

NNIT

Full year 2017

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The NNIT Presenting Team



Per Ove Kogut

Chief Executive Officer



**Carsten Krogsgaard
Thomsen**

Chief Financial Officer



Jesper Wagener

Head of Investor Relations

Agenda

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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.



Q4 2017 at a glance

Revenue

DKK 812m

+5.6%

0.9% organic*

+5.2% acquisition
-0.5% F/X

Operating profit

DKK 113m

+16.9%

+6.7% organic*

+5.4% acquisition
+4.8% F/X

Operating profit margin

13.9%

+1.3pp

+0.7pp organic*

+0.0pp acquisition
+0.6pp F/X

Net profit

DKK 86m

+19.6%

Order backlog addition

DKK 142m

+37.7%

Free cash flow

DKK -12m

DKK -82m

*Organic is growth net of acquisitions and F/X using Q4 2016 average exchange rates

2017 at a glance

Revenue

DKK 2,892m

+4.6%

+1.8% organic*
-0.9pp due to settlement

+3.0% acquisition
-0.2% F/X

Operating profit

DKK 277m

-5.5%

-11.9% organic*
-8.9pp due to settlement

+3.1% acquisition
+3.3% F/X

Operating profit margin

9.6%

-1.0pp

-1.4pp organic*
-0.8pp due to settlement

+0.0pp acquisition
+0.4pp F/X

Net profit

DKK 216m

+0.4%

Order backlog for 2018

DKK 2,213m

+4.0%

Free cash flow

DKK -90m

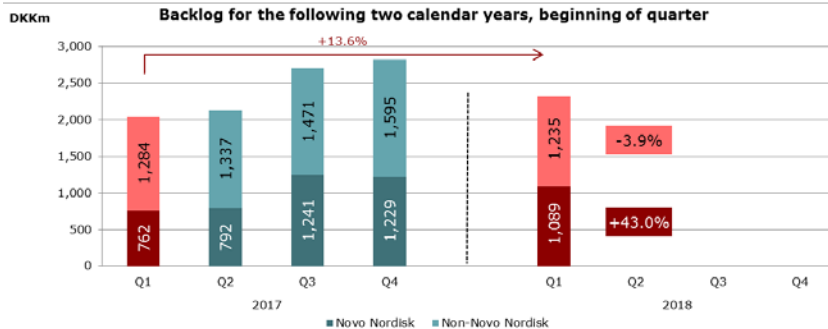
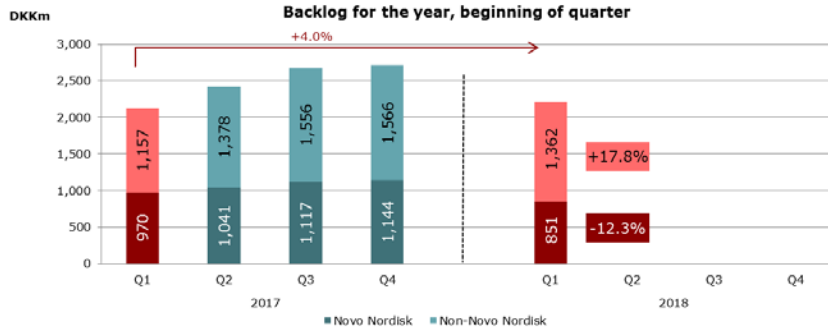
DKK -279m

*Organic is growth net of acquisitions and F/X using 2016 average exchange rates

Major wins

	Contract	Segment	Client	Amount (DKK million)	Length (years)
Q4 2017	Extension of infrastructure outsourcing contract (Press release January 5, 2018)	Enterprise	Arla Foods	Mid-size triple-digit	5
	Extension of regional infrastructure outsourcing contracts with International Operations, Europe and China	Novo Nordisk	Novo Nordisk	Minor triple-digit	5
	New development, support and maintenance contract	Public	Existing customer	Mid-size double-digit	5
	Various projects	Novo Nordisk	Novo Nordisk	Mid-size double-digit	2
	Expansion of data center capacity contract	Finance	Existing customer	Mid-size double-digit	9
	New project covering transformation of Regulatory Information Management	Life Sciences	Existing customer	Minor double-digit	3

Backlog development



Backlog for 2018 is DKK 2,213m, which is an increase of 4.0% compared to same time in 2017.

- The backlog at the beginning of both 2017 and 2018 has been restated according to IFRS 15 which takes effect as from January 1, 2018. For 2017 this means a restated backlog of DKK 2,127m compared to DKK2,093m reported
- The Novo Nordisk backlog declined with 12.3%, partly due to a large transition project in 2018 which will be recognized throughout the contract period due to the new IFRS 2015 principle
- 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 2017.

The backlog for 2018 and 2019 increased 13.6% y-o-y to DKK 2,324m.

- The increase in order entry backlog is due to extension of the global infrastructure agreement with Novo Nordisk and the five year contract extension with Arla
- Several large outsourcing contracts expire in 2018 and 2019 and are not yet renegotiated or retendered
- All renewals or replacements of these contracts will increase the backlog

Data center completed – on time and budget



Data center facts

- Investments in 2017: DKK 181 million
- Tier III certified
- State-of-the-art data center
- Completed on time and on budget

Data center overview

NNIT now owns and operates two tier III data centers and has external capacity in a third data center in the Copenhagen area

- Also operates data centers outside of Denmark for clients

Unique position in the Danish IT market

Financial statement Q4 2017

DKK million	Q4 2017	Q4 2017	Change	SCALES impact
Revenue	812.2	768.9	5.6%	5.2pp
Cost of goods sold	631.5	606.4	4.1%	5.8pp
Gross profit	180.7	162.5	11.2%	3.2pp
<i>Gross profit margin</i>	<i>22.3%</i>	<i>21.1%</i>	<i>1.1pp</i>	<i>-0.5pp</i>
Sales and marketing costs	35.9	36.7	-2.1%	0pp
Administrative expenses	31.6	29.0	9.0%	0pp
Operating profit	113.2	96.8	16.9%	5.4pp
<i>Operating profit margin</i>	<i>13.9%</i>	<i>12.6%</i>	<i>1.3pp</i>	<i>0pp</i>
Net financials	-1.7	-2.1	-18.4%	n.a.
Profit before tax	111.5	94.7	17.7%	5.9pp
Tax	25.1	22.5	11.7%	6.2pp
<i>Effective tax rate</i>	<i>22.5%</i>	<i>23.7%</i>	<i>-1.2pp</i>	<i>0.1pp</i>
Net profit	86.4	72.2	19.6%	5.8pp

Revenue growth of 5.6% which was positively impacted from SCALES of 5.2pp giving an underlying organic growth of 0.4% excluding F/X impact.

Cost of goods sold only increased by 4.1% resulting in a gross profit of 22.3% which was 1.1pp higher than Q4 2016.

Sales and marketing costs decreased by 2.1% mainly due to timing.

Administrative expenses increased by 9.0% mainly due to severance payments in connection with layoffs in staff functions that will have a positive effect in 2018 and onwards.

Effective tax rate declined 1.2pp primarily due non-taxable income regarding unrealized gain from Novo Nordisk shares.

Financial statement 2017

DKK million	2017	2016	Change	Settlement impact	SCALES impact
Revenue	2,891.9	2,764.6	4.6%	-0.9pp	3.0pp
Cost of goods sold	2,362.5	2,223.0	6.3%	0pp	3.3pp
Gross profit	529.4	541.6	-2.3%	-4.8pp	1.7pp
<i>Gross profit margin</i>	<i>18.3%</i>	<i>19.6%</i>	<i>-1.3pp</i>	<i>-0.7pp</i>	<i>-0.2pp</i>
Sales and marketing costs	135.6	134.8	0.6%	0pp	0pp
Administrative expenses	117.0	113.9	2.7%	0pp	0pp
Operating profit	276.8	292.9	-5.5%	-8.9pp	3.1pp
<i>Operating profit margin</i>	<i>9.6%</i>	<i>10.6%</i>	<i>-1.0pp</i>	<i>-0.8pp</i>	<i>0pp</i>
Net financials	-0.9	-12.6	-92.6%	n.a.	n.a.
Profit before tax	275.9	280.3	-1.6%	-9.3pp	3.4pp
Tax	59.4	64.6	-8.0%	-8.9pp	4pp
<i>Effective tax rate</i>	<i>21.5%</i>	<i>23.0%</i>	<i>-1.5pp</i>	<i>-0.5pp</i>	<i>0.2pp</i>
Net profit	216.5	215.7	0.4%	-9.4pp	3.2pp

Revenue growth of 4.6% negatively impacted 0.9pp by the settlement. The final impact of the settlement was DKK 26m.

Positive impact from SCALES of 3.0pp giving an underlying organic growth of 2.7% excl. settlement and M&A.

Cost of goods sold increased by 6.3% and exceeds revenue growth due to the settlement impact on revenue growth of -0.9%, lower activity level for higher margin projects from the NN Group and price reductions in certain outsourcing contracts.

Sales and marketing costs increased by 0.6% mainly due to sales force strengthening, especially within int. life sciences.

Administrative expenses increased by 2.7% mainly due to general salary increases and severance payments in connection with layoffs in staff functions that will have a positive effect in 2018 and onwards.

Effective tax rate declined 1.5pp primarily due to non-taxable incomes regarding unrealized gain from Novo Nordisk shares and energy savings.

Segment development

DKKm	Q4 2017	Q4 2016	Change	2017	2016	Change
Life Sciences	446.9	431.2	3.6%	1,612.3	1,597.0	1.0%
<i>Hereof Novo Nordisk Group</i>	351.6	328.7	7.0%	1,233.8	1,238.4	-0.4%
<i>Hereof other Life Sciences</i>	95.3	102.5	-7.1%	378.5	358.6	5.6%
Enterprise	193.0	170.5	13.2%	689.2	545.6	26.3%
Public	114.6	103.5	10.7%	345.9	385.3	-10.2%
Finance	57.8	63.8	-9.4%	244.5	236.7	3.3%
Total	812.2	768.9	5.6%	2,891.9	2,764.6	4.6%

Novo Nordisk revenue decreased by 0.4% (Q4: increased 7.0%) mainly related to lower project activity within IT Solution Services. The increase in Q4 was due to a large transitional project and other projects within IT Operation Services.

Life sciences revenue outside Novo Nordisk grew by 5.6% (Q4: -7.1%) driven by int. LS customers which grew with more than 20%. The decline in Q4 was due to finalization of several large projects in Denmark while revenue from int. life sciences increased by a strong double digit growth.

Enterprise revenue grew by 26.3% (Q4: 13.2%) driven by increased revenue from new customers such as PANDORA and Widex as well as from SCALES.

Public revenue decreased by 10.2% (Q4: increased 10.7%). The decline was mainly due to a settlement within IT Solutions Services in Q3 and another settlement with a customer within IT Operation Services in Q1 2017. The increase in Q4 was mainly due to the final computation of the accounting impact of the settlement within IT Solutions Services.

Finance revenue increased 3.3% (Q4: -9.4%) primarily driven by contract wins with new customers such as E-nettet and Danske Bank and was partly offset by the customer contract within IT Operation Services that was not extended. The decline in Q4 was due to the customer contract within IT Operation Services that was not extended.

IT Operations

DKKm	Q4 2017	Q4 2016	Change	2017	2016	Change
Revenue						
Novo Nordisk Group	251.8	225.9	11.5%	862.1	841.4	2.5%
Non-Novo Nordisk Group	255.1	289.7	-12.0%	998.4	982.3	1.6%
Total	506.9	515.6	-1.7%	1,860.6	1,823.7	2.0%
Costs	432.6	447.9	-3.4%	1,642.5	1,616.9	1.6%
Operating profit	74.3	67.7	9.7%	218.1	206.8	5.5%
<i>Operating profit margin</i>	<i>14.7%</i>	<i>13.1%</i>	<i>1.5pp</i>	<i>11.7%</i>	<i>11.3%</i>	<i>0.4pp</i>

Revenue growth of 2.0% (Q4: -1.7%):

- Driven by new large customers such as PANDORA, Danske Bank and the life sciences customer group, partly countered by the finance customer group. The Q4 decline was impacted by large HW sale in Q4 2016 resulting in a high comparison figure
- The increase from Novo Nordisk relates to a large transitional project and increased project activity level in Q4 2017 partly countered by price reductions in the main outsourcing agreement

Operating profit margin increased 0.4pp to 11.7% in full year 2017 (Q4: increased 1.5pp to 14.7%):

- The increase was driven by the operational excellence program while partly offset by a settlement with a customer in the public customer group
- The strong increase in Q4 was due to the operational excellence program being fully implemented, and a large transitional project and high project activity from the Novo Nordisk Group

IT Solutions

DKKm	Q4 2017	Q4 2016	Change	Settle- ment	Scales	2017	2016	Change	Settle- ment	Scales
Revenue										
Novo Nordisk Group	99.8	102.7	-2.8%	Opp	<i>n.a.</i>	371.6	397.0	-6.4%	<i>n.a.</i>	<i>n.a.</i>
Non-Novo Nordisk Group	205.6	150.5	36.6%	4.6pp	26.7pp	659.7	543.9	21.3%	-4.8pp	15.3pp
Total	305.4	253.2	20.6%	2.7pp	15.9pp	1,031.3	940.9	9.6%	-3.4pp	8.8pp
Costs	266.3	224.1	18.8%	Opp	15.6pp	972.6	854.8	13.8%	Opp	8.7pp
Operating profit	39.0	29.1	34.0%	23.8pp	18.1pp	58.7	86.1	-31.8%	-30.3pp	10.7pp
<i>Operating profit margin</i>	<i>12.8%</i>	<i>11.5%</i>	<i>1.3pp</i>	<i>2.3pp</i>	<i>0.1pp</i>	<i>5.7%</i>	<i>9.1%</i>	<i>-3.5pp</i>	<i>-2.5pp</i>	<i>0.5pp</i>

Revenue increased 9.6% (Q4: 20.6%) driven by customers outside the Novo Nordisk Group. Q4 was positively impacted by the final computation of the accounting impact of the settlement

Revenue from Novo Nordisk decreased 6.4% (Q4: -2.8%) due to decline in project activities

Customers outside the Novo Nordisk Group increased 21.3% (Q4: 36.6%). Strong performance in Q4 was due SCALES and the final computation of the accounting impact of the settlement from Q3 which showed that the negative impact was only DKK 26m and not DKK 33m as calculated in Q3.

Operating profit margin decreased 3.5pp to 5.7% (Q4: increased 1.3pp 12.8%) impacted by the one-off revenue reversal in Q3 2017, reduction in high margin project activity from the Novo Nordisk Group and price and scope reductions on certain outsourcing contracts

Currency development and hedging



Major currencies except USD and CHF have all been appreciating lately versus the DKK.

We see currency tailwind from the CNY and PHP compared to 2016, while we have currency headwind from CZK compared to 2016.

In 2017 our operating profit margin headwind was 0.2pp compared to 2016 exchange rates primarily due to the CZK.

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

EUR	DKK 35 million	-
CNY	DKK -19 million	14
CZK	DKK -11 million	14
PHP	DKK -6 million	-
CHF	DKK -1 million	-
USD	DKK -4 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	2017	2016	Change
Net gains on Novo Nordisk shares*	-0.3	-5.4	5.2
Dividends received from Novo Nordisk shares	0.3	0.7	-0.4
Total Novo Nordisk share related items	0.1	-4.7	4.7
Currency hedge gains	2.8	-3.4	6.2
Currency losses	-0.2	-1.1	0.9
Total currency related items	2.6	-4.5	7.1
Interests and bank charges**	-3.6	-3.4	-0.2
Total interests and bank charges	-3.6	-3.4	-0.2
Net financials	-0.9	-12.6	11.6

* 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

Total Currency hedges DKKm	2017	2016	Change
Currency hedge gains in P&L	2.8	-3.4	6.2
Currency hedge gains on Equity	-3.5	1.3	-4.8
Total currency hedge gains	-0.7	-2.1	1.4

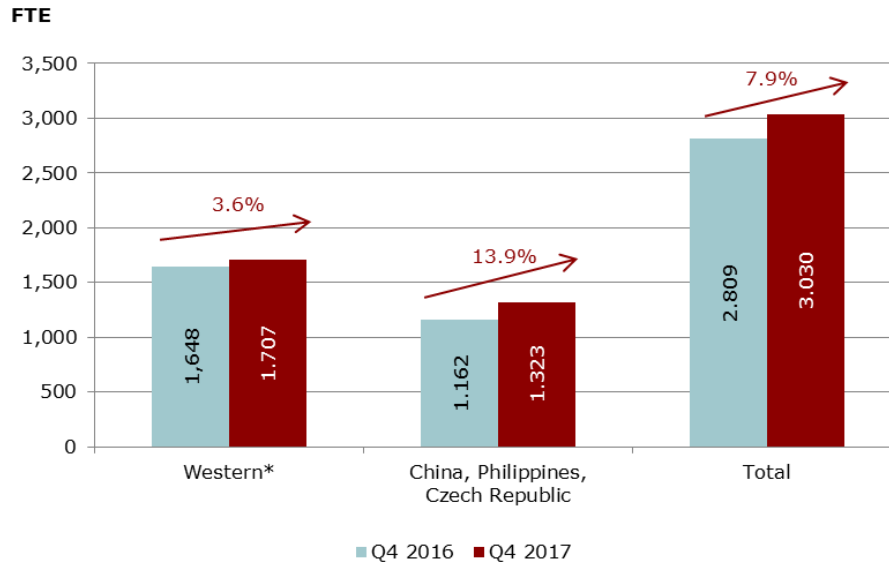
Net Financial impact from Novo Nordisk share price DKKm	Market value	Obligation	Net
Full year 2017 (if the share price increase by 10%)	1.4	1.4	0.0
Full year 2017 (if the share price decrease by 10%)	-1.4	-1.4	0.0

Net financials for 2017 were DKK -0.9m, which was DKK 11.6m better than 2016.

This was due to:

- Improvement in result from Novo Nordisk shares held for management long-term incentive program from before 2015 (DKK -0.3m) compared to 2016 (DKK -5.4m)
- Gains on currency hedges (DKK 2.8m) compared to 2016 (DKK -3.4m) due to a general depreciations in exposed currencies

Employee development



*Western countries: Denmark, Germany, Norway, Switzerland, United Kingdom, United States

Number of employees increased by 7.9% to 3,030 FTE end of December 2017. This increase was primarily driven by the acquisition of SCALES, which increased Western manning by 121 FTE.

Excluding SCALES, the number of employees increased 3.5%. The increase was solely outside Denmark and in-line with the long-term offshoring strategy.

Number of employees in Western countries increased 59 FTE (3.6%). Excluding SCALES, the number of employees decreased 62 FTE (-3.7%).

Growth in China, the Czech Republic and the Philippines was 159 FTE (13.9%).

Share of employees in low cost countries was 43.7% end of December 2017. Excluding SCALES, the share was 45.5% compared to 41.4% in December 2016.

Balance sheet

Assets DKKm	2017	2016	Equity and liabilities DKKm	2017	2016
Intangible assets ¹	212.1	33.3	Share capital	250.0	250.0
Tangible assets ²	574.0	412.9	Treasury shares	-6.6	-7.5
Deferred tax	52.5	52.4	Retained earnings	697.4	542.8
Other financial assets	32.6	28.7	Other reserves	8.5	7.8
Total non-current assets	871.2	527.3	Proposed dividends	56.0	53.4
Inventories	1.6	2.8	Total equity	1,005.3	846.5
Trade receivables	574.8	604.6	Employee benefit obligation	15.4	34.3
Work in progress	122.9	136.4	Contingent consideration ⁴	54.3	0.0
Other receivables and pre-payments	164.4	126.2	Provisions	13.2	11.4
Shares	14.0	18.2	Total non-current liabilities	83.0	45.6
Derivative financial instruments	4.6	1.1	Prepayments received	158.4	186.5
Cash and cash equivalents ³	74.6	173.9	Bank overdraft ⁵	93.2	0.0
Total Current assets	956.8	1,063.2	Trade payables	58.9	59.3
Total assets	1,828.0	1,590.5	Employee cost payable	255.4	258.4
			Tax payables	18.1	29.9
			Other current liabilities	132.6	140.9
			Derivative financial instruments	1.2	2.1
			Employee benefit obligation	21.7	7.6
			Provisions	0.2	13.7
			Total current liabilities	739.7	698.4
			Total equity and liabilities	1,828.0	1,590.5

Notes

¹ Intangible assets was DKK 212.1m compared to DKK 33.3m primarily due to SCALES acquisition of DKK 98.0m

² Tangible assets were DKK 574.0m compared to DKK 412.9m in 2017 due to data center investment of DKK 181m in 2017

³ Cash and cash equivalent was DKK 74.6m compared to DKK 173.9m due to data center investment and acquisition of SCALES

⁴ SCALES earn out target of DKK 54.3m with an earn out range of 0-130%

⁵ Please see note 3

Cash flows

Cash flow DKKm	2017	2016	Change
Net profit for the period	216.5	215.7	0.8
Reversal of non-cash items	247.1	270.7	-23.6
Net interest and taxes paid	-83.8	-54.9	-28.9
Changes in working capital	-32.6	-68.7	36.1
Cash flow from operating activities	347.2	362.8	-15.6
Capitalization of intangible assets	-10.3	-13.6	3.3
Purchase of tangible assets	-326.6	-164.6	-162.0
Sale of tangible assets	0.0	2.2	-2.2
Dividends received	0.3	0.7	-0.4
Sales/(purchase) of shares (net)	0.0	1.2	-1.2
Payment of deposits	-3.1	-0.5	-2.7
Acquisition of subsidiary	-98.0	0.0	-98.0
Cash flow from investing activities	-437.7	-174.4	-263.3
Dividends paid	-102.0	-145.5	43.5
Cash flow from financing activities	-102.0	-145.5	43.5
Net cash flow	-192.5	42.9	-235.4
Free cash flow	-90.5	188.4	-278.9

Cash flow from operating activities was DKK 347.6m, which was DKK 15.6m lower due to fewer reversal of non-cash items on a similar net profit as well as higher payment of income taxes partly countered by a positive development in working capital.

Cash flow from investing activities was DKK -437.7m compared to DKK -174.4m in 2016 due to the acquisition of SCALES and investments primarily related to a new datacenter.

Cash flow from financing activities was DKK -102m compared to DKK -145.5m in 2016 due to interim dividend payouts mid 2017.

Free cash flow was DKK -90.5m, which is DKK 278.9m below 2016 due to above-mentioned investment in SCALES and a new data center.

IFRS implementation

2017 impact

DKKm (reported currencies)	2017	2017 Adjusted	IFRS 15 & 16 impact
Revenue	2,891.9	2,851.4	-1.4%
EBITDA	429.1	491.2	14.5%
EBIT	276.8	259.2	-6.4%
<i>EBIT margin</i>	<i>9.6%</i>	<i>9.1%</i>	<i>-0.5pp</i>
EBITDA margin	14.8%	17.2%	2.4pp
Solvency ratio	55.0%	41.5%	-13.5%
ROIC	26.1%	16.9%	-9.2pp

2018 impact

- It is assessed that the IFRS 15 standard will have a marginal negative impact on revenue growth in 2018
- Based on the current contracts the combined impact from IFRS 15 and IFRS 16 “Leasing” will have a slightly negative impact on operating profit margin of 0.2pp in 2018
- IFRS 16 has an estimated positive impact on EBITDA margin in 2018 of around 2pp and an estimated negative impact on ROIC of 9pp

NNIT guidance for 2018 includes the above mentioned impacts

Outlook

	2018	Long-term targets
Revenue growth	Constant currencies: 4 - 7% Reported currencies: 0.4pp lower	At least 5%
Operating margin	Constant currencies: 10 – 10.5% Reported currencies: 0.4pp higher	At least 10%
Capex	Share of revenue: 6 - 8% ¹	5 - 7%

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

¹Investments 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

- Strong Q4 to finish 2017
- Strong positive impact from the acquisition of SCALES
- The strong underlying cash flow generation allows us to raise dividend even in a year, where we build a new data center and acquired SCALES
- For 2018 we expect revenue growth of 4-7% and an operating profit margin of 10-10.5% in constant currencies (0.4pp higher in reported currencies) with an investment level of 6-8% of revenue
- Uncertainty regarding revenue from Novo Nordisk should be noted

Investor contact information

Upcoming events

March 8, 2018:	Annual General Meeting 2018
May 16, 2018:	Interim report for the first three months of 2018
August 17, 2018:	Interim report for the first six months of 2018
October 25, 2018:	Interim report for the first nine months of 2018

Investor contact

NNIT A/S
Østmarken 3A
2860 Søborg
Denmark

Jesper Wagener
+45 3075 5392
jvwa@nnit.com