

**First six months 2018**  
**August 17, 2018**

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# The NNIT Presenting Team



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# Agenda

Highlights for first six months 2018

Sales and backlog

Financial performance

Outlook for 2018

# Forward looking statements

This presentation contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

## Q2 2018 at a glance

Revenue

**DKK 753m**

**+8.3%**

-0.3pp F/X

Operating profit

**DKK 75m**

**+22%**

+6.1pp F/X

Operating profit margin

**9.9%**

**+1.1pp**

+0.5pp F/X

Net profit

**DKK 57m**

**+21%**

Order backlog addition

**DKK 195m**

**-23%**

Free cash flow

**DKK -85m**

**DKK +59m**

## First six months 2018 at a glance

Revenue

**DKK 1,451m**

**+2.9%**

-0.7pp F/X

Operating profit

**DKK 135m**

**-0.6%**

+4.1pp F/X

Operating profit margin

**9.3%**

**-0.3pp**

+0.5pp F/X

Net profit

**DKK 102m**

**-0.3%**

Order backlog for 2018

**DKK 2,682m**

**+0.4%**

Free cash flow

**DKK 58m**

**+204%**

# Major wins

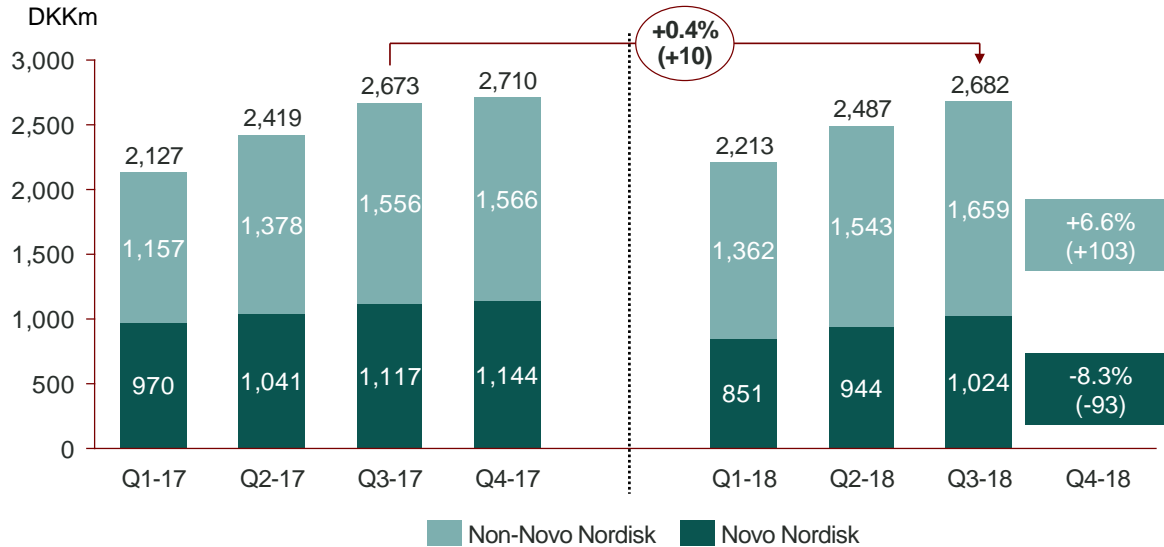
	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q2 2018	Extension of IT infrastructure collaboration with effect from January 2019 (Press release June 8, 2018)	Enterprise	Vestas	Not disclosed	5
	Extension of IT infrastructure operations contract (see press release May 30, 2018)	Public	Danish Agency for Digitization	High double-digit	7
	New IT-infrastructure operations contract (Press release April 26, 2018)	Novo Nordisk	NNE	High double-digit	5

## GDPR

- NNIT has carried out a GDPR program covering NNIT's responsibilities as both data controller and data processor
- NNIT has provided consultancy services to around 40 customers (of which two-thirds are in the finance customer group)

# Backlog development, current year

## Beginning of quarter



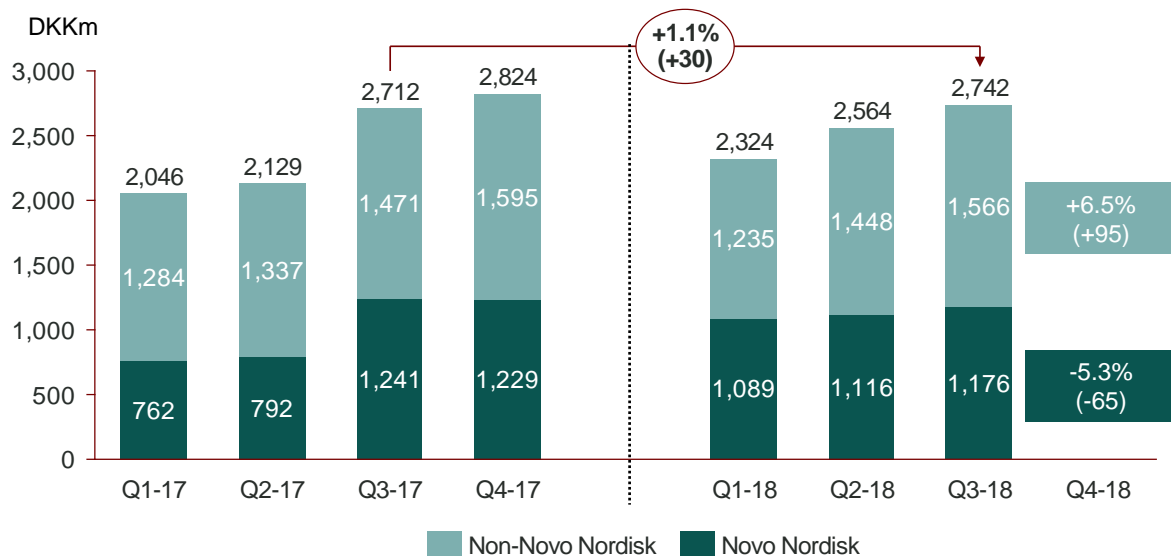
Backlog for 2018 is DKK 2,682m, which is an increase of 0.4% compared to same time in 2017.

- The Novo Nordisk backlog declined with 8.3%, while other customers increased 6.6%.
- Note that the revenue reversal of DKK 26m in Q3/Q4 2017 regarding a customer in the public customer group had a negative impact on full year revenue for 2017, but was not reflected in the backlog at the beginning of Q3 2017



# Backlog development, following two calendar years

## *Beginning of quarter*



The backlog for 2019 and 2020 increased 1.1% y-o-y to DKK 2,742m.

- Several large outsourcing contracts expire in 2019 and 2020 and are not yet renegotiated or retendered

# Financial statement Q2 and 6M 2018

DKK million	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
<b>Revenue</b>	752.6	695.1	8.3%	1,451.1	1,410.2	2.9%
Cost of goods sold	617.5	572.8	7.8%	1,196.7	1,152.4	3.8%
<b>Gross profit</b>	<b>135.0</b>	<b>122.3</b>	<b>10.4%</b>	<b>254.4</b>	<b>257.8</b>	<b>-1.3%</b>
<i>Gross profit margin</i>	17.9%	17.6%	0.3pp	17.5%	18.3%	-0.7pp
Sales and marketing costs	34.7	32.8	5.9%	66.7	65.6	1.6%
Administrative expenses	25.8	28.5	-9.4%	52.5	56.2	-6.5%
<b>Operating profit</b>	<b>74.5</b>	<b>61.1</b>	<b>22.0%</b>	<b>135.2</b>	<b>136.0</b>	<b>-0.6%</b>
<i>Operating profit margin</i>	9.9%	8.8%	1.1pp	9.3%	9.6%	-0.3pp
Net financials	-1.4	-3.4	-57.5%	-3.5	-7.1	51.4%
<b>Profit before tax</b>	<b>73.1</b>	<b>57.7</b>	<b>26.7%</b>	<b>131.8</b>	<b>128.9</b>	<b>2.2%</b>
Tax	16.5	11.0	50.4%	29.4	26.2	12.1%
<i>Effective tax rate</i>	22.6%	19.0%	3.6pp	22.3%	20.3%	2pp
<b>Net profit</b>	<b>56.6</b>	<b>46.7</b>	<b>21.1%</b>	<b>102.4</b>	<b>102.7</b>	<b>-0.3%</b>

Revenue growth of 8.3% (6M: 2.9%) was driven by the enterprise, international life sciences and public customer groups in Q2 2018 compared to Q2 2017. The timing of the Danish Easter holiday had a positive impact on revenue growth in Q2 2018 of around 2.0pp.

Cost of goods sold increased by 7.8% in Q2 2018 (6M: 3.8%) mainly due to costs including depreciations from the newly established data center where utilization is low as expected in the beginning.

Sales and marketing costs increased by 5.9% in Q2 2018 (6M: 1.6%) due to timing of expenses, sales force expansion to support future growth and the opening of a new sales office in Shanghai.

Administrative expenses decreased by 9.4% in Q2 2018 (6M: 6.5%) due to savings from the rationalizations.

Effective tax rate increased 3.6pp (6M: 2.0pp) primarily due to a reduction in permanent adjustments as NNIT no longer holds Novo Nordisk shares as well as non-taxable income regarding energy savings.

# Segment development

DKKm	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
Novo Nordisk Group	278.4	267.2	4.2%	534.5	588.1	-9.1%
Other Life Sciences	101.7	97.4	4.5%	201.0	186.0	8.1%
Enterprise	206.2	164.5	25.3%	393.4	315.5	24.7%
Public	103.9	95.6	8.6%	203.3	181.8	11.8%
Finance	62.3	70.4	-11.5%	118.9	138.8	-14.4%
<b>Total</b>	<b>752.6</b>	<b>695.1</b>	<b>8.3%</b>	<b>1,451.1</b>	<b>1,410.2</b>	<b>2.9%</b>

**Novo Nordisk** revenue increased by 4.2% in Q2 2018 (6M: -9.1%) mainly due the timing of Easter.

**Life sciences** revenue outside Novo Nordisk grew by 4.5% in Q2 2018 (6M: 8.1%) reflecting an increased activity level especially from a number of international customers. Revenue from Danish life sciences customers was unchanged due to the finalization of several larger projects.

**Enterprise** revenue grew by 25% in Q2 2018 (6M: 25%) driven by SCALES' customers, PANDORA and STARK.

**Public** revenue increased by 8.6% in Q2 2018 (6M: 12%) driven by the Danish Tax Agency and the Agency for Digitisation as well as a positive contribution from SCALES' customers in this segment.

**Finance** revenue decreased by 12% in Q2 2018 (6M: 14%) primarily due to a customer contract within IT Operation Services, which was not extended when it expired in June 2017 partly offset by expansion of existing customers.

# IT Operation Services

DKKm	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
<b>Revenue</b>						
Novo Nordisk Group	189.2	180.2	5.0%	359.1	405.2	-11.4%
Non-Novo Nordisk Group	269.1	260.2	3.4%	524.9	507.9	3.3%
<b>Total</b>	<b>458.3</b>	<b>440.4</b>	<b>4.1%</b>	<b>884.0</b>	<b>913.1</b>	<b>-3.2%</b>
Costs	415.7	396.0	5.0%	809.0	817.8	-1.1%
<b>Operating profit</b>	<b>42.7</b>	<b>44.4</b>	<b>-3.9%</b>	<b>75.0</b>	<b>95.3</b>	<b>-21.3%</b>
<i>Operating profit margin</i>	<i>9.3%</i>	<i>10.1%</i>	<i>-0.8pp</i>	<i>8.5%</i>	<i>10.4%</i>	<i>-2pp</i>

Revenue increased by 4.1% in Q2 2018 (6M: -3.2%):

- Novo Nordisk Group mainly due to the timing of Easter, transformational project activities and the inclusions of Novo Holdings
- Customers outside the Novo Nordisk Group increased 3.4% driven by PANDORA and STARK as well as the timing of Easter

Operating profit margin decreased 0.8pp to 9.3% in Q2 2018 (6M: -2.0pp to 8.5%):

- The decrease was mainly due to the additional data center costs, price reductions in major service level agreements and a customer within the finance customer group which was not extended

# IT Solution Services

DKKkM	Q2 2018	Q2 2017	Change	6M 2018	6M 2017	Change
<b>Revenue</b>						
Novo Nordisk Group	89.2	87.0	2.6%	175.4	182.9	-4.1%
Non-Novo Nordisk Group	205.0	167.7	22.2%	391.7	314.2	24.7%
<b>Total</b>	<b>294.2</b>	<b>254.7</b>	<b>15.5%</b>	<b>567.1</b>	<b>497.1</b>	<b>14.1%</b>
Costs	262.3	238.0	10.2%	506.8	456.3	11.1%
<b>Operating profit</b>	<b>31.9</b>	<b>16.7</b>	<b>91.2%</b>	<b>60.3</b>	<b>40.8</b>	<b>47.8%</b>
<i>Operating profit margin</i>	<i>10.8%</i>	<i>6.5%</i>	<i>4.3pp</i>	<i>10.6%</i>	<i>8.2%</i>	<i>2.4pp</i>

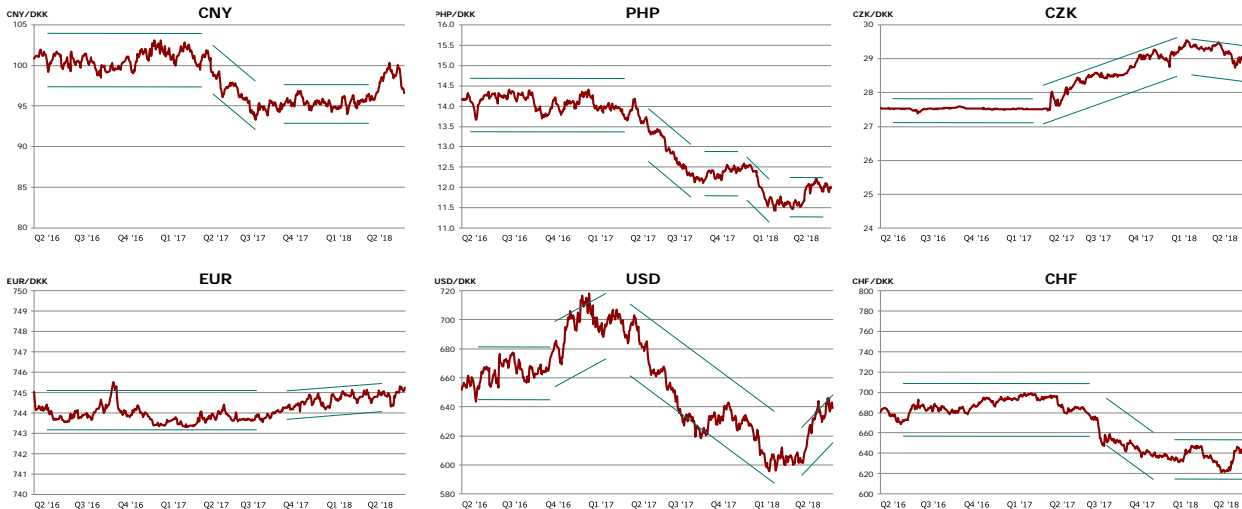
Revenue increased 16% in Q2 2018 (6M: 14%) driven by customers outside the Novo Nordisk Group:

- Revenue from Novo Nordisk increased 2.6% due to the timing of Easter
- Customers outside the Novo Nordisk Group increased 22% mainly due to the contribution from SCALES' customers, STARK and international life sciences customers

Operating profit margin increased 4.3pp to 10.8% in Q2 2018 (6M: 2.4pp to 10.6%):

- The increase was driven by higher utilization of billable resources and the timing of Easter

# Currency development and hedging



CNY appreciated in the beginning of Q2 2018 but has depreciated again versus DKK, whereas USD and PHP have appreciated and seem to have found new levels. CZK has depreciated slightly against DKK.

We see currency tailwind on operating profits from the CNY, PHP and USD compared to 2017, while we have currency headwind from CZK compared to 2017.

In 6M 2018, our operating profit margin tailwind was 0.5pp compared to 6M 2017 exchange rates primarily due to the CNY.

**Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK\* Hedging period (months)**

EUR	DKK 30 million	-
CNY	DKK -20 million	14
CZK	DKK -12 million	14
PHP	DKK -5 million	14
USD	DKK -2 million	-
CHF	DKK 0 million	-

Hedging gains and losses do not impact operating profit as they are recognized under net financials.

\*The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume our business develops consistent with our current 2018 business plan.

# Net Financials

Net financials DKKm	6M 2018	6M 2017	Change
Net loss on Novo Nordisk shares*	0.0	-1.6	1.6
Dividends received from Novo Nordisk shares	0.0	0.2	-0.2
<b>Total Novo Nordisk share related items</b>	<b>0.0</b>	<b>-1.4</b>	<b>1.4</b>
Currency hedge gains	2.6	1.3	1.3
Currency losses	-0.4	-0.6	0.3
<b>Total currency related items</b>	<b>2.2</b>	<b>0.7</b>	<b>1.6</b>
Interests and bank charges**	-5.7	-6.4	0.7
<b>Total interests and bank charges</b>	<b>-5.7</b>	<b>-6.4</b>	<b>0.7</b>
<b>Net financials</b>	<b>-3.5</b>	<b>-7.1</b>	<b>3.6</b>

\* Market value of Novo Nordisk shares less adjustment of obligation related to long-term incentive programs from previous years.

\*\* Includes fees to banks in relation to being a public listed company and interesting from leasing liabilities

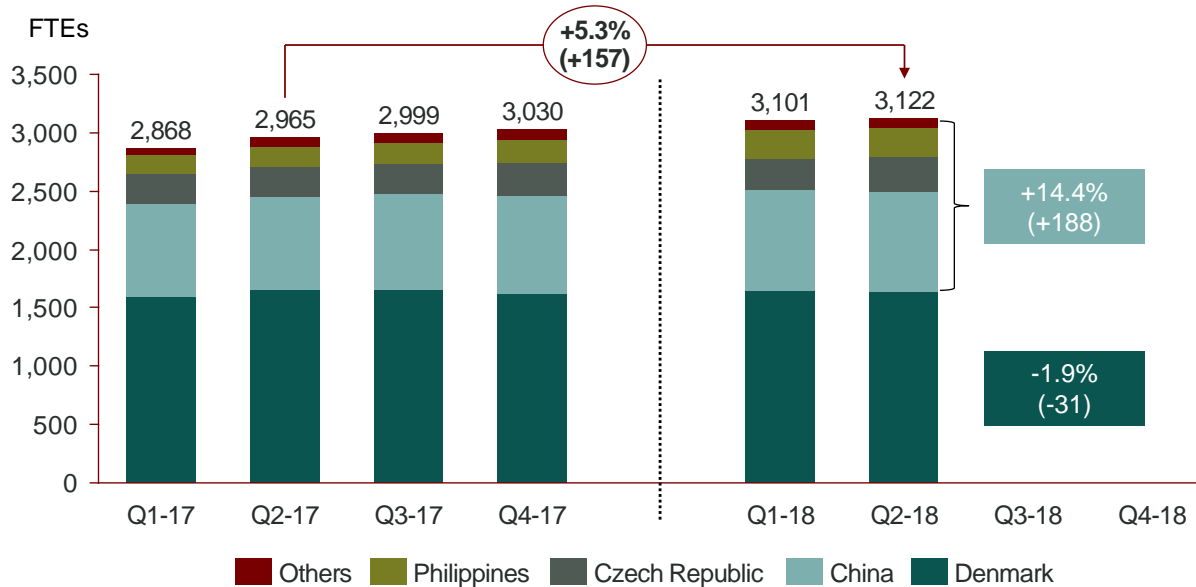
Total Currency hedges DKKm	6M 2018	6M 2017	Change
Currency hedge gains/loss in P&L	2.6	1.3	1.3
Currency hedge gains on Equity	6.4	-0.1	6.4
<b>Total currency hedge gains</b>	<b>9.0</b>	<b>1.2</b>	<b>7.8</b>

Net financials for 6M 2018 were DKK - 3.5m, which was DKK 3.6m better than 6M 2017.

This was due to:

- Gains on currency hedges (DKK 2.6m) compared to 6M 2017 (DKK 1.3m)
- Improvement in result from Novo Nordisk shares, which were previously held for management long-term incentive program

# Employee development



Number of employees increased by 5.3% to 3,122 FTE end of June 2018. This increase was primarily driven by Philippines (91 FTEs), China (80 FTEs) and Czech Republic (30 FTEs) in-line with the long-term offshoring strategy.

Growth outside Denmark was 188 FTE (14%) with the Philippines and China as the main contributors.

Employees in Denmark declined by 1.9% despite the inclusion of around 50 employees taken over from STARK. Excluding the employees from STARK, the underlying decline in Denmark was 4.9%

Share of employees in low cost countries was 45.4% end of June 2018 compared to 41.1% in June 2017.



# Balance sheet

Assets DKKm	6M 2018	6M 2017
Intangible assets	209.3	207.8
Tangible assets <sup>1</sup>	924.8	876.2
Contract assets	168.2	153.1
Deferred tax	59.2	58.7
Deposits	32.8	32.1
<b>Total non-current assets</b>	<b>1,394.2</b>	<b>1,327.9</b>
Inventories	1.7	2.4
Trade receivables	487.9	486.0
Work in progress <sup>2</sup>	119.3	84.5
Other receivables and pre-payments	173.2	155.3
Tax receivables	0.0	0.0
Shares	0.0	11.6
Derivative financial instruments	8.2	3.0
Cash and cash equivalents	82.6	97.6
<b>Total Current assets</b>	<b>872.9</b>	<b>840.4</b>
<b>Total assets</b>	<b>2,267.1</b>	<b>2,168.3</b>

Notes

<sup>1</sup> Tangible assets was DKK 925m compared to DKK 876m in 6M 2017 due to data center investment

<sup>2</sup> Work in progress increased by DKK 35m to DKK 173m due to a few large projects with the Novo Nordisk Group and STARK

<sup>3</sup> Leasing liability decreases in line with the repayment of leases which is mainly driven by office buildings

<sup>4</sup> Prepayments received decreased by DKK 36m to DKK 242m mainly due to revenue recognition of transition payments

<sup>5</sup> Bank overdraft increased as a result of the cash flow development

<sup>6</sup> Employee cost payables decreased by DKK 40m to DKK 213m due a lower level of incentive accruals

Equity and liabilities DKKm	6M 2018	6M 2017
Share capital	250.0	250.0
Treasury shares	-4.7	-6.6
Retained earnings	684.5	612.6
Other reserves	12.0	7.2
Proposed dividends	49.1	48.7
<b>Total equity</b>	<b>990.9</b>	<b>911.9</b>
Leasing liability <sup>3</sup>	272.7	335.4
Employee benefit obligation	16.4	19.4
Contingent consideration	54.3	54.3
Provisions	24.7	24.1
<b>Total non-current liabilities</b>	<b>368.2</b>	<b>433.2</b>
Prepayments received <sup>4</sup>	242.0	277.9
Leasing liability	74.8	77.7
Bank overdraft <sup>5</sup>	183.8	0.0
Trade payables	73.8	74.7
Employee cost payable <sup>6</sup>	213.4	253.7
Tax payables	9.3	12.7
Other current liabilities	107.8	108.4
Derivative financial instruments	2.9	3.2
Employee benefit obligation	0.0	14.9
Provisions	0.2	0.0
<b>Total current liabilities</b>	<b>908.0</b>	<b>823.2</b>
<b>Total equity and liabilities</b>	<b>2,267.1</b>	<b>2,168.3</b>

# Cash flows

Cash flow DKKm	6M 2018	6M 2017	Change
Net profit for the period	102.4	102.7	-0.3
Reversal of non-cash items	177.5	145.7	31.8
Net interest and taxes paid	-38.5	-49.3	10.9
Changes in working capital	-101.7	50.6	-152.3
<b>Cash flow from operating activities</b>	<b>139.8</b>	<b>249.7</b>	<b>-110.0</b>
Capitalization of intangible assets	-3.5	-1.6	-1.9
Purchase of tangible assets	-78.2	-128.7	50.5
Dividends received	0.0	0.2	-0.2
Sales/(purchase) of shares (net)	0.1	0.0	0.1
Payment of deposits	-0.2	-2.5	2.3
Acquisition of subsidiary	0.0	-98.0	98.0
<b>Cash flow from investing activities</b>	<b>-81.8</b>	<b>-230.6</b>	<b>148.9</b>
Dividends paid	-56.4	-53.4	-3.1
Purchase of treasury shares	-37.3	0.0	-37.3
Repayments of lease liability	-46.8	-42.1	-4.8
<b>Cash flow from financing activities</b>	<b>-140.6</b>	<b>-95.4</b>	<b>-4.8</b>
<b>Net cash flow</b>	<b>-82.6</b>	<b>-76.3</b>	<b>34.1</b>
<b>Free cash flow</b>	<b>58.0</b>	<b>19.1</b>	<b>38.9</b>

Cash flow from operating activities was DKK 140m, which was DKK 110m lower than 6M 2017 due to lower effect from changes in working capital primarily due to trade receivables and work in progress. Trade receivables decreased significantly in 6M 2017 due to payment of project milestones and hardware contracts.

Cash flow from investing activities was DKK -82m compared to DKK -231m in 6M 2017. The decline relates to last year's investments in the data center and the acquisition of SCALES.

Cash flow from financing activities was DKK -141m compared to DKK -95m in 6M 2017 due purchase of treasury shares to hedge managements long-term incentive programs.

Free cash flow was DKK 58m, which is an improvement of DKK 39m compared to 6M 2017 mainly due to the above mentioned reasons.

# Outlook

2018

Previous guidance

## Revenue growth\*

Constant currencies: **3-6%**  
Reported currencies: 0.3pp lower

Constant currencies: 3-6%  
Reported currencies: 0.3pp lower

*The expectations for growth in revenue is based on the restated IFRS 15 revenue of DKK 2,851m.*

## Operating margin

Constant currencies: **10-10.5%**  
Reported currencies: 0.2pp higher

Constant currencies: 10-10.5%  
Reported currencies: 0.2pp higher

## Capex

Share of revenue: 6-8%<sup>1</sup>

Share of revenue: 6-8%<sup>1</sup>

<sup>1</sup>Investments share of revenue is 1pp higher than long-term targets due to some invoices regarding the new data center are first paid in 2018

## Closing remarks

- Revenue growth of 8.3% and an operating profit margin of 9.9% in Q2 2018 partly due to the timing of Easter
- Strong growth from particularly the enterprise and international life sciences customer groups
- Continued strong performance by SCALES
- Maintained revenue growth guidance of 3-6% for 2018
- Operating profit margin guidance of 10-10.5% is maintained in constant currencies with investment level of 6-8% of revenue
- Continued uncertainty regarding revenue from the Novo Nordisk Group

# Investor contact information

## Upcoming events

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August 22, 2018:	Interim dividend ex dividend date
August 23, 2018:	Interim dividend record date
August 24, 2018:	Interim dividend payment date
October 25, 2018:	Interim report for the first nine months of 2018

## Investor contact

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