets	98,600	92,076	80,752
Total assets	279,960	277,822	264,691
Equity and liabilities			
Paid-up and called-up share capital	9,326	9,326	9,326
Share premium reserve	136,219	136,219	136,219
Retained earnings	17,814	3,077	2,848
Profit for the period	10,340	14,875	5,958
Total equity	173,699	163,497	154,351
Employee related provisions	1,098	1,083	890
Lease liabilities	26,620	28,289	26,162
Total non-current liabilities	27,718	29,372	27,052
Lease liabilities	9,469	9,822	8,832
Other provisions	883	867	495
Trade payables and other short-term liabilities	66,499	72,657	72,715
Current tax payable	1,692	1,607	1,246
Total current liabilities	78,543	84,953	83,288
Total liabilities	106,261	114,325	110,340
Total equity and liabilities	279,960	277,822	264,691

The notes on pages 16 through 26 are an integral part of these condensed interim financial statements.

CONSOLIDATED INCOME STATEMENT

(In euro thousands)	H1 2020	FY 2019	H1 2019
Revenue from contracts with customers	188,040	372,259	186,851
Cost of hardware, software and other direct costs	2,770	4,462	2,189
Work contracted out	45,248	99,502	50,339
Personnel expenses	109,654	217,116	109,474
Amortisation	842	1,455	705
Depreciation right-of-use assets	5,559	10,866	5,307
Depreciation tangible fixed assets	989	2,409	1,304
Other operating expenses	7,458	14,493	7,731
Total operating expenses	172,520	350,303	177,049
Operating profit (EBIT)	15,520	21,956	9,802
Finance costs - other	-131	-153	-104
Finance costs - lease liabilities	-482	-972	-480
Share of profit of associates	-	-23	-
Profit before income tax	14,907	20,808	9,218
Income tax expense	-4,567	-5,933	-3,260
Net profit for the reporting period	10,340	14,875	5,958
<i>Net profit is attributable to:</i>			
Shareholders of the company	10,340	14,875	5,958
Net profit for the reporting period	10,340	14,875	5,958
(in euros, unless indicated otherwise)			
Earnings per share - basic	0.11	0.16	0.06
Earnings per share - diluted	0.11	0.16	0.06
Number of shares outstanding at end of reporting period (in thousands)	93,256	93,256	93,256

The notes on pages 16 through 26 are an integral part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(In euro thousands)	H1 2020	FY 2019	H1 2020
Net profit	10,340	14,875	5,958
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses on defined benefit plans	-	-219	-
Tax on items taken directly to or transferred from equity	-	58	-
Other comprehensive income, net of tax	-	-161	-
Total comprehensive income	10,340	14,714	5,958
<i>Total comprehensive income is attributable to:</i>			
Shareholders of the company	10,340	14,714	5,958
Total comprehensive income	10,340	14,714	5,958

The notes on pages 16 through 26 are an integral part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(In euro thousands)	Issued capital	Share premium reserve	Retained earnings	Net profit for the reporting period	Total equity
Balance at 1 January 2019	9,326	136,219	336	6,873	152,754
Changes in H1 2019					
Net profit for the reporting period	-	-	-	5,958	5,958
Other comprehensive income:					
Actuarial gains and losses	-	-	-	-	-
Total comprehensive income for the reporting period	-	-	-	5,958	5,958
Transactions with owners:					
Appropriation of profit previous year	-	-	6,873	-6,873	-
Dividend distribution	-	-	-4,663	-	-4,663
Share based payments - treasury shares settlement	-	-	-91	-	-91
Share based payments - personnel expenses	-	-	393	-	393
Total transactions with owners	-	-	2,512	-6,873	-4,361
Balance at 30 June 2019	9,326	136,219	2,848	5,958	154,351
Changes in H2 2019					
Net profit for the reporting period	-	-	-	8,917	8,917
Other comprehensive income:					
Actuarial gains and losses	-	-	-161	-	-161
Total comprehensive income for the reporting period	-	-	-161	8,917	8,756
Transactions with owners:					
Share based payments - personnel expenses	-	-	390	-	390
Total transactions with owners	-	-	390	-	390
Balance at 31 December 2019	9,326	136,219	3,077	14,875	163,497
Changes in H1 2020					
Net profit for the reporting period	-	-	-	10,340	10,340
Other comprehensive income:					
Actuarial gains and losses	-	-	-	-	-
Total comprehensive income for the reporting period	-	-	-	10,340	10,340
Transactions with owners:					
Appropriation of profit previous year	-	-	14,875	-14,875	-
Dividend distribution	-	-	-	-	-
Share based payments - treasury shares settlement	-	-	-673	-	-673
Share based payments - personnel expenses	-	-	535	-	535
Total transactions with owners	-	-	14,737	-14,875	-138
Balance at 30 June 2020	9,326	136,219	17,814	10,340	173,699

The notes on pages 16 through 26 are an integral part of these condensed interim financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(In euro thousands)</i>	H1 2020	H1 2019
Cash flows from operating activities		
Net profit for the reporting period	10,340	5,958
<i>Adjustments for:</i>		
Finance costs - other	131	104
Finance costs - lease liabilities	482	480
Taxes	4,567	3,260
	5,180	3,844
Operating profit	15,520	9,802
<i>Adjustments for:</i>		
Amortisation	842	705
Depreciation right-of-use assets	5,559	5,307
Depreciation tangible fixed assets	989	1,304
Share based payments	535	393
	7,925	7,709
Cash generated from operations profit before changes in working capital and provisions	23,445	17,511
Movements in transition costs	-	8
Movements in receivables	-193	-10,138
Movements in current liabilities and provisions	-6,114	-577
Movements in long term provisions	15	15
	-6,292	-10,692
Cash generated from operations	17,153	6,819
Interest paid	-580	-532
Income taxes paid	-2,751	-5,918
Net cash from operating activities	13,822	369
Cash flows from investing activities		
Additions to intangible fixed assets	-123	-159
Additions to property, plant and equipment	-1,217	-1,434
Divestment of property, plant and equipment	3	10
Net cash used in investing activities	-1,337	-1,583
Cash flows from financing activities		
Lease payments	-5,481	-6,006
Settlement of share based payment	-673	-91
Dividend distribution to shareholders	-	-4,663
Net cash used in financing activities	-6,154	-10,760
Net movements in cash and cash equivalents	6,331	-11,974
Net movement in cash and cash equivalents	6,331	-11,974
Cash and cash equivalents at beginning of the reporting period	24,649	18,488
Cash and cash equivalents at the end of the reporting period	30,980	6,514

The notes on pages 16 through 26 are an integral part of these condensed interim financial statements.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

General

Ordina N.V. has its registered office in Nieuwegein, the Netherlands. These condensed consolidated interim financial statements for the six months ended 30 June 2020 comprise the financial information of Ordina N.V. and all its subsidiaries ('the group').

Ordina is a local, independent IT services provider in the Benelux, with around 2,650 employees. We focus on giving our clients a digital edge in the sectors: financial services, industry and the public sector. We do this by devising, building and managing technological solutions. Ordina helps its clients to stay ahead of the challenges and changes in their business.

Ordina was founded in 1973. Its shares have been listed on the Euronext Amsterdam stock exchange since 1987 and are included in the Smallcap Index (AScX)

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting', as adopted for use within the European Union. They do not contain all the information that is required for a full set of financial statements, and should therefore be read in conjunction with the Ordina N.V. consolidated financial statements for the full year 2019. The 2019 Annual Report (including the consolidated financial statements for the financial year 2019) is available online at: www.ordina.nl/en/.

The condensed consolidated interim financial statements were prepared by the Management Board and approved for publication by the Supervisory Board on 29 July 2020. These condensed consolidated interim financial statements have not been audited.

Ordina's condensed consolidated interim financial statements have been drawn up in Dutch and in English, with the Dutch text prevailing.

Significant accounting policies

For an explanation of the accounting policies for the valuation, determination of results and statement of cash flows, we refer you to the consolidated financial statements for the full year 2019. The consolidated financial statements for the full year 2019 were drawn up in accordance with the International Financial Reporting Standards (IFRS), together with the interpretations of same as adopted by the International Accounting Standards Board (IASB), as accepted for use within the European Union, and the legal provisions of Section 9 of Book 2 of the Dutch Civil Code.

The same accounting policies have been applied to the interim report, with the exception of the new standards, amendments to standards and interpretations outlined below, which have been included and found relevant for Ordina. The accounting policies have been applied consistently by all subsidiaries and across all periods as presented in these condensed consolidated interim financial statements.

These condensed interim financial statements are presented in euro. Amounts are stated in thousands of euro unless otherwise stated, which may result in rounding off differences.

Standards, amendments and interpretations

Insofar as applicable, the group has applied all published IFRS standards, amendments and interpretations that came into effect on 1 January 2020. Ordina has not opted for the early application of any standards, amendments or interpretations that have been published but are not yet effective.

Various amendments and interpretations are required as from 2020, but these have no impact on Ordina's interim financial statements.

Critical accounting estimates and assumptions

The preparation of the consolidated interim financial statements requires management to make estimates and assumptions that have an impact on the valuation of assets and liabilities, on the determination of results, as well as on the reporting of contingent assets and liabilities. Actual results may differ from these estimates and assumptions.

The assumptions and estimates are based on historical experience and various other factors that can be deemed reasonable under the circumstances. Ordina continually evaluates said assumptions and estimates. For a list of the most critical assumptions and estimates, we refer you to section 5 of the notes to the consolidated financial statements for 2019, as included in the 2019 annual report. Aside from the COVID-19 pandemic, there were no significant changes in said assumptions and estimates in the first half of 2020.

Following the worsening of the COVID-19 outbreak in March of this year, the World Health Organization declared the outbreak a pandemic. The impact of the COVID-19 virus across the globe is unrivalled. In response to the COVID-19 pandemic, Ordina conducted an interim impairment test. For an explanation of this interim impairment test, we refer to the notes to the intangible fixed assets.

Financial risk management

In its 2019 annual report (page 64 and onwards), Ordina described in detail the critical risks identified and its risk management and control systems. Ordina has evaluated the risks identified and determined that the main risks identified remain applicable in the second half of 2020.

Revenue from contracts with clients

The table below specifies the revenue from contracts with clients that Ordina recognises.

Revenue

	H1 2020			H1 2019		
	the Netherlands	Belgium / Luxembourg	Total	the Netherlands	Belgium / Luxembourg	Total
Type of goods or services						
Sale of hardware and software	134	651	785	104	152	256
IT Services	124,663	62,592	187,255	129,602	56,993	186,595
Total revenue from contracts with customers	124,797	63,243	188,040	129,706	57,145	186,851
Timing of revenue recognition						
Goods transferred at a point in time	173	509	682	235	96	331
Services transferred over time	124,624	62,734	187,358	129,471	57,049	186,520
Total revenue from contracts with customers	124,797	63,243	188,040	129,706	57,145	186,851

Revenue can be broken down per sector as follows:

	H1 2020	H1 2019 ¹
Revenue by markets		
Public	76,442	73,500
Finance	50,485	54,721
Industry	61,113	58,630
Total revenue from contracts with customers	188,040	186,851

¹ H1 2019 figures have been adjusted for comparison purposes due to the reclassification of a number of clients that were previously recognised under healthcare.

Segment information

The organisation is structured in line with Ordina's services. The information reported on a monthly basis to the Management Board, in its capacity as chief operating decision maker, is in line with this structure. Ordina's results are divided to reflect the company's various segments. The Management Board's decision-making is based on this information. Ordina discloses segment information on the basis of the structure of the internal governance, reporting lines and decision-making within the company. Ordina recognises the segments the Netherlands and Belgium/Luxembourg.

The Management Board's financial assessment of the segments focuses primarily on revenue and EBITDA. Ordina provides segment information for the segments the Netherlands and Belgium/Luxembourg. Segment results, assets and liabilities consist of items that are directly or reasonably attributable to the segment in question. The prices and terms of inter-segment transactions are determined on an arm's length, objective basis. Segment-related capital expenditure is the total amount of costs incurred during the reporting period to acquire assets for the segment that are expected to be used for more than one reporting period.

The segment results can be broken down as follows:

SEGMENT INFORMATION

	H1 2020			H1 2019		
	the Netherlands	Belgium / Luxembourg	Total	the Netherlands	Belgium / Luxembourg	Total
Total segment revenue	126,123	65,923	192,046	131,639	58,379	190,018
Inter-segment revenue	-1,326	-2,680	-4,006	-1,933	-1,234	-3,167
Revenue from contracts with customers	124,797	63,243	188,040	129,706	57,145	186,851
EBITDA	11,826	11,084	22,910	8,254	8,864	17,118
Amortisation	-735	-107	-842	-705	-	-705
Depreciation right-of-use assets	-3,703	-1,856	-5,559	-3,688	-1,619	-5,307
Depreciation tangible fixed assets	-713	-276	-989	-1,035	-269	-1,304
Operating profit (EBIT)	6,675	8,845	15,520	2,826	6,976	9,802
Finance costs - other	-142	11	-131	-109	5	-104
Finance costs - lease obligations	-355	-127	-482	-361	-119	-480
Profit before income tax	6,178	8,729	14,907	2,356	6,862	9,218
Income tax expense	-1,731	-2,836	-4,567	-749	-2,511	-3,260
Net profit	4,447	5,893	10,340	1,607	4,351	5,958
EBITDA margin	9.5%	17.5%	12.2%	6.4%	15.5%	9.2%

The assets and liabilities of the segments can be broken down as follows:

	30 June 2020				
	the Netherlands	Belgium/Luxembourg	Total	Eliminations	Consolidated
Total assets	264,977	97,013	361,990	-82,030	279,960
Total liabilities	91,278	39,200	130,478	-24,217	106,261

	30 June 2019				
	the Netherlands	Belgium/Luxembourg	Total	Eliminations	Consolidated
Total assets	256,738	81,199	337,937	-73,246	264,691
Total liabilities	102,387	32,761	135,148	-24,808	110,340

The other segment information can be broken down as follows:

	H1 2020			H1 2019		
	the Netherlands	Belgium/Luxembourg	Total	the Netherlands	Belgium/Luxembourg	Total
Carrying amount of intangible assets	111,342	17,690	129,032	112,646	17,142	129,788
Carrying amount of right-of-use assets	26,768	8,178	34,946	25,984	8,049	34,033
Carrying amount of property, plant and equipment	3,198	1,342	4,540	3,731	1,248	4,979
Carrying amount of financial fixed assets	12,624	218	12,842	14,954	185	15,139
Investments in intangible fixed assets	88	35	123	123	-	123
Investments in right-of-use assets	2,309	1,150	3,459	3,042	1,862	4,904
Investments in property, plant and equipment	811	345	1,156	1,190	232	1,422
Amortisation	735	107	842	705	-	705
Depreciation right-of-use assets	3,703	1,856	5,559	3,688	1,619	5,307
Depreciation tangible fixed assets	713	276	989	1,035	269	1,304
Income tax recognised in income statement	1,731	2,836	4,567	749	2,511	3,260
Income tax paid in reporting period	-	2,751	2,751	-	5,918	5,918
Number of staff at end of reporting period (FTEs)	1,688	917	2,605	1,756	840	2,596
Average number of staff (FTEs)	1,680	913	2,593	1,762	827	2,589

Intangible fixed assets

Movements in intangible fixed assets can be specified as follows:

	H1 2020	H1 2019
Carrying amount at 1 January	129,751	130,370
Additions	123	123
Amortisation	-842	-705
Carrying amount at 30 June	129,032	129,788

As at 30 June 2020, goodwill amounted to EUR 124.5 million (as at 30 June 2019: EUR 124.5 million). Goodwill is monitored at the level of a group of cash-generating units within Ordina. These groups of cash-generating units are the same as the recognised segments. Ordina recognises the segments the Netherlands and Belgium/Luxembourg. Ordina conducts impairment tests on the goodwill at least once a year, on the basis of the relevant (groups of) cash-generating units. Goodwill is monitored at the level of and attributed to the segments the Netherlands and Belgium/Luxembourg.

The table below shows the goodwill specified per segment:

	30 june 2020	30 june 2019
the Netherlands	107,353	107,353
Belgium/Luxembourg	17,142	17,142
Carrying amount at 30 June	124,495	124,495

The annual impairment test is conducted in the fourth quarter of each calendar year. In the first six months of 2020, Ordina assessed whether there were any indications of impairment of goodwill or other fixed assets.

In the first half of 2020, we saw the outbreak of the COVID-19 pandemic and the impact of the COVID-19 virus across the global has been unrivalled. In the first half of 2020, Ordina was able to continue its services to its clients. The impact of the COVID-19 virus on Ordina's results and cash flows was therefore relatively limited in the first half of the year. As of mid-2020, it is unclear what impact COVID-19 will have on Ordina in the coming period. This impact will partly depend on the severity of a possible second wave of infections, the impact of same on our clients, and the duration and severity of the economic recession. This impact may be limited, negative or in some instances positive (organisations that accelerate their digital agenda). However, the COVID-19 outbreak has resulted in different market conditions, both in our sales market and on capital markets. The impact on the capital markets has led to adjustments to market interest rates and other factors used to determine the discount rate. Since the impact on the discount rate is significant, Ordina has recognised the COVID-19 pandemic as a triggering event on the basis of which Ordina has conducted an interim impairment test.

The discount rate for the Netherlands had increased to 9.2% at end-H1 2020 (year-end 2019: 8.2%) and to 10.2% (year-end 2019: 8.8%) for Belgium/Luxembourg. Ordina has drawn up a five-year projection for the period 2020 through 2024. Our projections take into account forward growth from 2025 onwards. The annual revenue growth rates within the five-year projection differ per segment and vary for the Netherlands from approximately minus 6.5% to approximately plus 1.4% and for Belgium/Luxembourg from approximately 1.0% to approximately 6.9%. The annual EBITDA margins in the five-year projection differ per segment and vary from approximately 9.4% to approximately 10.7% for the Netherlands and from approximately 11.5% to approximately 12.4% for Belgium/Luxembourg. The average annual EBITDA margin in the five-year projection is approximately 10.2% for the Netherlands and 11.7% for Belgium/Luxembourg. In principle, the period to be used for discounting is infinite. The interim impairment test was based on continuous growth of 1.0% (year-end 2019: 1.0%). On the basis of the chosen assumptions, the interim impairment test did not result in any impairment in mid-2020. The carrying amount, value in use and excess value of the segments to which goodwill has been allocated in mid-2020 are as follows:

(In euro millions)	Carrying amount	Value in use	Headroom
the Netherlands	104.3	128.6	24.3
Belgium/Luxembourg	57.7	118.9	61.2

In addition to the impairment test conducted in mid-2020, we also conducted a number of sensitivity analyses. These sensitivity analyses were based on a reduction of the EBITDA margin on the one hand and an increase of the discount rate in combination with a reduction of the forward growth on the other.

We performed a sensitivity analysis in which the EBITDA margin was reduced by 0.25% and 0.5%, respectively, at an unchanged discount rate. This sensitivity analysis did not result in any impairment for either of the segments. The table below shows the remaining excess values of the relevant segments based on this sensitivity analysis.

(In euro millions)	the Netherlands	Belgium/Luxembourg
Decline EBITDA margin		
-0.25%	18.2	58.5
-0.50%	12.2	55.8

In addition, we performed a sensitivity analysis in which on the one hand the discount rate was increased by 0.5%, 1.0% and 1.5% respectively and on the other hand the forward growth was reduced by 0.5% and 1.0%. For the Netherlands, this sensitivity analysis, when combined with adjustments in several parameters, leads to a potential impairment ranging from EUR 0.8 million to EUR 6.3 million. For the Belgium/Luxembourg segment, this sensitivity analysis did not result in a potential impairment. The table below shows the remaining excess values of the segments in question based on this sensitivity analysis.

(In euro millions)	Post tax WACC			
the Netherlands	9.2%	9.7%	10.2%	10.7%
<i>Terminal growth</i>				
0.5%	17.8	10.4	3.8	-2.3
0.0%	12.0	5.3	-0.8	-6.3
Belgium/Luxembourg	10.2%	10.7%	11.2%	11.7%
<i>Terminal growth</i>				
0.5%	58.2	54.3	50.7	47.4
0.0%	55.4	51.8	48.5	45.4

Leases

The application of IFRS 16 Leases results in the recognition of a right of use and a lease liability on the balance sheet. The right of use is depreciated over the life of the underlying contracts. During the life of the underlying contracts, the lease liability is calculated plus an interest component and less the lease payments made. Lease payments related to the redemption component are accounted for under cash flows from financing activities. Lease payments related to the interest component are accounted for under cash flows from operating activities.

Ordina has several lease contracts related to the lease of buildings and the use of equipment and lease cars. The life of the lease contracts generally varies from three to five years. The lease contract for the office location in Nieuwegein ends on 31 March 2028. The term of contracts related to lease cars generally varies from 36 to 48 months.

The changes in the rights of use can be broken down as follows:

	H1 2020	H1 2019
Carrying amount at 1 January	37,046	34,436
Additions / contract modifications	3,459	4,904
Depreciations	-5,559	-5,307
Carrying amount at 30 June	34,946	34,033

The lease liabilities can be broken down as follows:

	H1 2020	H1 2019
Carrying amount at 1 January	38,111	36,096
Additions / contract modifications	3,459	4,904
Interest costs	482	480
Lease payments (including IFRS 16 interest)	-5,963	-6,486
Carrying amount at 30 June	36,089	34,994
Lease obligations - long term	26,620	26,162
Lease obligations - short term	9,469	8,832
Total	36,089	34,994

Property, plant and equipment

The changes in property, plant and equipment can be broken down as follows:

	H1 2020	H1 2019
Carrying amount at 1 January	4,376	4,871
Additions	1,156	1,422
Depreciations	-992	-1,314
Carrying amount at 30 June	4,540	4,979

Of the investments made in the first half of 2020, which totalled EUR 1.2 million (first half 2019: EUR 1.4 million), some EUR 0.9 million (first half 2019: EUR 0.6 million) was related to replacement investments in computer equipment and around EUR 0.3 million (first half 2019: EUR 0.8 million) was related to inventory and renovations.

Trade receivables and other short-term assets

Trade receivables and other short-term assets can be specified as follows:

	H1 2020	H1 2019
Trade receivables - net	37,109	39,538
Unbilled receivables	18,996	21,659
Contract assets	6,897	7,361
Pension contributions - prepayments	213	-
Other receivables	356	319
Prepayments and accrued income	4,049	5,361
At 30 June	67,620	74,238

Net cash position

At 30 June 2020, Ordina's net cash position stood at EUR 31.0 million (at end-June 2019: EUR 6.5 million). The net cash position is freely available. At end-June 2020, an amount of EUR 1.0 million (end-June 2019: EUR 3.2 million) was held in a so-called blocked account, on the basis of which the disposal of these funds is limited to tax obligations.

As per 30 June 2020, Ordina had not taken up any amounts under the financing facility (as per 30 June 2019: nil).

Financing facility

In July 2019, Ordina extended its existing financing facility agreed with ABN Amro Bank and ING. This financing facility is for an amount of EUR 30.0 million, and is a fully committed current account credit facility. This new financing facility has a maximum term of five years, with an initial term of three years and an option to extend this twice by one year.

The most important elements of the covenants related to this financing facility comprise a maximum leverage ratio (calculated on the basis of total net debt/adjusted EBITDA) and an Interest Cover Ratio (calculated on the basis of the (adjusted) EBITDA/total interest ratio as defined in the financing agreement). The leverage ratio has been set at a maximum of 2.5. The Interest Cover Ratio has been set at a minimum of 5.0. The covenants are based on the consolidated financial statements drawn up in accordance with IFRS, excluding the impact of IFRS 16 Leases. The correction of the EBITDA for one-off costs and reorganisation costs has been set at a maximum of 1% of revenue, with a maximum of EUR 4.0 million.

The financing agreement also stipulates that the total EBITDA of the companies that have agreed joint and several liability for the purposes of the financing agreement should account for a minimum of 80% of the consolidated EBITDA, as laid down in the credit agreement (the Guarantor Cover Ratio) and that a minimum of EUR 30 million of the trade receivables are pledged as security for the lender (the Security Cover Ratio).

The interest rate on the financing facility is calculated on the basis of the one-month EURIBOR rate plus a fixed margin of 0.7%.

The table below outlines the applicable covenants and Ordina's compliance with same at end-June 2020 and at end-June 2019:

	Realisation H1 2020	Realisation H1 2019	Finance agreement
Leverage ratio	-0.9	-0.3	<=2,5
Interest Cover Ratio	311.3	125.5	>=5,0
Guarantor Cover Ratio	96%	91%	>=80%
Security Cover	28.2	n.a.	>=30,0
Security Cover Ratio (until 30 June 2019)	n.a.	75%	>=70%

The lender had agreed to a security cover of EUR 28.2 million as at 30 June 2020.

Paid-up and called-up share capital

Movements in paid-up and called-up share capital were as follows:

	H1 2020	H1 2019
At 1 January	93,256	93,256
Issue of shares	-	-
Issue related to share-based payment	-	-
At 30 June	93,256	93,256

At 30 June 2020, one priority share and 93,255,929 ordinary shares were fully paid up (year-end 2019: one priority share and 92,255,929 ordinary shares). No new shares were issued in the first half of 2020 (first half 2019: nil).

For the settlement of the performance-related long-term bonuses for the period 2017-2019, which took place in the first half of 2020, Ordina acquired and then immediately paid out a total of 222,453 treasury shares. These shares were purchased at an average share price of EUR 2.282 per share. Ordina N.V. did not hold any treasury shares at either end-June 2020 or end-June 2019.

Trade payables and other current liabilities

The trade payables and other current liabilities can be specified as follows:

	H1 2020	H1 2019
Trade payables	12,368	21,660
Contract liabilities	5,381	5,233
Taxes and social security	20,972	19,421
Pension contributions	-	71
Other payables	34	132
Accruals and deferred income	27,744	26,198
At 30 June	66,499	72,715

Earnings per share

Earnings per share are calculated by dividing the profit after taxes by the average number of outstanding shares during the period under review. The diluted earnings per share are calculated by dividing the profit after taxes by the average number of outstanding shares during the period under review, including all shares granted conditionally in connection with the share-based bonuses. The earnings per share were calculated on the basis of the following information:

	H1 2020	H1 2019
Profit for the period	10,340	5,958
Average number of outstanding shares (in thousands)	93,256	93,256
Earnings per share- basic (in euros)	0.11	0.06

Adjustment for share-based payment obligations	1,588	1,572
Average number of outstanding shares diluted (in thousands)	94,844	94,828
Earnings per share - diluted (in euros)	0.11	0.06

Taxes

Current taxes for the half-year period under review have been calculated on the basis of the estimated effective annual tax rate applied to pre-tax profit. The corporate income tax in the first six months can be specified as follows:

	H1 2020	H1 2019
Current income tax for the year	-2,836	-2,511
Deferred income tax for the year	-1,731	-749
Total	-4,567	-3,260

The effective tax rate for the first six months of 2020 was 30.6% (28.5% for the full-year 2019, and 35.4% for the first half of 2019). The discrepancy between the nominal tax rate of 25.0% and the effective tax rate is largely due to the composition of the taxable amounts across the various countries, in combination with tax rate differences abroad, as well as the impact of non-deductible amounts. The effective tax rate for the first half of 2020 was lower than the effective tax rate for the first half of 2019. This was partly due to a decline in the nominal tax rate in Belgium as of 2020 to 25.0%, from 29.58%. The effective tax rate for the full year 2019 was affected to a large degree by the change as a result of the renewed adjustment of the corporate income tax rates in the Netherlands as determined for the year 2020 and subsequent years. As of 2020, the nominal rate for corporate income taxes in the Netherlands remains at 25.0% (at year-end 2018, a reduction to 22.55% had been determined). For the years starting from 2021, the nominal rate will be reduced to 21.7%, while at year-end 2018 a reduction to 20.5% had been determined. The adjusted effective tax rate for 2019, which did not take into account the impact of the renewed adjustment of the future reduction of corporate income tax rates in the Netherlands, amounted to around 34.0%

Deferred taxes are measured on the basis of the expected manner of settlement or realisation. The deferred tax assets pertain to the measured rights to loss carry-forwards, as well as temporary value differences related to plant, property and equipment. Of the total asset of EUR 12.5 million based on deferred taxes at end-June 2020, EUR 4.8 million was related to the measurement of rights to loss carry-forwards.

Share-based bonuses

The members of the Management Board and the Executive Committee/management have been awarded a performance-related long-term bonus scheme that involves payments in shares. This performance-related long-term bonus is explained in detail in the 2019 annual report. In the context of this scheme, as per 30 June 2020 the company has conditionally awarded Ordina N.V. shares to the members of the Management Board (a total of approx. 0.6 million shares) and to the members of the Executive Committee/management (a total of approx. 1.0 million shares).

In connection with the performance-related long-term bonus schemes of the members of the Management Board and of the Executive Committee/management, Ordina recognised an expense of approximately EUR 0.5 million under personnel costs in the first half of 2020 (first half 2019: approx. EUR 0.4 million). Approximately EUR 0.2 million of this expense was related to the Management Board (first half 2019: approx. EUR 0.2 million) and approximately EUR 0.3 million was related to the members of the Executive Committee/management (first half 2019: approx. EUR 0.2 million).

Related parties

The remuneration of the members of the Management Board is determined annually by the Supervisory Board. For an explanation of the remuneration policy pertaining to the members of the Management Board, we refer you to the Report of the Supervisory Board as included in the 2019 annual report. The total remuneration for the Management Board amounted to EUR 720,000 in the first half of 2020 (first half 2019: EUR 691,000).

The total remuneration for the members of the Supervisory Board amounted to EUR 103,000 in the first half of 2020 (first half of 2019: EUR 114,000).

Seasonal influences

Ordina's revenue and profit are subject to a limited degree of seasonal influences. The seasonal influences pertain primarily to the lower number of working days in the first half of the year when compared with the second half of the year. This means that Ordina's revenues are generally higher in the second half than in the first half of the year. The movements in working capital are partly influenced by the settlement of liabilities related to items such as holiday pay, bonus payments and dividend payments in the first half of the year.

Off-balance sheet liabilities

The nature and scope of off-balance sheet liabilities as per 30 June 2020 do not differ materially from those reported in note 30 to the consolidated financial statements for the 2019 financial year.

Measurement of fair value

On the basis of IFRS 13 'Fair value measurement', the interim financial statements are supposed to include disclosures on how fair value is measured. The carrying amount of the cash and cash equivalents, payables and other debts are close to their fair value due to the short-term nature of these instruments. Trade receivables are also close to their fair value, as any potential downward valuation has already been taken into account via a provision for bad debts.

Events after the balance sheet date

There have been no events since 30 June 2020 that might have a material impact on or that might require adjustments to the balance sheet positions as at 30 June 2020, as presented in these condensed interim financial statements.

