

## Company announcement 10/2019 August 13, 2019

### Financial report for the first six months of 2019

### Revenue increase of 2.9% and an operating profit margin of 6.0% in 6M 2019

#### Performance highlights for the second quarter of 2019 and guidance

- Revenue decreased by 1.2% in Q2 2019 compared to Q2 2018 driven by a decline of 16% from the Novo Nordisk Group. International life sciences increased by 99% (organic 21%)
- Revenue growth was 7.2% (1.0% organic) excluding business from Novo Nordisk Group in Q2 2019
- Gross profit decreased by 26% in Q2 2019 primarily due to a significant decline in revenue and margins from the Novo Nordisk Group. This led to an operating profit decrease of 41% and an operating profit margin of 5.9% compared to 9.9% in Q2 2018
- Net profit of DKK 34m in Q2 2019 compared to DKK 57m in Q2 2018
- Free cash flow was negative DKK 39m in Q2 2019 being impacted by the acquisition of HGP compared to negative DKK 85m in Q2 2018
- Order backlog for 2019 at the beginning of Q3 2019 was DKK 2,728m, an increase of 1.7% compared to the same time last year negatively impacted by a decline of 12% from the Novo Nordisk Group
- Outlook for 2019:
  - Low single-digit revenue growth (previously 3-6% in constant currencies)
  - Operating profit margin of 8-9% excluding restructuring costs in constant currencies is maintained
  - Level of investments (CAPEX) is 5-7% of total revenue is maintained
- The Board of Directors has approved a business and cost restructuring plan with an impact of DKK 150m in 2020 and a full-year impact of minimum DKK 200m in 2021
- NNIT will not publish long-term targets primarily due to the current uncertainty related to sales to the Novo Nordisk Group, lost business on a few key accounts and the implementation of the business and cost restructuring plan
- The Board of Directors has decided to pay an interim dividend for 2019 of DKK 2.00 per share corresponding to DKK 49.2m

Per Kogut, CEO at NNIT comments: *"The results for the first six months of 2019 are very disappointing and largely due to a decline in revenue and margins related to the Novo Nordisk Group.*

*In order to accommodate these challenges, we have initiated a business and cost restructuring plan with savings of DKK 150m in 2020 and minimum DKK 200m in 2021.*

*At the same time, we have doubled our business within international life sciences at attractive margins. Growing revenue through life sciences remains a key element in our strategy and we will continuously combine a strong organic growth with acquisitions. The successful acquisitions of SCALES, Valiance and HGP have confirmed the relevance of strategic acquisitions to strengthen our core competences.*

*In line with previous years, it has been decided to pay an interim dividend for 2019 of DKK 2.00 per share."*

## Financial Overview

DKK million	Q2 2019 (reported)	Q2 2019 (constant)*	Q2 2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	744	740	753	-1.2%	-1.6%
Gross margin	13.4%	13.5%	17.9%	-4.5pp	-4.4pp
Operating profit	44	44	75	-40.8%	-40.3%
Operating profit margin	5.9%	6.0%	9.9%	-4pp	-3.9pp
Net profit	34	n.a.	57	-39.3%	n.a.
Investments (CAPEX)	37	n.a.	52	-28.4%	n.a.
Free cash flow	-39	n.a.	-85	n.a	n.a.

\*Constant currencies measured using average exchange rates for Q2 2018

DKK million	6M 2019 (reported)	6M 2019 (constant)*	6M 2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	1,494	1,484	1,451	2.9%	2.3%
Gross margin	13.7%	13.9%	17.5%	-3.8pp	-3.7pp
Operating profit	90	92	135	-33.7%	-32.3%
Operating profit margin	6.0%	6.2%	9.3%	-3.3pp	-3.1pp
Net profit	75	n.a.	102	-27.2%	n.a.
Investments (CAPEX)	94	n.a.	82	15.3%	n.a.
Free cash flow	-67	n.a.	58	n.a	n.a.

\*Constant currencies measured using average exchange rates for 6M 2018

### **Revenue risks and business/cost restructuring plan**

After a weak first half year of 2019 with a rapid decline in revenue and margins from the Novo Nordisk Group, NNIT faces further revenue risks in the next two years due to the following factors:

- The large application maintenance agreement with the Novo Nordisk Group expires at the end of 2019. Today, NNIT has received the message that the agreement will not be prolonged
- The large operations maintenance agreement with the Novo Nordisk Group expires at the end of 2020. NNIT may also risk losing this agreement or winning the agreement at a significantly lower price
- The expected loss of the PANDORA agreement with a revenue in 2018 of DKK 190m, see company announcement July 3, 2019
- NNIT's current agreement with DSB expires April 2021 and is not expected to be prolonged

As a consequence, the board has therefore approved a business and cost restructuring plan with a targeted impact of DKK 150m in 2020 and a targeted full year run-rate impact of minimum DKK 200m from 2021. This plan includes a reduction of 250 full time positions. The number of redundancies is expected to be lower due to vacancies, attrition and relocations.

Key levers to improve gross profit margin in the plan are to increase offshoring and automation in Infrastructure & Application Services while key levers in Projects & Consulting will be to increase billable utilization and efficiency in project execution. The cost reductions will be implemented without impacting the current strong growth in international life sciences and the acquired companies SCALES, Valiance and HGP.

Restructuring costs of around DKK 15-25m are expected this year and some restructuring costs are also expected in 2020. The restructuring costs were mentioned in company announcement July 3, 2019 and are now quantified.

## Guidance 2019

The order backlog for 2019 at the beginning of Q2 2019 increased by DKK 45.9 million to DKK 2,728 million, or by 1.7%, compared to the order backlog one year earlier. The backlog development is impacted by a decline in multiyear outsourcing agreements, while business coming from projects with low backlog visibility increases.

Based on the result for the first six months and the current backlog, NNIT expects a low single-digit revenue growth for 2019 (previously 3-6% in constant currencies).

The operating profit margin in constant currencies is maintained to be in the interval 8-9% excluding restructuring costs for 2019. The restructuring costs were mentioned in company announcement July 3, 2019 and are now quantified to be DKK 15-25m in 2019.

Investments / revenue is expected to be 5-7% of revenue.

	Guidance for 2019	Guidance at Q1 2019
<b>Revenue growth</b>	<b>Low single-digit</b>	<b>3-6%</b>
<b>Operating profit margin</b> In constant currencies*	<b>8-9% excluding restructuring costs of DKK 15-25m</b>	<b>8-9%</b>
as reported**	<b>Around 0.2pp lower</b>	<b>Around 0.4pp lower</b>
Investments / Revenue***	<b>5-7%</b>	<b>5-7%</b>

\*Constant currencies measured using average exchange rates for 2018

\*\*Based on exchange rates as of August 7, 2019 as illustrated under key currency assumptions on page 24

\*\*\* Investments and re-investments are in 2019 expected to be between 5-7 percent of total revenue.

The guidance is based on a number of assumptions, including that relevant macroeconomic trends will not significantly change business conditions for NNIT during 2019, that business performance, client and competitor actions will remain stable.

## Concerning long-term guidance

NNIT will not publish long-term targets primarily due to the current uncertainty related to sales to the Novo Nordisk Group, lost business on a few key accounts and the implementation of the business and cost restructuring plan.

## About NNIT

NNIT A/S is one of Denmark's leading IT service providers and consultancies. NNIT A/S offers a wide range of IT services and solutions to its customers, primarily in the life sciences sector in Denmark and internationally and to customers in the public, enterprise and finance sectors in Denmark. As of June 30, 2019, NNIT A/S had 3,215 employees. NNIT has approximately 400 clients of which around 150 are located outside Denmark. Some 20% are international life sciences clients (June 2019). For more information please visit [www.nnit.com](http://www.nnit.com).

## Conference call details

NNIT will host a teleconference August 14, 2019 at 10:30 CET about the financial report for the first six months of 2019. Please visit the NNIT webpage at [www.nnit.com](http://www.nnit.com) to access the teleconference, which can be found under 'Investors – Events & presentations'. Presentation material will be available on the website approximately one hour prior to the start of the presentation.

Conference call details

<https://nnit.eventcdn.net/201908H1>

Participant telephone numbers:

Denmark:	+45 3544 5583
United Kingdom:	+44 20 3194 0544
Sweden:	+46 8 5664 2661
United States:	+1 855 269 2604

## Financial Calendar 2019

August 19, 2019	Interim dividend ex dividend date
August 20, 2019	Interim dividend record date
August 21, 2019	Interim dividend payment date
October 24, 2019	Interim report for the first nine months of 2019

## Forward-looking statements

This announcement 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.

Please also refer to the overview of risk factors in the 'risk management' section on page 33-35 in the Annual Report 2018.

## Contacts for further information

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## Financial figures and highlights

DKK million, reported currencies	Q2 2019	Q2 2018	6M 2019	6M 2018	Change 6M	Total 2018
<b>Financial performance</b>						
<b>Revenue</b>						
Novo Nordisk Group	235.3	278.4	494.1	534.5	-7.6%	1,124.2
Life sciences international	90.1	45.3	167.5	90.2	85.8%	211.7
Life sciences Denmark	55.6	56.4	109.4	110.8	-1.3%	221.7
Life sciences	381.0	380.2	771.0	735.5	4.8%	1,557.6
Enterprise	189.5	206.2	387.8	393.4	-1.4%	793.8
Public	96.0	103.9	185.5	203.3	-8.8%	399.2
Finance	77.1	62.3	149.4	118.9	25.7%	256.6
Private & Public	362.6	372.4	722.7	715.6	1.0%	1,449.6
Total revenue	743.7	752.6	1,493.7	1,451.1	2.9%	3,007.2
EBITDA	110.7	133.2	221.8	255.7	-13.2%	554.9
Depreciations and amortizations	66.6	58.6	132.2	120.4	9.8%	247.5
Operating profit (EBIT)	44.1	74.5	89.6	135.2	-33.7%	307.4
Net financials	-0.8	-1.4	5.0	-3.5	n.a.	-2.3
Net profit	34.4	56.6	74.6	102.4	-27.2%	235.6
Investments in tangible assets	31.3	49.8	84.3	78.2	7.9%	146.2
Investments in intangible assets and acquisition in subsidiaries	72.7	2.4	74.1	3.5	n.a.	176.5
Total assets	2,666.0	2,267.1	2,666.0	2,267.1	17.6%	2,544.3
Equity	1,096.8	990.9	1,096.8	990.9	10.7%	1,084.9
Dividends paid	0.0	0.0	63.9	56.4	13.3%	105.5
Free cash flow	-38.6	-84.9	-67.0	58.0	n.a.	116.1
<b>Earnings per share</b>						
Earnings per share (DKK)	1.40	2.31	3.03	4.17	-27.3%	9.60
Diluted earnings per share (DKK)	1.39	2.29	3.01	4.14	-27.3%	9.52
<b>Employees</b>						
Average number of full-time employees	3,232	3,125	3,247	3,086	5.2%	3,129
<b>Financial ratios</b>						
Revenue growth	-1.2%	8.3%	2.9%	2.9%	0pp	5.5%
Operating profit margin	5.9%	9.9%	6.0%	9.3%	-3.3pp	10.2%
Gross profit margin	13.4%	17.9%	13.7%	17.5%	-3.8pp	18.0%
EBITDA margin	14.9%	17.7%	14.9%	17.6%	-2.8pp	18.5%
Effective tax rate	20.7%	22.6%	21.2%	22.3%	-1.1pp	22.8%
Investments/Revenue	5.0%	6.9%	6.3%	5.6%	0.7pp	5.3%
Return on equity <sup>1</sup>	19.9%	20.9%	19.9%	20.9%	-1pp	22.9%
Solvency ratio	41.1%	43.7%	41.1%	43.7%	-2.6pp	42.6%
Return on invested capital (ROIC) <sup>1,2</sup>	14.1%	15.4%	14.1%	15.4%	-1.3pp	18.5%
Cash to earnings <sup>1</sup>	-4.3%	13.2%	-4.3%	13.2%	-17.5pp	49.3%
Cash to earnings (three-year average) <sup>1</sup>	20.0%	63.5%	20.0%	63.5%	-43.5pp	44.9%
<b>Additional numbers<sup>3</sup></b>						
Order entry backlog for the current year	2,727.9	2,682.1	2,727.9	2,682.1	1.7%	-

1) Financial metrics are moving annual total (MAT), i.e. annualized. Cash to earnings (three-year-average) is calculated using the past 36 months

2) Net profit/average invested capital.

3) Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future.

## Highlights

Below are the key highlights for Q2 2019.

### Key wins in Q2 2019:

- Microsoft D365 contract with GN Great Nordic representing a low triple-digit DKK million amount over a 4½-year-period
- Cloud operations agreement with a customer in the enterprise customer group representing a low double-digit DKK million amount over a 3½-year-period
- Extension of SAP operations agreement with a Danish life sciences customer representing a high double-digit DKK amount over a six-year-period
- Extension of operations and application outsourcing agreement with a Danish life sciences customer representing a mid-size double-digit DKK amount over one year
- Extension of ERP and SharePoint operations agreement with a customer in the enterprise customer group representing a low double-digit DKK million amount over a five-year-period
- Extension of infrastructure and application agreement with a customer in the public customer group representing a low double-digit DKK million amount over a three-year-period

### New offerings – IntelligentQA (iQA)

IntelligentQA offers technology driven Quality Management which digitizes the processes in the development process for life sciences companies. This increases speed and quality through continuous paperless validation and automated testing. With full integration it allows customers to save hours used on compliance, validation and testing.

### Distribution of interim dividend

Based on the strong underlying cash flow generation in 6M 2019, the Board of Directors has decided to pay out an interim dividend for the calendar year 2019 on August 21, 2019 of DKK 49.2m in cash equal to DKK 2 per share of a nominal value of DKK 10 as also seen in August 2018.

## Performance overview

DKK million (reported currencies)	Q2 2019	Q2 2018	Change (reported)
<b>Revenue</b>	743.7	752.6	-1.2%
Cost of goods sold	643.7	617.5	4.2%
<b>Gross profit</b>	<b>99.9</b>	<b>135.0</b>	<b>-26.0%</b>
<i>Gross profit margin</i>	13.4%	17.9%	-4.5pp
Sales and marketing costs	31.4	34.7	-9.3%
Administrative expenses	24.4	25.8	-5.6%
<b>Operating profit</b>	<b>44.1</b>	<b>74.5</b>	<b>-40.8%</b>
<i>Operating profit margin</i>	5.9%	9.9%	-4pp
Net financials	-0.8	-1.4	-45.8%
<b>Profit before tax</b>	<b>43.3</b>	<b>73.1</b>	<b>-40.7%</b>
Tax	9.0	16.5	-45.6%
<i>Effective tax rate</i>	20.7%	22.6%	-1.9pp
<b>Net profit</b>	<b>34.4</b>	<b>56.6</b>	<b>-39.3%</b>

DKK million (reported currencies)	6M 2019	6M 2018	Change (reported)
<b>Revenue</b>	1,493.7	1,451.1	2.9%
Cost of goods sold	1,289.2	1,196.7	7.7%
<b>Gross profit</b>	<b>204.5</b>	<b>254.4</b>	<b>-19.6%</b>
<i>Gross profit margin</i>	13.7%	17.5%	-3.8pp
Sales and marketing costs	63.5	66.7	-4.7%
Administrative expenses	51.4	52.5	-2.2%
<b>Operating profit</b>	<b>89.6</b>	<b>135.2</b>	<b>-33.7%</b>
<i>Operating profit margin</i>	6.0%	9.3%	-3.3pp
Net financials	5.0	-3.5	246.2%
<b>Profit before tax</b>	<b>94.7</b>	<b>131.8</b>	<b>-28.2%</b>
Tax	20.1	29.4	-31.6%
<i>Effective tax rate</i>	21.2%	22.3%	-1.1pp
<b>Net profit</b>	<b>74.6</b>	<b>102.4</b>	<b>-27.2%</b>

Revenue in reported currencies decreased by 1.2% in Q2 2019 (-1.6% in constant currencies) driven by a 16% decline from the Novo Nordisk Group and a decline of 8.1% and 7.6% from the enterprise and public customer groups, respectively. This was partly countered by a 24% growth from clients in the finance customer group and a 99% growth from international life sciences clients of which 78pp came from the acquisitions of Valiance Partners and HGP. Adjusting for the acquisitions of Valiance Partners and HGP organic revenue declined by 4.9% in reported currencies in Q2 2019 mainly due to the decline from the Novo Nordisk Group.

6M 2019 revenue increased by 2.9% (2.3% in constant currencies) driven by double-digit growth in the international life sciences and finance customer groups partly countered by the decline in revenue from the Novo Nordisk Group of 7.6%, public customer group of 8.8% and the enterprise customer group of 1.4%. Revenue growth from non-Novo Nordisk Group customers was 9.1% (5.7% organic) in 6M 2019.

Cost of goods sold increased by 4.2% in Q2 2019 and 7.7% 6M 2019 compared to the same periods last year leading to a lower gross profit margin. As prices and project revenue from the Novo Nordisk Group have decreased costs have not been reduced fast enough.

Gross profit decreased by 26% in Q2 2019 and 20% in 6M 2019 leading to a gross profit margin in reported currencies of 13.4% in Q2 2019 (17.9% in Q2 2018) and 13.7% in 6M 2019 (17.5% in 6M 2018). This unsatisfactory development in 6M 2019 was due to a decline of 6.7pp in the margin of the life sciences segment entirely due to lower margins on service level agreements and projects for the Novo Nordisk Group. The margin in the private & public segment declined with 1.2pp in 6M 2019 due to lower margins in the public customer group, see the segmental analysis on the next pages.

Sales and marketing costs declined by 9.3% in Q2 2019 and 4.7% in 6M 2019 compared to the same periods last year due to cost reductions.

Administrative expenses decreased by 5.6% in Q2 2019 and 2.2% in 6M 2019 compared to the same periods last year due to cost reductions.

Operating profit in Q2 2019 decreased by DKK 30.4m corresponding to an operating profit margin of 5.9% compared to 9.9% in Q2 2018 due to the above-mentioned developments. In 6M 2019, operating profit decreased by DKK 45.6m corresponding to an operating profit margin of 6.0% compared to 9.3% in 6M 2018. This decline in margin is not satisfactory and NNIT will through the business and cost restructuring plan strive to improve these margins in the next two years.

Net financials in Q2 2019 were negative with DKK 0.8m which is an improvement of DKK 0.6m compared to Q2 2018 due to higher gains on cash flow hedges. In 6M 2019, net financials were positive with DKK 5.0 million compared to an expense of DKK 3.5 million in 6M 2018. The improvement was primarily due to higher gains on cash flow hedges.

The effective tax rate for Q2 2019 was 20.7%, a decrease of 1.9pp compared to Q2 2018 due to Q2 2018 being effected by a negative adjustments regarding previous years. In 6M the effective tax rate was 21.2%, down 1.1pp compared to 6M 2018.

Net profit in Q2 2019 was DKK 34.4m corresponding to a decrease of 39% compared to Q2 2018. Net profit in 6M 2019 was DKK 74.6m compared to DKK 102.4m in 6M 2018, a decrease of 27%.

For a detailed performance overview in both reported and constant currencies please see note 8 on page 25-26. Comparisons in this financial report are hereafter in reported currencies. NNIT's major currencies have appreciated giving operating profit margin in 6M 2019 a headwind of 0.2pp mainly due to the appreciation of CNY (average 2019 compared to average 2018 exchange rates) which increases the cost of NNIT's offshore center in DKK. Revenue growth in 6M 2019 was impacted positively by 0.6pp mainly due to appreciation of USD (average 2019 compared to average 2018 exchange rates).

## Life Sciences

DKK million (reported currencies)	Q2 2019	Q2 2018	Change	2018
Novo Nordisk Group	235.3	278.4	-15.5%	1,124.2
Life sciences international	90.1	45.3	98.7%	211.7
Life sciences Denmark	55.6	56.4	-1.4%	221.7
Revenue	381.0	380.2	0.2%	1,557.6
Cost of goods sold	308.4	277.7	11.0%	1,148.6
<b>Gross profit</b>	<b>72.7</b>	<b>102.5</b>	<b>-29.1%</b>	<b>408.9</b>
<i>Gross profit margin</i>	19.1%	27.0%	-7.9pp	26.3%
Allocated costs	31.6	33.5	-5.8%	128.8
<b>Operating profit</b>	<b>41.1</b>	<b>68.9</b>	<b>-40.4%</b>	<b>280.2</b>
<i>Operating profit margin</i>	10.8%	18.1%	-7.4pp	18.0%

DKK million (reported currencies)	6M 2019	6M 2018	Change	2018
Novo Nordisk Group	494.1	534.5	-7.6%	1,124.2
Life sciences international	167.5	90.2	85.8%	211.7
Life sciences Denmark	109.4	110.8	-1.3%	221.7
Revenue	771.0	735.5	4.8%	1,557.6
Cost of goods sold	612.2	534.7	14.5%	1,148.6
<b>Gross profit</b>	<b>158.8</b>	<b>200.8</b>	<b>-20.9%</b>	<b>408.9</b>
<i>Gross profit margin</i>	20.6%	27.3%	-6.7pp	26.3%
Allocated costs	65.2	65.7	-0.7%	128.8
<b>Operating profit</b>	<b>93.6</b>	<b>135.1</b>	<b>-30.7%</b>	<b>280.2</b>
<i>Operating profit margin</i>	12.1%	18.4%	-6.2pp	18.0%

## Revenue

Revenue in life sciences in Q2 2019 was unchanged following a 99% increase in revenue from international life sciences clients which was offset by a decline in revenue from the Novo Nordisk Group of 16%, further explained below.

### Novo Nordisk Group:

Revenue from the Novo Nordisk Group decreased by 16% in Q2 2019 and 7.6% in 6M 2019 compared to the same periods last year due to surprisingly low project activity. Thus, revenue from Novo Nordisk Group projects decreased with 40% in Q2 2019 and 23% in 6M 2019.

As a consequence of the large decline in revenue from the Novo Nordisk Group and high growth from other clients, the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 68% in Q2 2019 from 63% in 6M 2018.

### Life sciences international:

Revenue from life sciences international increased by 99% in Q2 2019 and 86% in 6M 2019 compared to the same periods last year driven by the contribution from the Valiance acquisition with impact from November 2018, the HGP acquisition with impact from April 2019 and increased project activity. Organic growth was 21% in Q2 2019 and 23% in 6M 2019 in line with the strategy to grow revenue from international life sciences with more than 20% organically.

Life sciences Denmark:

Revenue from Danish life sciences declined by 1.4% in Q2 2019 and by 1.3% in 6M 2019 compared to the same periods last year.

### Gross profit and operating profit

In Q2 2019 gross profit and operating profit in the life sciences segments decreased by 29% and 40%, respectively, compared to Q2 2018. Gross profit margin was 19.1%, a decrease of 7.9pp compared to Q2 2018. The decrease in margin was primarily due to lower margins on service level agreements and projects as well as less project sales to the Novo Nordisk Group. Costs have not been reduced fast enough to counter lower prices and decline in project revenue. Besides this PPA (purchase price allocation) and acquisition related costs impacted profits. Operating profit margin was 10.8%, a decrease of 7.4pp following the decline in gross profit margin.

In 6M 2019 gross profit and operating profit in the life sciences segments decreased by 21% and 31%, respectively, compared to 6M 2018. Gross profit margin was 20.6%, a decrease of 6.7pp compared to 6M 2018. The decrease in margin was due to the same reasons as explained under Q2 above. However, margins on the international life sciences project business continues to develop favorably and are supportive for the overall margins. Operating profit margin was 12.1%, a decrease of 6.2pp following the decline in gross profit margin. This decline in margin is not satisfactory and NNIT will through the business and cost restructuring plan strive to improve these margins in the next two years.

### Private & Public

DKK million (reported currencies)	Q2 2019	Q2 2018	Change	2018
Enterprise	189.5	206.2	-8.1%	793.8
Public	96.0	103.9	-7.6%	399.2
Finance	77.1	62.3	23.8%	256.6
Revenue	362.6	372.4	-2.6%	1,449.6
Cost of goods sold	335.3	339.8	-1.3%	1,317.3
<b>Gross profit</b>	<b>27.3</b>	<b>32.6</b>	<b>-16.2%</b>	<b>132.3</b>
<i>Gross profit margin</i>	<i>7.5%</i>	<i>8.7%</i>	<i>-1.2pp</i>	<i>9.1%</i>
Allocated costs	24.2	27.0	-10.2%	105.0
<b>Operating profit</b>	<b>3.0</b>	<b>5.6</b>	<b>-45.6%</b>	<b>27.2</b>
<i>Operating profit margin</i>	<i>0.8%</i>	<i>1.5%</i>	<i>-0.7pp</i>	<i>1.9%</i>

DKK million (reported currencies)	6M 2019	6M 2018	Change	2018
Enterprise	387.8	393.4	-1.4%	793.8
Public	185.5	203.3	-8.8%	399.2
Finance	149.4	118.9	25.7%	256.6
Revenue	722.7	715.6	1.0%	1,449.6
Cost of goods sold	677.0	662.0	2.3%	1,317.3
<b>Gross profit</b>	<b>45.7</b>	<b>53.6</b>	<b>-14.8%</b>	<b>132.3</b>
<i>Gross profit margin</i>	<i>6.3%</i>	<i>7.5%</i>	<i>-1.2pp</i>	<i>9.1%</i>
Allocated costs	49.7	53.5	-7.2%	105.0
<b>Operating profit</b>	<b>-4.0</b>	<b>0.1</b>	<b>n.a.</b>	<b>27.2</b>
<i>Operating profit margin</i>	<i>-0.6%</i>	<i>0.0%</i>	<i>-0.6pp</i>	<i>1.9%</i>

## Revenue

Revenue on projects in the private & public segment increased by 4.0% in Q2 2019 and 11% in 6M 2019 while revenue on service level agreements decreased by 7.8% in Q2 2019 and 6.4% in 6M 2019 due to declining revenue on some of the large enterprise agreements and lower scope on the DSB agreement. Total private & public revenue decreased by 2.6% in Q2 2019, while it increased by 1.0% in 6M 2019 compared to the same periods last year, further explained below.

### Enterprise customers:

Revenue decreased by 8.1% in Q2 2019 and 1.4% in 6M 2019 compared to the same periods last year due to price reductions and lower scope on some of the large enterprise agreements.

### Public customers:

Revenue decreased by 7.6% in Q2 2019 and 8.8% in 6M 2019 compared to the same periods last year mainly due to lower scope on the agreement with DSB.

### Finance customers:

Revenue increased by 24% in Q2 2019 and 26% in 6M 2019 compared to the same periods last year mainly due to expansion of service level agreements with existing customers and the new contracts with AP Pension and SDC.

## Gross profit and operating profit

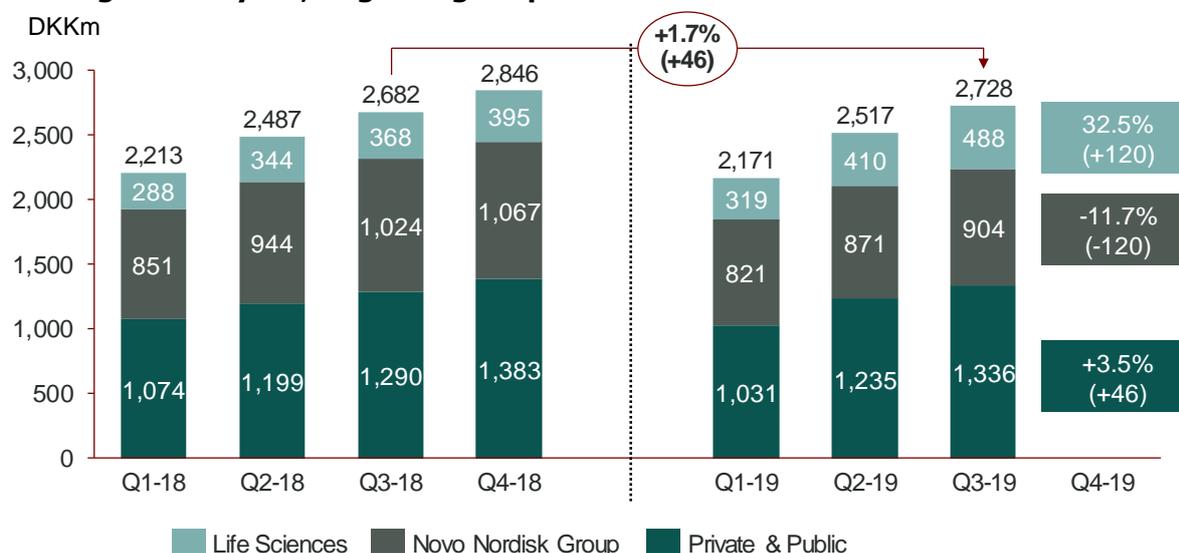
Gross profit margin in the public & private segment decreased from 8.7% in Q2 2018 to 7.5% in Q2 2019 giving an operating profit margin of 0.8% in Q2 2019 compared to 1.5% the same period last year. The decline in margins was due to lower margins on the customers from the public customer group.

In 6M 2019 gross profit in the public & private segment decreased by 15% compared to 6M 2018. Gross profit margin was 6.3%, a decrease of 1.2pp compared to 6M 2018. Operating profit margin was negative 0.6%, a decrease of 0.6pp following the decline in gross profit margin.

The low operating profit margin in the private & public segment is not satisfactory and NNIT will through the business and cost restructuring plan strive to improve these margins in the next two years.

## Order backlog

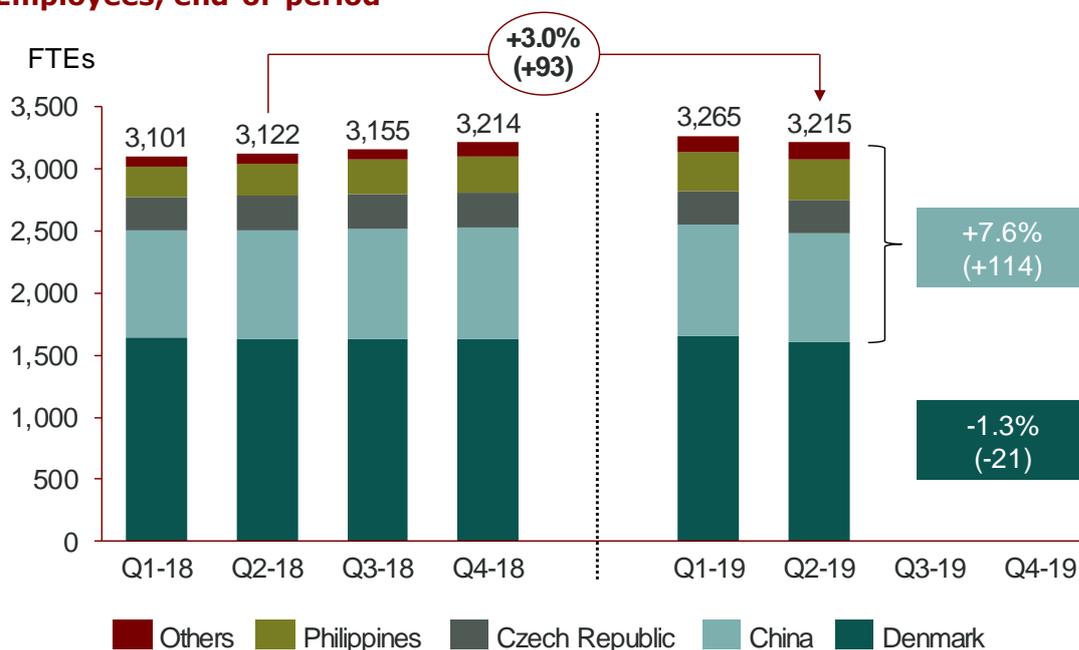
### Backlog for the year, beginning of quarter



At the beginning of Q3 2019, NNIT's order entry backlog for 2019 amounted to DKK 2,728 million, which was an increase of 1.7% compared to one year earlier. The backlog from life sciences clients excluding the Novo Nordisk Group increased by 33% driven by international life sciences, private & public increased by 3.5% while the Novo Nordisk Group declined by 12%.

The high growth in NNIT's project business with low backlog visibility and a declining multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth. Therefore, the backlog for the current year should be interpreted with caution and the backlog for the following two calendar years are no longer provided in this report since this information no longer provides reliable visibility regarding future revenue.

### Employees, end-of-period



At the end of Q2 2019, the number of employees increased by 93 FTE corresponding to 3.0% compared to the same time last year. The increase was driven by the Philippines (75 FTEs) in-line with the long-term offshoring strategy as well as the inclusion of Valiance Partners and Halfmann Goetsch Partners. Employees in Denmark decreased by 1.3%.

### Balance sheet

Total assets at June 30, 2019 increased by DKK 398.9m to DKK 2,666.0m compared to DKK 2,267.1m at June 30, 2018 primarily due to an increase in intangible assets after the acquisition of Valiance Partners and HGP as well as an increase in work in progress.

The net of Cash and cash equivalents amounted to DKK -317.4m at June 30, 2019, a decrease of DKK 182.2m compared to June 30, 2018. The decrease was due to the up-front payment for Valiance Partners (DKK 162.3m), upfront payment for HGP (DKK 67.6m), the payment of interim dividend for 2018 (DKK 49.1m) and ordinary dividend for 2018 (DKK 63.9m) partly countered by cash flows from operating activities.

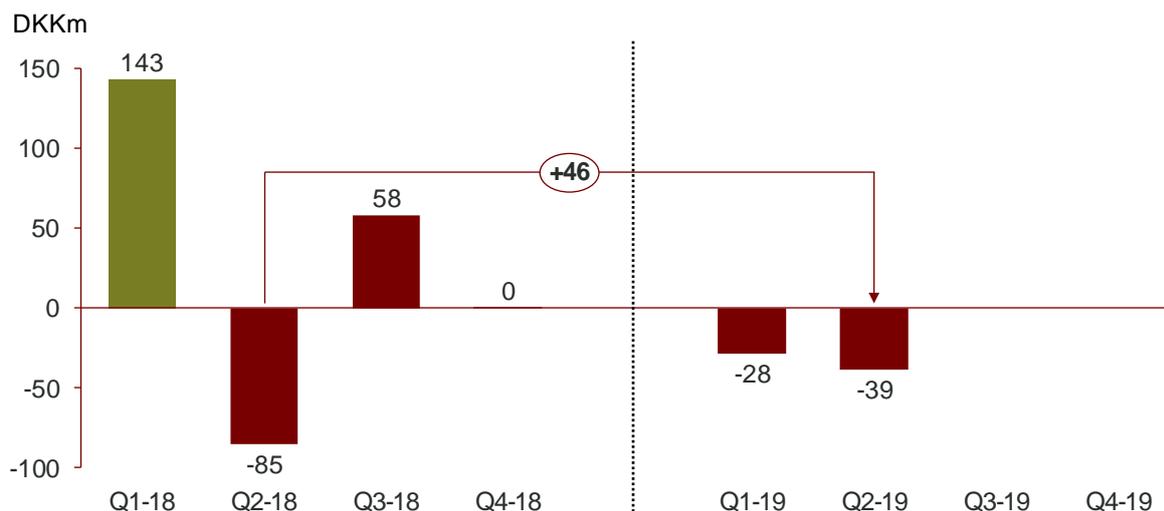
Equity at June 30, 2019 amounted to DKK 1,096.8m, an increase of DKK 105.5m compared to June 30, 2018. The improvement was mainly due to net profits for the

period offset by the payment of interim dividend for 2018 (DKK 49.1m) and ordinary dividend for 2018 (DKK 63.9m).

### Investments

Investments excluding the acquisition of HGP amounted to DKK 37.4m in Q2 2019 and DKK 94.2m in 6M 2019 compared to DKK 52.2m in Q2 2018 and DKK 81.7m in 6M 2018 mainly due to timing of investments and replacement of fully depreciated equipment.

### Free cash flow



The free cash flow for Q2 2019 was negative with DKK 38.6m being impacted by the acquisition payment of DKK 67.6m for HGP. This was DKK 46.3m above Q2 2018 due to an improvement of working capital.

The free cash flow for 6M 2019 was negative DKK 67.0 million compared to the positive free cash flow of DKK 60.0 million in 6M 2018 due to the acquisition of HGP and change in working capital. The free cash flow in Q1 2018 was extraordinarily high following payment of project milestones and hardware contracts being invoiced in Q4 2017 and paid in Q1 2018 as also seen in the trade receivable development. A similar development was not present for Q1 2019.

### Events after balance sheet date

There have been no events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at June 30, 2019.

## Management statement

### Statement by the Board of Directors and the Executive Management on the unaudited interim consolidated financial statements of NNIT A/S as at and for the six months ended June 30, 2019

The Board of Directors and Executive Management ("Management") have reviewed and approved the interim consolidated financial statements of NNIT A/S (NNIT A/S, together with its subsidiaries, the "Group") for the first six months of 2019 with comparative figures for the first six months of 2018. The interim consolidated financial statements have not been audited or reviewed by the company's independent auditors.

The interim consolidated financial statements for the first six months of 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting', as adopted by the European Union and accounting policies set out in the annual report for 2018 of NNIT A/S. Furthermore, the interim consolidated financial statement for the first six months of 2019 and Management's review are prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies.

In our opinion, the accounting policies used are appropriate and the overall presentation of the interim consolidated financial statements for the first six months of 2019 are adequate and give a true and fair view of the Group's assets, liabilities and financial position as at June 30, 2019 and of the results of the Group's operations and cash flow for the six months ended June 30, 2019. Furthermore, in our opinion, Management's review includes a true and fair account of the development in the operations and financial circumstances, of the results for the period and of the financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group in accordance with Danish disclosure requirements for listed companies.

Besides what has been disclosed in the interim consolidated financial statements and Management's review for the first six months of 2019, no changes in the Group's most significant risks and uncertainties have occurred relative to what was disclosed in the Annual Report for 2018 of NNIT A/S.

Søborg, August 13, 2019

#### Executive management

Per Kogut  
*CEO*

**Board of Directors**

Carsten Krogsgaard Thomsen  
*CFO*

Carsten Dilling  
*Chairman*

Peter H. J. Haahr  
*Deputy Chairman*

Anne Broeng

Eivind Kolding

Christian Kanstrup

Caroline Serfass

Anders Vidstrup

Brankica Markovic

Trine Io Bjerregaard

## Consolidated financial statements

### Income statement and Statement of comprehensive income

Note	Q2 2019 DKK '000	Q2 2018 DKK '000	6M 2019 DKK '000	6M 2018 DKK '000	12M 2018 DKK '000
<b>Income statement</b>					
1					
Revenue	743,656	752,556	1,493,670	1,451,058	3,007,154
Cost of goods sold	643,713	617,521	1,289,183	1,196,666	2,465,941
<b>Gross profit</b>	<b>99,943</b>	<b>135,035</b>	<b>204,487</b>	<b>254,392</b>	<b>541,213</b>
Sales and marketing costs	31,443	34,675	63,504	66,650	127,613
Administrative expenses	24,387	25,825	51,359	52,506	106,191
<b>Operating profit</b>	<b>44,113</b>	<b>74,535</b>	<b>89,624</b>	<b>135,236</b>	<b>307,409</b>
Financial income	3,125	1,840	12,331	2,702	11,203
Financial expenses	3,902	3,272	7,282	6,156	13,481
<b>Profit before income taxes</b>	<b>43,336</b>	<b>73,103</b>	<b>94,673</b>	<b>131,782</b>	<b>305,131</b>
Income taxes	8,979	16,521	20,089	29,390	69,525
<b>Net profit for the period</b>	<b>34,357</b>	<b>56,582</b>	<b>74,584</b>	<b>102,392</b>	<b>235,606</b>
<b>Earnings per share</b>					
	DKK	DKK	DKK	DKK	DKK
Earnings per share	1.40	2.31	3.03	4.17	9.60
Diluted earnings per share	1.39	2.29	3.01	4.14	9.52
<b>Statement of comprehensive income</b>					
	DKK '000				
<b>Net profit for the period</b>	<b>34,357</b>	<b>56,582</b>	<b>74,584</b>	<b>102,392</b>	<b>235,606</b>
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to the Income statement:</i>					
Remeasurement related to pension obligations	12	-62	33	-77	4,441
Tax on other comprehensive income	-1	11	-1	18	-846
<i>Items that will be reclassified subsequently to the Income statement, when specific conditions are met:</i>					
Currency revaluation related to subsidiaries (net)	-2,156	2,257	1,034	1,093	1,246
Recycled to financial items	4,621	1,817	11,438	2,621	8,875
Unrealized value adjustments	-10,068	-3,179	-10,525	231	-5,076
Cash flow hedges	-5,447	-1,362	913	2,852	3,799
Tax on other comprehensive income related to cash flow hedges	1,198	300	334	-627	-1,371
<b>Other comprehensive income, net of tax</b>	<b>-6,394</b>	<b>1,144</b>	<b>2,313</b>	<b>3,259</b>	<b>7,269</b>
<b>Total comprehensive income</b>	<b>27,963</b>	<b>57,726</b>	<b>76,897</b>	<b>105,651</b>	<b>242,875</b>

## Balance sheet

### Assets

	Note	June 30, 2019 DKK '000	June 30, 2018 DKK '000	Dec 31, 2018 DKK '000
Intangible assets	3	516,370	209,281	432,152
Tangible assets		595,632	587,494	593,649
Lease assets		340,248	337,295	371,742
Contract assets		91,384	114,933	111,070
Deferred tax		25,310	59,156	39,336
Deposits		32,974	32,835	32,730
<b>Total non-current assets</b>		<b>1,601,918</b>	<b>1,340,994</b>	<b>1,580,679</b>
Inventories		1,538	1,729	1,718
Contract assets		56,896	53,223	52,459
Trade receivables	4	473,159	487,885	500,627
Work in progress	4	159,275	119,336	151,050
Other receivables and pre-payments		237,701	173,204	140,135
Tax receivable		22,408	0	224
Derivative financial instruments		12,913	8,162	9,842
Cash and cash equivalents		100,208	82,551	107,547
<b>Total current assets</b>		<b>1,064,098</b>	<b>926,090</b>	<b>963,602</b>
<b>Total assets</b>		<b>2,666,016</b>	<b>2,267,084</b>	<b>2,544,281</b>

### Equity and liabilities

		June 30, 2019 DKK '000	June 30, 2018 DKK '000	Dec 31, 2018 DKK '000
Share capital		250,000	250,000	250,000
Treasury shares		-4,091	-4,676	-4,641
Retained earnings		787,920	684,529	764,110
Other reserves		13,806	11,990	11,526
Proposed dividends		49,182	49,070	63,935
<b>Total equity</b>		<b>1,096,817</b>	<b>990,913</b>	<b>1,084,930</b>
Leasing liability		275,940	272,746	298,823
Deferred tax		879	0	2,741
Employee benefit obligation		19,663	16,376	15,497
Contingent consideration (earn out)	3	133,786	54,345	112,715
Provisions		24,415	24,719	24,576
<b>Total non-current liabilities</b>		<b>454,683</b>	<b>368,186</b>	<b>454,352</b>
Prepayments received, contract assets		69,447	115,129	87,533
Prepayments received, work in progress	4	67,540	126,900	115,252
Leasing liability		76,569	74,759	83,590
Bank overdraft		417,568	183,789	242,675
Trade payables		117,164	73,843	97,476
Employee cost payable		230,303	213,443	253,285
Tax payables		9,760	9,251	6,675
Other current liabilities		124,647	107,752	117,207
Derivative financial instruments		1,252	2,903	1,306
Provisions		266	216	0
<b>Total current liabilities</b>		<b>1,114,516</b>	<b>907,985</b>	<b>1,004,999</b>
<b>Total equity and liabilities</b>		<b>2,666,016</b>	<b>2,267,084</b>	<b>2,544,281</b>
Contingent liabilities and legal proceedings	5			
Currency hedging	6			

## Statement of cash flow

	Q2 2019	Q2 2018	6M 2019	6M 2018	12 M 2018
	DKK '000	DKK '000	DKK '000	DKK '000	DKK '000
<b>Net profit for the period</b>	<b>34,357</b>	<b>56,582</b>	<b>74,584</b>	<b>102,392</b>	<b>235,606</b>
Reversal of non-cash items	85,160	92,431	167,198	170,261	341,402
Interest received	115	23	200	81	185
Interest paid	-3,901	-1,020	-7,281	-5,764	-13,453
Income taxes paid	-43	-2,282	-28,609	-36,698	-63,204
<b>Cash flow before change in working capital</b>	<b>115,688</b>	<b>145,734</b>	<b>206,092</b>	<b>230,272</b>	<b>500,536</b>
Changes in working capital	-49,300	-178,429	-113,528	-90,511	-61,840
<b>Cash flow from operating activities</b>	<b>66,388</b>	<b>-32,695</b>	<b>92,564</b>	<b>139,761</b>	<b>438,696</b>
Capitalization of intangible assets	-6,029	-2,402	-9,816	-3,485	-14,283
Purchase of tangible assets	-36,295	-31,110	-73,321	-83,130	-164,347
Change in trade payables related to investments	4,946	-18,669	-11,018	4,937	18,105
Sale/(purchase) of shares (net)	0	0	0	89	89
Payment of deposits	-97	-69	-244	-198	51
Acquisition of subsidiary	-67,557	0	-65,153	0	-162,253
<b>Cash flow from investing activities</b>	<b>-105,032</b>	<b>-52,250</b>	<b>-159,552</b>	<b>-81,787</b>	<b>-322,638</b>
Dividends paid	0	0	-63,935	-56,418	-105,488
Purchase of treasury shares	0	0	-5,003	-37,345	-37,345
Installments on lease liabilities	-24,637	-23,475	-46,306	-46,832	-89,736
Bank overdraft	86,783	183,789	174,893	90,595	149,481
<b>Cash flow from financing activities</b>	<b>62,146</b>	<b>160,314</b>	<b>59,649</b>	<b>-50,000</b>	<b>-83,088</b>
<b>Net cash flow</b>	<b>23,502</b>	<b>75,369</b>	<b>-7,339</b>	<b>7,974</b>	<b>32,970</b>
Cash and cash equivalents at the beginning of the period	76,706	7,182	107,547	74,577	74,577
<b>Cash and cash equivalents at the end of the period</b>	<b>100,208</b>	<b>82,551</b>	<b>100,208</b>	<b>82,551</b>	<b>107,547</b>
<b>Additional information<sup>1</sup>:</b>					
Cash and cash equivalents	100,208	82,551	100,208	82,551	107,547
Bank overdraft	-417,568	-183,789	-417,568	-46,832	-242,675
Committed credit facilities	540,000	400,000	540,000	400,000	540,000
<b>Financial resources at the end of the period</b>	<b>222,640</b>	<b>298,762</b>	<b>222,640</b>	<b>482,551</b>	<b>404,872</b>
Cash flow from operating activities	66,388	-32,695	92,564	139,761	438,696
Cash flow from investing activities	-105,032	-52,250	-159,552	-81,787	-322,638
<b>Free cash flow</b>	<b>-38,644</b>	<b>-84,945</b>	<b>-66,988</b>	<b>57,974</b>	<b>116,058</b>

<sup>1</sup> Additional non-IFRS measures. 'Financial resources at the end of the period' is defined as the sum of cash and cash equivalents at the end of the period and undrawn committed credit facilities. Free cash flow is defined as 'cash flow from operating activities' less 'cash flow from investing activities'.

## Statement of changes in equity

DKK '000	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
<b>June 30, 2019</b>									
<b>Balance at the beginning of the period</b>	<b>250,000</b>	<b>-4,641</b>	<b>764,110</b>	<b>6,480</b>	<b>7,320</b>	<b>-2,274</b>	<b>11,526</b>	<b>63,935</b>	<b>1,084,930</b>
Net profit for the period	0	0	74,584	0	0	0	0	0	74,584
Other comprehensive income for the period	0	0	33	1,034	913	333	2,280	0	2,313
Total comprehensive income for the period	0	0	74,617	1,034	913	333	2,280	0	76,897
Transactions with owners:									
Purchase of treasury shares	0	-255	-4,748	0	0	0	0	0	-5,003
Transfer of treasury shares	0	805	-771	0	0	0	0	0	34
Share-based payments	0	0	6,576	0	0	0	0	0	6,576
Deferred tax on share-based payments	0	0	-2,682	0	0	0	0	0	-2,682
Dividends paid	0	0	0	0	0	0	0	-63,935	-63,935
Proposed interim dividend for 2019	0	0	-49,182	0	0	0	0	49,182	0
<b>Balance at the end of the period</b>	<b>250,000</b>	<b>-4,091</b>	<b>787,920</b>	<b>7,514</b>	<b>8,233</b>	<b>-1,941</b>	<b>13,806</b>	<b>49,182</b>	<b>1,096,817</b>

DKK '000	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
<b>December 31, 2018</b>									
<b>Balance at the beginning of the period</b>	<b>250,000</b>	<b>-6,567</b>	<b>665,444</b>	<b>5,234</b>	<b>3,521</b>	<b>-57</b>	<b>8,698</b>	<b>55,990</b>	<b>973,565</b>
Net profit for the period	0	0	235,606	0	0	0	0	0	235,606
Other comprehensive income for the period	0	0	4,441	1,246	3,799	-2,217	2,828	0	7,269
Total comprehensive income for the period	0	0	240,047	1,246	3,799	-2,217	2,828	0	242,875
Transactions with owners:									
Purchase of treasury shares	0	-2,030	-35,315	0	0	0	0	0	-37,345
Transfer of treasury shares	0	3,956	-5,059	0	0	0	0	0	-1,103
Share-based payments	0	0	16,092	0	0	0	0	0	16,092
Deferred tax on share-based payments	0	0	-3,666	0	0	0	0	0	-3,666
Adjustment to proposed dividend	0	0	-428	0	0	0	0	428	0
Dividends paid	0	0	0	0	0	0	0	-105,488	-105,488
Interim dividend for 2018	0	0	-49,070	0	0	0	0	49,070	0
Proposed dividend for 2018	0	0	-63,935	0	0	0	0	63,935	0
Total dividends for 2018	0	0	-113,005	0	0	0	0	113,005	0
<b>Balance at the end of the period</b>	<b>250,000</b>	<b>-4,641</b>	<b>764,110</b>	<b>6,480</b>	<b>7,320</b>	<b>-2,274</b>	<b>11,526</b>	<b>63,935</b>	<b>1,084,930</b>

DKK '000	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
<b>June 30, 2018</b>									
<b>Balance at the beginning of the period</b>	<b>250,000</b>	<b>-6,567</b>	<b>665,914</b>	<b>5,190</b>	<b>3,521</b>	<b>-57</b>	<b>8,654</b>	<b>55,990</b>	<b>973,991</b>
Net profit for the period	0	0	102,392	0	0	0	0	0	102,392
Other comprehensive income for the period	0	0	-77	1,093	2,852	-609	3,336	0	3,259
Total comprehensive income for the period	0	0	102,315	1,093	2,852	-609	3,336	0	105,651
Transactions with owners:									
Transfer of treasury shares	0	-2,030	-35,315	0	0	0	0	0	-37,345
Share-based payments	0	3,921	5,211	0	0	0	0	0	9,132
Deferred tax on share-based payments	0	0	-4,098	0	0	0	0	0	-4,098
Adjustment to proposed dividend	0	0	-428	0	0	0	0	428	0
Dividends paid	0	0	0	0	0	0	0	-56,418	-56,418
Proposed interim dividend for 2018	0	0	-49,070	0	0	0	0	49,070	0
Total dividends for 2017	0	0	-49,070	0	0	0	0	49,070	0
<b>Balance at the end of the period</b>	<b>250,000</b>	<b>-4,676</b>	<b>684,529</b>	<b>6,283</b>	<b>6,373</b>	<b>-666</b>	<b>11,990</b>	<b>49,070</b>	<b>990,913</b>

**Notes****Note 1***Accounting policies*

The consolidated financial statements for the first six months of 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on the basis of the same accounting policies for recognition and measurement as were applied in the Annual Report 2018.

The financial reporting including the consolidated financial statements for the first six months of 2019 and Management's review have been prepared in accordance with additional Danish disclosure requirements for interim report of listed companies. See pages 63 to 71 of the Annual Report 2018 for a comprehensive description of the accounting policies applied for recognition and measurement.

## Note 2

### Quarterly numbers

DKK '000	2019		2018			
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Revenue</b>	<b>743,656</b>	<b>750,014</b>	<b>822,870</b>	<b>733,226</b>	<b>752,557</b>	<b>752,556</b>
Cost of goods sold	643,713	645,470	657,559	611,712	617,526	617,521
<b>Gross profit</b>	<b>99,943</b>	<b>104,544</b>	<b>165,311</b>	<b>121,514</b>	<b>135,031</b>	<b>135,035</b>
Sales and marketing costs	31,443	32,061	30,480	30,483	34,676	34,675
Administrative expenses	24,387	26,972	28,662	25,022	25,825	25,825
<b>Operating profit</b>	<b>44,113</b>	<b>45,511</b>	<b>106,169</b>	<b>66,009</b>	<b>74,530</b>	<b>74,535</b>
Net financials	-777	5,826	1,450	-274	-1,432	-1,432
<b>Profit before income taxes</b>	<b>43,336</b>	<b>51,337</b>	<b>107,619</b>	<b>65,735</b>	<b>73,098</b>	<b>73,103</b>
Income taxes	8,979	11,110	22,845	17,290	16,521	16,521
<b>Net profit for the period</b>	<b>34,357</b>	<b>40,227</b>	<b>84,774</b>	<b>48,445</b>	<b>56,577</b>	<b>56,582</b>

### Segment disclosures

As announced on January 29, 2019 NNIT have implemented a new organization with effect as of March 1, 2019.

The segments to drive revenue growth for NNIT going forward is the international life sciences and the Private & Public segments. To reflect the new strategy and organization the segment reporting have been changed from IT Operation Services and IT Solution Services to the international life sciences and Private & Public. Comparison figures for 2018 have been restated.

The Life science segment contains both the Novo Nordisk Group and our other life science customers in Denmark as well as internationally.

The Private and Public segment contains customers within the enterprise, public and finance segment.

DKK '000	2019		2018			
	Q2	Q1	Q4	Q3	Q2	Q1
<b>Revenue by customer group</b>						
<i>Novo Nordisk Group</i>	235,291	258,805	323,025	266,613	278,434	256,084
<i>Life sciences international</i>	90,119	77,411	73,097	48,457	45,348	44,812
<i>Life sciences Denmark</i>	55,614	53,745	59,699	51,183	56,379	54,425
Life sciences	381,024	389,961	455,822	366,253	380,161	355,321
<i>Enterprise</i>	189,538	198,226	202,102	198,283	206,183	187,251
<i>Public</i>	95,980	89,510	92,551	103,324	103,902	99,379
<i>Finance</i>	77,114	72,317	72,396	65,366	62,311	56,551
Private & Public	362,632	360,053	367,048	366,973	372,396	343,181
<b>Total revenue</b>	<b>743,656</b>	<b>750,014</b>	<b>822,870</b>	<b>733,226</b>	<b>752,557</b>	<b>698,502</b>
<b>Gross profit by business unit</b>						
Life sciences	72,658	86,167	122,347	85,801	102,456	98,342
Private & Public	27,285	18,377	42,964	35,713	32,575	21,015
<b>Total Gross profit</b>	<b>99,943</b>	<b>104,544</b>	<b>165,311</b>	<b>121,514</b>	<b>135,031</b>	<b>119,357</b>
<b>Operating profit by business unit</b>						
Life sciences	41,073	52,553	89,639	55,325	68,940	66,165
Private & Public	3,040	-7,042	16,530	10,684	5,590	-5,464
<b>Total operating profit</b>	<b>44,113</b>	<b>45,511</b>	<b>106,169</b>	<b>66,009</b>	<b>74,530</b>	<b>60,701</b>

The Danish operations generated 82.7% of NNIT's revenue in 6M 2019 and 88.0% in 6M 2018 based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, we will not disclose a geographical revenue split.

### **Note 3**

#### *Acquisition of subsidiaries*

On April 24, 2019, NNIT acquired full ownership and control of Halfmann Goetsch Partner AG (HGP), a Swiss based consultancy business within the life sciences industry. The acquisition provides NNIT with a stronger presence in European life sciences hubs Frankfurt and Basel, and strengthens NNIT's position as an international leading IT transformation partner for life sciences companies.

HGP started out in Basel in 2008 as a business consultancy dedicated to IT compliance services to the pharmaceutical industry, and clients include companies such as Merck, Novartis and Hoffmann La-Roche. With more than 10 years in business, the company employs 70 experts with extensive experience delivering highly specialized offerings such as Information Risk Management, Computer System Validation (CSV), Manufacturing Execution Systems (MES) Implementation, Data Privacy (GDPR), Data Integrity, Good Manufacturing Practices, Track & Trace and Audit Readiness.

The purchase price was DKK 67.6m in up-front cash payment and an earn out in an amount up to DKK 20.5m. Payments under the earn out clause is based on achievement of specific targets for the combined business over the next three-year period. The payment under the earn out clause is expected to amount to DKK 22.4 corresponding to a present value of DKK 20.5m equaling a total consideration of DKK 88.1m.

Management has not yet completed the purchase price allocation, and assets and liabilities have therefore been included in the financial reporting for Q2 2019 on a preliminary basis.

Majority of the purchase price is currently allocated to goodwill, DKK 84.7 million. Goodwill can be attributed to assembled workforce and expected synergies. Goodwill is not deductible for tax purposes.

Remaining part of the preliminary purchase price allocation is dedicated to intangible assets consisting of committed orders with customers and pipeline. Both measured at fair value. The pipeline has been assessed by evaluating the stages of the order pipeline in combination with average expected EBIT margin excluding selling costs.

#### **Earnings impact**

Revenue and EBIT comprise DKK 12.5m and DKK 1.4m, respectively, reported by HGP since the date of acquisition April 24th. On a pro forma basis, if the acquisition had been effective from January 1, 2019 HGP would have contributed DKK 27.8m to revenue and DKK 3.2m to EBIT.

**Note 4**
*Related party transactions*

DKK'000	June 30, 2019	June 30, 2018	Dec 31, 2018
<b>Assets</b>			
Receivables from related parties	72,194	146,276	163,882
Work in progress related parties	37,339	61,885	90,547
<b>Liabilities</b>			
Liabilities to related parties	14,553	13,322	3,364
Prepayments from related parties	13,806	37,668	24,315

**Note 5**
*Contingent liabilities and legal proceedings*
**Contingent liabilities**

None

**Legal proceedings**

None

**Note 6**
*Currency hedging*

NNIT's objective is at any time to limit the company's financial risks.

NNIT is exposed to exchange rate risks in the countries where NNIT has its main activities. The majority of NNIT's sales are in DKK and EUR, implying limited foreign exchange risk, due to the parent company's functional currency being DKK and Denmark's fixed-rate policy towards EUR. NNIT's foreign exchange risk therefore primarily stems from transactions carried out in the currencies of other countries in which NNIT mainly operates: primarily the Chinese yuan, and, to a lesser extent, the Czech koruna, the Philippine peso, the Swiss franc and the British pound.

At present NNIT's sales in Chinese yuan, Czech koruna, and Swiss franc are not sufficiently to balance these currency risks. To manage foreign exchange rate risks, NNIT has entered into hedging contracts to hedge major foreign currency balances in Chinese yuan, Czech koruna and the Philippine peso. Due to the size of the exposure Swiss franc is not hedged.

Cumulative profit on derivative financial instruments regarding future cash flow per June 30, 2019 is recognized in Equity (Other comprehensive income) with an amount of DKK 0.9m before tax (DKK 0.6m after tax).

## Note 7

### Currency sensitivities

	Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK*	Hedging period (months)
EUR	DKK 29 million	-
CNY	DKK -20 million	14
CZK	DKK -12 million	14
PHP	DKK -8 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. For further details on hedging, please see note 6 above.

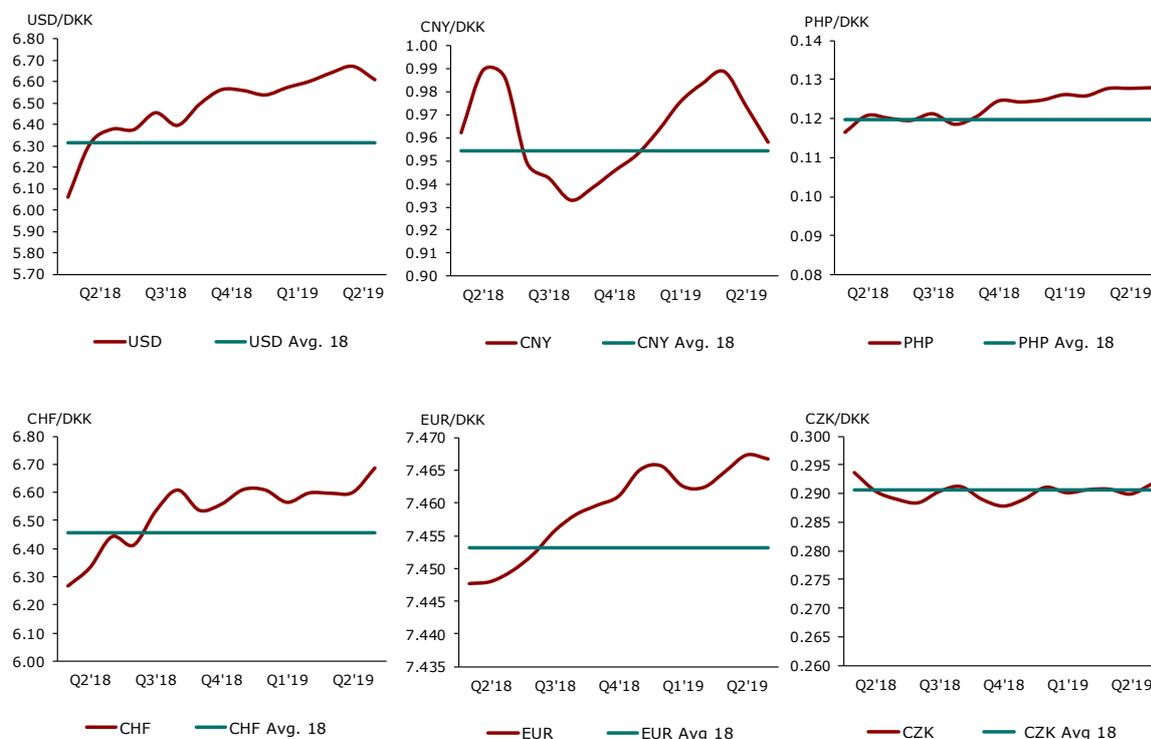
\* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume the business develops consistent with the current 2019 business plan.

### Key currency assumptions

DKK per 100	2017 average exchange rates	2018 average exchange rates	YTD 2019 average exchange rates at August 7, 2019	Current exchange rates at August 7, 2019
CNY	97.57	95.43	97.27	94.65
EUR	743.86	745.32	746.51	746.31
CZK	28.27	29.06	29.09	29.03
PHP	13.08	11.98	12.72	12.74
CHF	669.63	645.74	663.56	682.99
USD	659.53	631.74	661.67	666.46

### Currency development

NNIT has a net cost exposure in the Chinese yuan, the Czech koruna, the Philippine peso and the Swiss franc. Therefore a depreciation of these currencies versus Danish kroner has a positive impact on reported operating profit, whereas an increase will have the reverse effect.



NNIT has hedged 90% of its net exposure in Chinese yuan (CNY hedged with CNH (CNY offshore)) and Czech koruna (CZK) for the coming 14 months.

**Note 8**
*Performance in constant and reported currencies*
**Performance overview**

DKK million (reported currencies)	Q2 2019	Q2 2019 (constant*)	Q2 2018	Change (reported)	Change (constant)
<b>Revenue</b>	743.7	740.4	752.6	-1.2%	-1.6%
Cost of goods sold	643.7	640.2	617.5	4.2%	3.7%
<b>Gross profit</b>	<b>99.9</b>	<b>100.2</b>	<b>135.0</b>	<b>-26.0%</b>	<b>-25.8%</b>
<i>Gross profit margin</i>	13.4%	13.5%	17.9%	-4.5pp	-4.4pp
Sales and marketing costs	31.4	31.4	34.7	-9.3%	-9.5%
Administrative expenses	24.4	24.4	25.8	-5.6%	-5.6%
<b>Operating profit</b>	<b>44.1</b>	<b>44.5</b>	<b>74.5</b>	<b>-40.8%</b>	<b>-40.3%</b>
<i>Operating profit margin</i>	5.9%	6.0%	9.9%	-4pp	-3.9pp
Net financials	-0.8	n.a.	-1.4	-45.8%	n.a.
<b>Profit before tax</b>	<b>43.3</b>	<b>n.a.</b>	<b>73.1</b>	<b>-40.7%</b>	<b>n.a.</b>
Tax	9.0	n.a.	16.5	-45.6%	n.a.
<i>Effective tax rate</i>	20.7%	n.a.	22.6%	-1.9pp	n.a.
<b>Net profit</b>	<b>34.4</b>	<b>n.a.</b>	<b>56.6</b>	<b>-39.3%</b>	<b>n.a.</b>

DKK million (reported currencies)	6M 2019	6M 2019 (constant*)	6M 2018	Change (reported)	Change (constant)
<b>Revenue</b>	1,493.7	1,484.2	1,451.1	2.9%	2.3%
Cost of goods sold	1,289.2	1,278.2	1,196.7	7.7%	6.8%
<b>Gross profit</b>	<b>204.5</b>	<b>206.0</b>	<b>254.4</b>	<b>-19.6%</b>	<b>-19.0%</b>
<i>Gross profit margin</i>	13.7%	13.9%	17.5%	-3.8pp	-3.7pp
Sales and marketing costs	63.5	63.3	66.7	-4.7%	-5.1%
Administrative expenses	51.4	51.2	52.5	-2.2%	-2.6%
<b>Operating profit</b>	<b>89.6</b>	<b>91.6</b>	<b>135.2</b>	<b>-33.7%</b>	<b>-32.3%</b>
<i>Operating profit margin</i>	6.0%	6.2%	9.3%	-3.3pp	-3.1pp
Net financials	5.0	n.a.	-3.5	246.2%	n.a.
<b>Profit before tax</b>	<b>94.7</b>	<b>n.a.</b>	<b>131.8</b>	<b>-28.2%</b>	<b>n.a.</b>
Tax	20.1	n.a.	29.4	-31.6%	n.a.
<i>Effective tax rate</i>	21.2%	n.a.	22.3%	-1.1pp	n.a.
<b>Net profit</b>	<b>74.6</b>	<b>n.a.</b>	<b>102.4</b>	<b>-27.2%</b>	<b>n.a.</b>

\*Constant currencies measured using average exchange rates for 6M 2018.

## Revenue distribution

DKKm (reported currencies)	Q2 2019	Q2 2019 (constant*)	Q2 2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	235.3	235.3	278.4	-15.5%	-15.5%
Life sciences international	90.1	87.1	45.3	98.7%	92.0%
Life sciences Denmark	55.6	55.6	56.4	-1.4%	-1.4%
<b>Life sciences</b>	<b>381.0</b>	<b>378.0</b>	<b>380.2</b>	<b>0.2%</b>	<b>-0.6%</b>
Enterprise	189.5	189.4	206.2	-8.1%	-8.2%
Public	96.0	95.9	103.9	-7.6%	-7.7%
Finance	77.1	77.1	62.3	23.8%	23.8%
Private & Public	362.6	362.4	372.4	-2.6%	-2.7%
<b>Total</b>	<b>743.7</b>	<b>740.4</b>	<b>752.6</b>	<b>-1.2%</b>	<b>-1.6%</b>

DKKm (reported currencies)	6M 2019	6M 2019 (constant*)	6M 2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	494.1	491.8	534.5	-7.6%	-8.0%
Life sciences international	167.5	160.8	90.2	85.8%	78.4%
Life sciences Denmark	109.4	109.4	110.8	-1.3%	-1.3%
<b>Life sciences</b>	<b>771.0</b>	<b>762.0</b>	<b>735.5</b>	<b>4.8%</b>	<b>3.6%</b>
Enterprise	387.8	387.4	393.4	-1.4%	-1.5%
Public	185.5	185.4	203.3	-8.8%	-8.8%
Finance	149.4	149.4	118.9	25.7%	25.7%
Private & Public	722.7	722.3	715.6	1.0%	0.9%
<b>Total</b>	<b>1,493.7</b>	<b>1,484.2</b>	<b>1,451.1</b>	<b>2.9%</b>	<b>2.3%</b>

\*Constant currencies measured using average exchange rates for 6M 2018.