

Trading Statement for the first three months of 2023

NNIT completed the carve-out and divestment of its infrastructure business – the single most transformative event in company history – on April 28. The Group delivered solid business performance, generating revenue growth of 16% (11% organic) to DKK 413 million in Q1 2023 and improved the operating profit margin significantly to 4.9% on the back of higher revenue and utilization. NNIT maintains the financial outlook for growth and operating profit before special items for 2023.

Pär Fors, CEO of NNIT, comments: *"We are pleased to report solid business performance and stronger financials in the first quarter of 2023 as Life Sciences Solutions and Cloud and Digital Solutions lifted the activity level and improved utilization. We won several new contracts and renewals and remain on track to deliver our 2023 guidance. Equally important, we are thrilled that the divestment of our infrastructure business was completed on April 28, 2023, paving the road for the development of NNIT as a highly specialized IT services provider with two strongly positioned business units".*

Highlights Q1 2023

Financial highlights

- Revenue increased YoY by 16% (11% organic) to DKK 413 million in Q1 2023, driven by strong contributions from both business units with particularly solid growth in the two areas Production IT and Custom Application Development.
- The operating result before special items increased to DKK 20 million from DKK -16 million positively impacted by growth and improved utilization. The operating profit margin increased to 4.9% compared to -4.5% in Q1 2022.
- Special items amounted to DKK 14 million, mainly attributable to earn out payments related to acquisitions following a decision by the Danish Business Authority.

Business highlights

- NNIT successfully completed the divestment of the Group's infrastructure business on April 28, 2023, at a purchase price of DKK 1,350 million (Enterprise Value on a debt free basis) after EBIDTA adjustments. In line with expectations, the estimated cash impact of the transaction, adjusted for net debt and working capital, carve-out and separation costs as well as estimated tax, amounts to DKK 1,288 million including a vendor note of DKK 200 million, which will be repaid no later than six years after closing.
- Significant new contracts and renewals secured across Life Sciences Solutions and Cloud & Digital Solutions, including two public contracts and several long-term engagements with international life science customers impacting 2023-2025.

Outlook

- NNIT maintains the outlook for growth and operating profit before special items for 2023 with revenue growth of around 10% and operating profit margin before special items expected to increase to around 5% through higher revenue and improved utilization.
- NNIT still expects costs of up to DKK 180 million in 2023 relating to carve-out and separation activities as well as earn out payments connected to acquisitions (following a decision by the Business Authority) and restructuring costs to right-size the organization after completion of the strategic divestment of the infrastructure operations. Following closing, NNIT expects to book up to DKK 70 million of these costs as special items with the remaining amount being re-classified as part of discontinued activities.

Conference call

On May 4, 2023 at 15:00 CEST, NNIT hosts a teleconference, which can be accessed [here](#) or at www.nnit.com under 'Investors – Events & Presentations'.

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Selected key financial figures

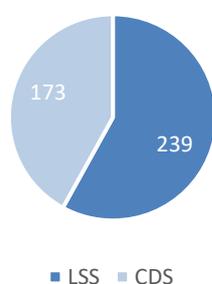
DKK million	Q1 2023	Q1 2022	Total 2022
Financial performance			
Revenue			
Life Sciences Solutions (LSS)	239	210	910
Cloud & Digital Solutions (CDS)	173	146	590
Total revenue	413	356	1,500
EBITDA before special items	33	12	57
Depreciation, amortisation and impairment	13	29	64
Operating profit (EBIT) before special items	20	-16	-7
Special items, costs	14	47	278
Operating profit (EBIT)	6	-63	-285
Financial ratios			
Revenue growth	16%	-4.1%	9.6%
Gross profit margin	15.5%	6.1%	10.1%
EBITDA margin before special items	8.1%	3.5%	3.8%
Operating profit margin before special items	4.9%	-4.5%	-0.5%
Operating profit margin	1.4%	-17.7%	-19.0%

Business performance

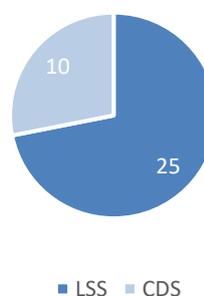
In Q1 2023, NNIT continued to execute the strategic initiatives to prepare the organization for completion of the divestment of the infrastructure operations and position the Group for future growth through the two business units Life Sciences Solutions (LSS) and Cloud & Digital Solutions (CDS).

Business performance improvements drove a 16% increase in revenue primarily from a very positive trajectory in Production IT and Custom Application Development. The higher activity level entailed improved utilization and earnings driving a significant increase in the operating profit margin before special items to 4.9% in Q1 2023 compared to -4.5% in Q1 2022, which was marked by low activity.

BU revenue, DKKm



BU operating profit¹, DKKm



1. Excluding stranded costs of DKK 14 million.

Significant new contracts and renewals were secured across the two business units impacting 2023-2025, including two public contracts both representing double-digit DKK million amounts. Furthermore, extensions and expansions of several long-term customer engagements with international life science customers were secured. In total, these contracts represent a value of a high-end double-digit DKK million amount. In addition, efforts to accelerate sales to a broader range of new international life sciences customers within NNIT's key focus areas of R&D and Manufacturing (Production IT), resulted in a total contract value representing a mid-range double-digit DKK million amount.

NNIT successfully completed the divestment of the Group's infrastructure business on April 28, 2023, at a purchase price of DKK 1,350 million (Enterprise Value on a debt free basis) after EBIDTA adjustments. In line with expectations, the estimated cash impact of the transaction, adjusted for net debt and working capital, carve-out and separation costs as well as estimated tax, amounts to DKK 1,288 million including a vendor note of DKK 200 million, which will be repaid no later than six years after closing. NNIT has after the closing date repaid the Revolving Credit Facility, and secured refinancing for an interim period, until new long-term facilities can be negotiated.

Life Sciences Solutions

LSS	Q1	Q4	Q3	Q2	Q1
Revenue	239	235	240	225	210
Production cost	-185	-190	-183	-191	-181
Gross profit	55	44	58	34	29
<i>Gross profit Margin</i>	<i>22.8%</i>	<i>18.9%</i>	<i>24.1%</i>	<i>15.2%</i>	<i>13.7%</i>
Sales and marketing costs	-13	-17	-14	-16	-15
Administrative expenses	-17	-17	-16	-17	-17
Operating profit before special items	25	11	28	1	-3
<i>Operating profit margin bf. special items</i>	<i>10.3%</i>	<i>4.5%</i>	<i>11.6%</i>	<i>0.5%</i>	<i>-1.5%</i>

The Life Sciences Solutions business unit develops and delivers best-in-class digital solutions across the life sciences value chain, and hence we actively empower those in the life sciences industry who work to improve the lives of many.

In Q1 2023, business unit revenue grew by 14% to DKK 239 million compared to Q1 2022. Organic growth constituted 7%, supplemented by a positive effect from the acquisition of prime4services in March 2022 as well as positive impact from currencies.

The business unit's gross profit increased by 86% to DKK 55 million in Q1 2023 as capacity utilization was higher than in the comparison period, which was negatively impacted by discontinued engagements. Production costs increased to DKK 185 million from DKK 181 million in Q1 2022 due to higher sales volume. The current trajectory on performance and utilization remains positive through a combination of continuous solid sales and balanced capacity, driving strong progress in the operating profit before special items to DKK 25 million and an operating profit margin before special items of 10.3%.

During the first quarter, the Life Sciences Solutions business secured extensions and expansions of several long-term engagements with international life science customers. In total, these contracts represent a value of a high-end double-digit DKK million amount.

In addition, the business unit continued to accelerate sales to a broader range of new international life sciences customers within our key focus areas of R&D (Regulatory Affairs and Clinical) and Manufacturing (Production IT), resulting in a total contract value representing a mid-range double-digit DKK million amount (primarily impacting 2023).

Cloud & Digital Solutions

CDS	2023		2022		
	Q1	Q4	Q3	Q2	Q1
Revenue	173	161	140	143	146
Production cost	-150	-130	-136	-137	-134
Gross profit	23	31	4	6	12
<i>Gross profit Margin</i>	13.5%	19.1%	2.6%	4.5%	8.4%
Sales and marketing costs	-4	-4	-5	-5	-5
Administrative expenses	-9	-7	-6	-7	-7
Operating profit before special items	10	21	-8	-6	0
<i>Operating profit margin bf. special items</i>	5.6%	12.8%	-5.4%	-3.9%	0.2%

The Cloud & Digital Solutions business unit focuses on the Danish market serving public customers, enabling customers to leverage business-critical applications in the cloud and taking full advantage of the growing Microsoft ecosystem.

The business unit delivered a very positive performance in Q1 2023 with revenue increasing 19% to DKK 173 million (16% organic growth). The quarter was positively impacted by activities within Custom Application Development driven by several major wins within the public sector in previous periods. Following this, the business unit's gross profit increased from DKK 12 million to DKK 23 million, with the operating profit increasing to DKK 10 million, corresponding to an operating profit margin before special items of 5.6%.

The business unit secured significant new contracts and renewals, including two public contracts both representing double-digit DKK million amounts (impacting 2023-2025).

Group financial review

P&L

Total revenue increased 16% to DKK 413 million compared to Q1 2022.

NNIT Group	2023		2022		
	Q1	Q4	Q3	Q2	Q1
Revenue	413	396	380	368	356
Production Cost	-349	-330	-338	-346	-334
Gross Profit	64	66	42	21	22
<i>Gross Profit Margin</i>	<i>15.5%</i>	<i>16.7%</i>	<i>11.1%</i>	<i>5.8%</i>	<i>6.1%</i>
Sales and marketing costs	-23	-21	-19	-21	-20
Administrative expenses	-21	-21	-21	-18	-18
Operating profit before special items	20	24	3	-18	-16
<i>Operating Profit bf. special items margin</i>	<i>4.9%</i>	<i>6.1%</i>	<i>0.8%</i>	<i>-4.8%</i>	<i>-4.5%</i>

Total production costs increased to DKK 349 million, up 4% compared with Q1 2022, leading to a gross profit margin of 15.5%, up 9.3pp from Q1 2022.

Sales and marketing costs and administrative expenses were slightly up compared to Q1 2022 to DKK 44 million. Q1 2023 includes stranded costs of DKK 14 million mainly related to building rental costs and back-office functions following the divestment of the Group's infrastructure business. We have a structured plan to address the cost elements during 2023.

Operating profit before special items increased significantly to DKK 20 million. This corresponds to an operating profit margin before special items of 4.9% compared to -4.5% in Q1 2022.

Outlook

NNIT maintains the outlook for 2023 and expects to generate revenue growth in its continuing activities of around 10% in 2023, not least from a solid trajectory in Custom Application Development services in CDS and Production IT services in LSS.

Profitability is still seen to be impacted by a higher cost base in the first half of the year until the separation of the infrastructure operations and transition of all support and back-office assignments have been completed. The operating profit margin before special items is still expected to increase to around 5% for the full year, because of higher revenue and improvements in utilization as seen in Q1 2023.

NNIT still expects costs of up to DKK 180 million in 2023 relating to carve-out and separation activities as well as earn out payments connected to acquisitions (following a decision by the Danish Business Authority concerning accounting treatment, which has been appealed by NNIT) and restructuring costs to right-size the organization after completion of the strategic divestment of the infrastructure operations. Following closing, NNIT expects to book up to DKK 70 million of these costs as special items with the remaining amount being re-classified as part of discontinued activities.

Guidance	2023 outlook	2022
Revenue growth	Around 10%	9.6*%
Operating profit margin bf. special items	Around 5%	-0.5%
Special items	Up to DKK 70 million	DKK 278 million

* Organic growth of -1%.

The 2023 outlook is based on several important assumptions, including that the highly volatile macroeconomic environment does not deteriorate further.

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 27-28 of the Annual Report 2022.