

Company announcement 08/2021 August 12, 2021

Financial report for the first six months of 2021

Revenue increase of 1.3% and an operating profit margin before special items of 5.1%

Performance highlights for the second quarter of 2021

- New CEO Pär Fors took office as CEO of NNIT on June 14, 2021
- Revenue increased to DKK 710m, up 1.3% (-1.8% organic) from Q2 2020, driven by:
 - Life Sciences (excluding Novo Nordisk Group) grew to DKK 234m, up 35% (22% organic). The increase was related to the continued significant growth of the Life Sciences International business, where revenues increased by 56% (36% organic) to DKK 165m, while revenue from Life Sciences Denmark increased by 1.5% to DKK 69m.
 - Novo Nordisk Group revenue declined 13.7% to DKK 151m. On June 29, 2021 NNIT secured the extension of the Novo Nordisk Group global IT infrastructure contract for five years. While the agreement was an important win, it will reduce NNIT's yearly revenue and profitability within the contract's service areas.
 - Private & Public business revenue declined by 7.7% to DKK 325m, reductions mainly driven by Infrastructure Operations.
 - Winning Solutions now constitute 52% of total revenue, up from 44% in Q2 2020.
- Operating profit margin before special items was 5.1%, down from 5.4% in Q2 2020.
 - Efficiency within especially the NNIT Infrastructure operations is key to margin improvements. To further improve visibility and to accelerated cost reductions, a process of separating the NNIT Infrastructure area into a dedicated business unit has been initiated.
- Special items of DKK 63m stem mainly from impairment of the headquarter lease, change of members in the Executive Management as well as restructuring costs.
- Net result is a loss of DKK 30m, compared to a profit of DKK 14m in Q2 2020, significantly impacted by special items of DKK 63m.
- Order backlog for 2021 at the beginning of Q3 2021 amounted to DKK 2,643m, an increase of 5.4% compared to the same time last year.
- To facilitate the M&A journey within International Life Sciences, recently substantiated by the acquisition of SL Controls, no interim dividends will be paid.
- Outlook for 2021:

Reaffirming the guidance on June 29, 2021:

 - Revenue growth of 1-4%
 - Operating profit margin before special items of around 5%
 - Investment level of 5-7% of total revenue excluding acquisitions

Pär Fors, CEO of NNIT, comments: "In Q2, we experienced a continued strong growth within the Life Sciences International business, further highlighted by the subsequent acquisition of SL Controls in July. In addition, we announced the extension of the Novo Nordisk Infrastructure agreement - an important win for NNIT despite lower margins. While our Private & Public business was impacted by the competitive environment within the Infrastructure business, resulting in margin pressure, positively our Winning Solutions now constitute 52% of NNIT's total revenue. I am excited to head up NNIT in the pursuit of further value creation".

Financial overview

DKK million	Q2 2021	Q2 2020	Pct./pp Change
Revenue	710	701	1.3%
Gross profit margin	12.1%	13.3%	-1.2pp
Operating profit before special items	36	38	-5.3%
Operating profit margin before special items	5.1%	5.4%	-0.4pp
Special items	63	12	425.0%
Operating profit	-27	26	-203.8%
Operating profit margin	-3.8%	3.7%	-7.5pp
Net profit	-30	14	-314.3%
Investments (CAPEX)	19	35	-45.7%
Free cash flow	150	194	-22.7%

Guidance 2021

	Guidance for 2021	Guidance for 2021 at Q1 2021 announcement
Revenue growth		
Revenue growth in reported currencies	1-4%	1-4%
Operating profit margin		
Operating profit margin in reported currencies	Around 5% before special items	6-7% before special items
Investments / Revenue	5-7%	5-7%

The outlook may still be influenced by the continued uncertainty relating to the COVID-19 situation.

The NNIT Group provides a wide range of IT and consulting services worldwide. Supporting the entire supply chain, we help optimize internal company processes, production, sales and delivery to customers. We are experts in supporting the world's most regulated industries subject to strict governance of processes, quality and data management and documentation – and in guiding customers on their digital journeys. The Group consists of NNIT A/S and subsidiaries Valiance, SCALES, Excellis Health Solutions and from July 1, 2021 SL Controls. Within these companies, we employ over 3,000 people, primarily in Europe, Asia and the US.

In Denmark, home to Group HQ, we are one of the leading IT consultancies, servicing both private and public sector customers across all industries. In other parts of Europe and in USA and Asia, we solely focus on Life Sciences.

Read more at www.nnit.com

Conference call details

NNIT will host a teleconference on August 12, 2021 at 9:30 CET to present the financial report for the first six months of 2021. Please visit the NNIT website 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://streams.eventcdn.net/nnit/first-six-months-of-2021/>

Participant telephone numbers:

Denmark:	+45 78150107
United Kingdom:	+44 333 300 9273
Sweden:	+46 856 642 693
United States:	+1 6319131422 (PIN for the US number only: 10496233#)

Financial calendar 2021

November 3, 2021	Interim report for the first nine months of 2021
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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 41-43 of the Annual Report 2020.

Contacts for further information

Pernille Fabricius
EVP & CFO
Tel: +45 3077 9500
pnfa@nnit.com

Media relations:

Tina Joanne Hindsbo
Media Relations Manager
Tel: +45 3077 9578
tnjh@nnit.com

Financial figures and highlights

DKK million	Q2 2021	Q2 2020	6M 2021	6M 2020	Change 6M	Total 2020
Financial performance						
Revenue						
Life Sciences (excl. NNG)	234	174	462	333	38.7%	717
- Life Sciences (Int.)	165	106	324	198	63.6%	456
- Life Sciences (DK)	69	68	138	135	2.2%	261
Novo Nordisk Group	151	175	310	360	-13.9%	732
Life Sciences	385	349	772	693	11.4%	1,449
Enterprise	182	170	356	376	-5.3%	712
Public	75	107	173	212	-18.4%	407
Finance	68	75	140	142	-1.4%	262
Private & Public	325	352	669	730	-8.4%	1,381
Total revenue	710	701	1,441	1,423	1.3%	2,830
EBITDA	94	100	196	210	-6.7%	399
Depreciations and amortizations	58	62	112	125	-10.4%	234
Operating profit before special items ¹	36	38	84	85	-1.2%	165
Special items ¹	63	12	69	19	263.2%	43
Operating profit	-27	26	15	66	-77.3%	122
Net financials	-11	-6	-15	0	n.a.	-20
Net profit/loss	-30	14	1	49	-98.0%	76
Investments in tangible assets	11	25	39	60	-35.0%	95
Investments in intangible assets and acquisition in subsidiaries	8	10	14	77	-81.8%	228
Total assets	2,677	2,471	2,677	2,471	8.3%	2,662
Equity	1,136	1,176	1,136	1,176	-3.4%	1,134
Dividends paid	0	0	25	49	-49.0%	98
Free cash flow	150	194	64	177	-63.8%	143
Earnings per share						
Earnings per share (DKK)	-1.22	0.57	0.03	2.00	-98.5%	3.07
Diluted earnings per share (DKK)	-1.21	0.56	0.03	1.98	-98.5%	3.04
Employees						
Average number of full-time employees	3,139	3,077	3,121	3,097	0.8%	3,083
Financial ratios						
Revenue growth	1.3%	-5.7%	1.3%	-4.7%	6pp	-7.5%
Organic growth	-1.8%	-5.9%	-1.7%	-6.1%	4.4pp	-8.2%
Gross profit margin	12.1%	13.3%	12.9%	13.8%	-0.9pp	13.7%
EBITDA margin	13.2%	14.3%	13.6%	14.8%	-1.2pp	14.1%
Operating profit margin before special items	5.1%	5.4%	5.8%	6.0%	-0.1pp	5.8%
Operating profit margin	-3.8%	3.7%	1.0%	4.6%	-3.6pp	4.3%
Effective tax rate	21.1%	30.0%	n.a.	25.8%	n.a.	25.5%
Investments/Revenue	2.7%	5.0%	3.6%	5.4%	-1.8pp	4.8%
Return on equity ²	2.4%	13.8%	2.4%	13.8%	-11.4pp	6.6%
Solvency ratio	42.4%	47.6%	42.4%	47.6%	-5.2pp	42.6%
Return on invested capital (ROIC) ^{2,3}	3.9%	9.0%	3.9%	9.0%	-5.1pp	6.1%
Cash to earnings ²	125.0%	309.3%	125.0%	309.3%	-184.3pp	188.2%
Cash to earnings (three-year average)	130.3%	89.4%	130.3%	89.4%	40.9pp	101.2%
Additional numbers⁴						
Order entry backlog for the current year	2,643	2,507	2,643	2,507	5.4%	1,999

1) Special items comprise costs that cannot be attributed directly to NNIT's ordinary activities and are non-recurring of nature

2) Financial metrics are moving annual total (MAT), i.e. annualized

3) Net profit/average invested capital

4) The backlog represents anticipated revenue from signed orders not yet completed or performed

Business highlights

The key highlights for Q2 2021 can be listed as follows:

- On June 14, 2021, Pär Fors took office as CEO of NNIT. Pär has an international background in the IT industry and is the former CEO of CGI Scandinavia.
- June 29, 2021, we renewed our global IT infrastructure agreement with the Novo Nordisk Group therewith securing the substantial infrastructure business with Novo Nordisk for another five years. The contract represents a value of a mid triple-digit DKK million amount. Compared to the previous agreement, the new contract will reduce NNIT's historic yearly infrastructure operation revenue as well as profitability.
- Within International Lifesciences, we extended a significant Compliance-as-a-Service engagement one of our existing International Life Sciences customers for an additional three years. The contract value is midrange double-digit DKK million. In addition, a new IDMP (Identification of Medical Products) Compliance and Data Governance advisory engagement with a major International pharmaceutical company was agreed. The program work will be carried out throughout 2021 and into 2022 and represents a total value of a lower double-digit DKK million.
- To further improve visibility and to accelerate cost reductions, a process of separating the NNIT Infrastructure area into a dedicated business unit has been initiated and will continue through the second half of 2021.
- June 2021, efficiency measures and general cost take outs have been initiated following the Infrastructure business initiative. Q2 contains special items of DKK 63m, specified in note 3 page 21, which mainly relates to impairment of the headquarter lease, change of members in Executive Management as well as restructuring costs.

Group performance overview

Second quarter 2021

DKK million	Q2 2021	Q2 2020	Change	2020
Revenue	710	701	1.3%	2,830
Cost of goods sold	624	608	2.6%	2,443
Gross profit	86	93	-7.5%	387
<i>Gross profit margin</i>	<i>12.1%</i>	<i>13.3%</i>	<i>-1.2pp</i>	<i>13.7%</i>
Sales and marketing costs	30	31	-3.2%	127
Administrative expenses	20	24	-16.7%	95
Operating profit before special items	36	38	-5.3%	165
<i>Operating profit margin before special items</i>	<i>5.1%</i>	<i>5.4%</i>	<i>-0.4pp</i>	<i>5.8%</i>
Special items	63	12	425.0%	43
Operating profit	-27	26	-203.8%	122
<i>Operating profit margin</i>	<i>-3.8%</i>	<i>3.7%</i>	<i>-7.5pp</i>	<i>4.3%</i>
Net financials	-11	-6	83.3%	-20
Profit before tax	-38	20	-290.0%	102
Tax	-8	6	-233.3%	26
<i>Effective tax rate</i>	<i>21.1%</i>	<i>30.0%</i>	<i>-8.9pp</i>	<i>25.5%</i>
Net profit/loss	-30	14	-314.3%	76

Revenue increased to DKK 710m, up 1.3% compared with Q2 2020. Revenue from Life Sciences (excl. NNG) increased by 35%, whereas revenues from the Novo Nordisk Group declined by 13.7% and the Private & Public segment declined by 7.7% stemming mainly from the Infrastructure part of the business which is impacted by increasingly competitive market conditions.

Cost of goods sold increased to DKK 624m, up 2.6% compared with Q2 2020. The increase relative to revenue stems mainly from investments into the infrastructure business to cater for quality and ensure stable operations. As mentioned on page 5, a strategy to separate the NNIT infrastructure business into a dedicated business unit was established in Q2, with the purpose to improve visibility and to enable the execution of efficiencies within the NNIT infrastructure operations.

Gross profit decreased to DKK 86m leading to a gross profit margin of 12.1%, down 1.2pp from Q2 2020.

Sales and marketing costs were on par with Q2 2020. Administrative expenses decreased to DKK 20m, down 17% from Q2 2020 due to reduction of license fees in corporate IT and reclassification of costs relating to strategy work.

Operating profit before special items ended at DKK 36m. This corresponds to an operating profit margin before special items of 5.1% compared with 5.4% in Q2 2020.

Net financials was negative at DKK 11m, representing a decrease of DKK 5m compared with Q2 2020. The negative development mainly relates to adjustment of earn-out related to the HGP acquisition due to the improved international Life Sciences performance.

The effective tax rate was 21%, a decrease of 8.9pp compared with Q2 2020. This decrease is due to tax for Q2 2020 included a prior year tax adjustment.

Net loss was DKK 30m compared with a profit of DKK 14m in Q2 2020. The result was negatively impacted by the significant special items in Q2 2021 and adjustment of earn-out under financial expenses. Reference is made to note 3 for further specification of special items.

6M 2021

DKK million	6M 2021	6M 2020	Change	2020
Revenue	1.441	1.423	1,3%	2.830
Cost of goods sold	1.255	1.227	2,3%	2.443
Gross profit	186	196	-5,1%	387
<i>Gross profit margin</i>	<i>12,9%</i>	<i>13,8%</i>	<i>-0,9pp</i>	<i>13,7%</i>
Sales and marketing costs	61	62	-1,6%	127
Administrative expenses	41	49	-16,3%	95
Operating profit before special items	84	85	-1,2%	165
<i>Operating profit margin before special items</i>	<i>5,8%</i>	<i>6,0%</i>	<i>-0,1pp</i>	<i>5,8%</i>
Special items	69	19	263,2%	43
Operating profit	15	66	-77,3%	122
<i>Operating profit margin</i>	<i>1,0%</i>	<i>4,6%</i>	<i>-3,6pp</i>	<i>4,3%</i>
Net financials	-15	0	n/a	-20
Profit before tax	0	66	-100,0%	102
Tax	-1,0	17	-105,9%	26
<i>Effective tax rate</i>	<i>n/a</i>	<i>25,8%</i>	<i>n/a</i>	<i>25,5%</i>
Net profit/loss	1	49	-98,0%	76

Revenue increased to DKK 1,441m, up 1.3% compared with 6M 2020. Revenue from Life Sciences (excl. NNG) increased by 39%, whereas revenues from the Novo Nordisk Group declined by 13.9% and the Private & Public segment declined by 8.4%.

Cost of goods sold increased to DKK 1,255m, up 2.3% compared with 6M 2020.

Gross profit decreased to DKK 186m leading to a gross profit margin of 12.9%, down 0.9pp from 6M 2020.

Sales and marketing costs were on par with 6M 2020.

Administrative expenses decreased to DKK 41m, down 16% from 6M 2020 primarily due to reduction of license fees.

Operating profit before special items ended at DKK 84m. This corresponds to an operating profit margin before special items of 5.8% compared with 6.0% in 6M 2020.

Net financials was negative at DKK 15m, representing a decrease of DKK 15m compared with 6M 2020. The negative development mainly relates to adjustment of earn-out related to the HGP acquisition due to the improved international Life Sciences performance and cash flow hedges as a result of decreasing exchange rates.

Net profit was DKK 1m compared with DKK 49m in 6M 2020.

For further comments to 6M 2021 please refer to the second quarter performance review on page 6.

Life Sciences

Second quarter 2021

DKK million	Q2 2021	Q2 2020	Change	2020
Life Sciences (excl. NNG)	234	174	34.5%	717
<i>Life Sciences (Int.)</i>	165	106	55.7%	456
<i>Life Sciences (DK)</i>	69	68	1.5%	261
Novo Nordisk Group	151	175	-13.7%	732
Revenue	385	349	10.3%	1,449
Cost of goods sold	327	293	11.6%	1,205
Gross profit	58	56	3.6%	244
<i>Gross profit margin</i>	15.1%	16.0%	-0.9pp	16.8%
Allocated costs	29	30	-3.3%	123
Operating profit before special items	29	26	11.5%	121
<i>Operating profit margin before special items</i>	7.5%	7.4%	0.1pp	8.4%
Special items	32	6	433.3%	22
Operating profit/loss	-3	20	-115.0%	99
<i>Operating profit margin</i>	-0.8%	5.7%	-6.5pp	6.8%

Revenue

Life Sciences revenue increased by 10.3% from Q2 2020. Revenue from projects increased by 27% while revenue from service level agreements decreased by 9.8%. Further details on revenue and profit development are explained below.

Life Sciences (excl. NNG):

Revenue from Life Sciences International increased by 56% (36% organic) compared with Q2 2020, driven by strong organic growth in Europe and US and inorganic growth from Excellis. Growth was mainly driven by the strategic business areas Regulatory Affairs, Quality Management and Production. Technologies supporting the growth are primarily Veeva and Tracelink.

Revenue from Life Sciences Denmark increased by 1.5% compared with Q2 2020, mainly driven by new contract with Orifarm.

Novo Nordisk Group:

Revenue from the Novo Nordisk Group decreased by 13.7% compared with Q2 2020.

Because of the large decline in revenue from the Novo Nordisk Group and high growth from other customers, Novo Nordisk Group now constitutes 39% of total Life Science revenue against 50% in Q2 2020 (share of total revenues is 21% against 25% in Q2 2020).

Gross profit and operating profit

Gross profit margin was 15%, down 0.9pp from Q2 2020.

Operating profit margin before special items was 7.5% compared with 7.4% in Q2 2020.

6M 2021

DKK million	6M 2021	6M 2020	Change	2020
Life Sciences (excl. NNG)	462	333	38.7%	717
<i>Life Sciences (Int.)</i>	324	198	63.6%	456
<i>Life Sciences (DK)</i>	138	135	2.2%	261
Novo Nordisk Group	310	360	-13.9%	732
Revenue	772	693	11.4%	1,449
Cost of goods sold	649	575	12.9%	1,205
Gross profit	123	118	4.2%	244
<i>Gross profit margin</i>	15.9%	17.0%	-1.1pp	16.8%
Allocated costs	57	61	-6.6%	123
Operating profit before special items	66	57	15.8%	121
<i>Operating profit margin before special items</i>	8.5%	8.2%	0.3pp	8.4%
Special items	35	9	288.9%	22
Operating profit	31	48	-35.4%	99
<i>Operating profit margin</i>	4.0%	6.9%	-2.9pp	6.8%

Revenue

Life Sciences revenue increased by 11.4% from 6M 2020. Revenue from projects increased by 29% while revenue from service level agreements decreased by 9.9%.

Further details on revenue and profit development are explained below.

Life Sciences (excl. NNG):

Revenue from Life Sciences International increased by 64% (42% organic) compared with 6M 2020, driven by strong organic growth in Europe and US and inorganic growth from Excellis. Growth was mainly driven by the strategic business areas Regulatory Affairs, Quality Management and Production. Technologies supporting the growth are primarily Veeva and Tracelink.

Revenue from Life Sciences Denmark increased by 2.2% compared with 6M 2020, mainly driven by new contract with Orifarm.

Novo Nordisk Group:

Revenue from the Novo Nordisk Group decreased by 13.9% compared with 6M 2020.

As a consequence of the large decline in revenue from the Novo Nordisk Group and high growth from other customers, Novo Nordisk Group now constitutes 40% of total Life Science revenue against 52% in 6M 2020 (share of total revenues is 22% against 25% in 6M 2020).

Gross profit and operating profit

Gross profit margin was 16%, down 1.1pp from 6M 2020.

Operating profit margin before special items was 8.5% compared with 8.2% in 6M 2020.

Private & Public

Second quarter 2021

DKK million	Q2 2021	Q2 2020	Change	2020
Enterprise	182	170	7.1%	712
Public	75	107	-29.9%	407
Finance	68	75	-9.3%	262
Revenue	325	352	-7.7%	1,381
Cost of goods sold	297	315	-5.7%	1,238
Gross profit	28	37	-24.3%	143
<i>Gross profit margin</i>	8.6%	10.5%	-1.9pp	10.4%
Allocated costs	21	25	-16.0%	99
Operating profit before special items	7	12	-41.7%	44
<i>Operating profit margin before special items</i>	2.2%	3.4%	-1.3pp	3.2%
Special items	31	7	342.9%	22
Operating profit	-24	5	-580.0%	22
<i>Operating profit margin</i>	-7.4%	1.4%	-8.8pp	1.6%

Revenue

Private & Public revenue decreased to DKK 325m, down 7.7% from Q2 2020. The decrease was mainly due to a 17% decline in revenue related to projects partly countered by a 2.2% increase in revenue from service level agreements, both compared with Q2 2020.

Further details on revenue and profit development are explained below.

Enterprise:

Revenue increased to DKK 182m, up 7.1% from Q2 2020. The increase is due to contracts with new customers among others Saint-Gobain.

Public:

Revenue decreased to DKK 75m, down 30% from Q2 2020. The decrease was driven by a reduction in project activity and reduced revenue on SLA.

Finance:

Revenue decreased to DKK 68m, down 9.3% from Q2 2020. The decrease was due to extraordinary high revenue in June 2020.

Gross profit and operating profit

Gross profit margin was 8.6%, down 1.9pp from Q2 2020. Operating profit margin before special items was 2.2% compared with 3.4% in Q2 2020.

Reference is made to page 6 for further comments to revenue and margin development as well as mitigating initiatives.

6M 2021

DKK million	6M 2021	6M 2020	Change	2020
Enterprise	356	376	-5.3%	712
Public	173	212	-18.4%	407
Finance	140	142	-1.4%	262
Revenue	669	730	-8.4%	1,381
Cost of goods sold	606	652	-7.1%	1,238
Gross profit	63	78	-19.2%	143
<i>Gross profit margin</i>	9.4%	10.7%	-1.3pp	10.4%
Allocated costs	45	50	-10.0%	99
Operating profit before special items	18	28	-35.7%	44
<i>Operating profit margin before special items</i>	2.7%	3.8%	-1.1pp	3.2%
Special items	34	10	240.0%	22
Operating profit/loss	-16	18	-188.9%	22
<i>Operating profit margin</i>	-2.4%	2.5%	-4.9pp	1.6%

Revenue

Private & Public revenue decreased to DKK 669m, down 8.4% from 6M 2020. The decrease was mainly due to a 16% decline in revenue related to projects and 0.2% decline in revenue from service level agreements, both compared with 6M 2020. The share of revenue related to Winning Solutions increased by 3.7pp from 6M 2020, now constituting 43% of all sales.

Further details on revenue and profit development are explained below.

Enterprise:

Revenue decreased to DKK 356m, down 5.3% from 6M 2020. The decline was expected due to the phasing out of the Pandora outsourcing agreement.

Public:

Revenue decreased to DKK 173m, down 18% from 6M 2020. The revenue decrease was driven by a reduction in project activity, partly offset by the commencement of new customer contract.

Finance:

Revenue decreased to DKK 140m, down 1.4% from 6M 2020.

Gross profit and operating profit

Gross profit margin was 9.4%, down 1.3pp from 6M 2020. Operating profit margin before special items was 2.7% compared with 3.8% in 6M 2020.

Reference is made to page 6 for further comments to revenue and margin development as well as mitigating initiatives.

Balance sheet

June 30, 2021, total assets increased to DKK 2,677m, up DKK 206m from DKK 2,471m on June 30, 2020. The increase relates to intangible assets following the acquisition of Excellis in Q4 2020, partly countered by decreases in tangible assets and impairment of leased premises in Søborg of DKK 27m.

Net cash and cash equivalents amounted to DKK -166m on June 30, 2021, down DKK 138m from June 30, 2020. The decrease was mainly driven by payments related to acquisition of subsidiaries (DKK 225m), payment of interim dividend for 2020 (DKK 49m), and payment of ordinary dividend for 2020 (DKK 25m), partly countered by cash flows from operating activities.

Equity on June 30, 2021 amounted to DKK 1,136m, down DKK 40m from June 30, 2020. The decrease was mainly due to payment of the interim dividend for 2020 (DKK 49m) and ordinary dividend for 2020 (DKK 25m), partly countered by net profit for the period.

Investments

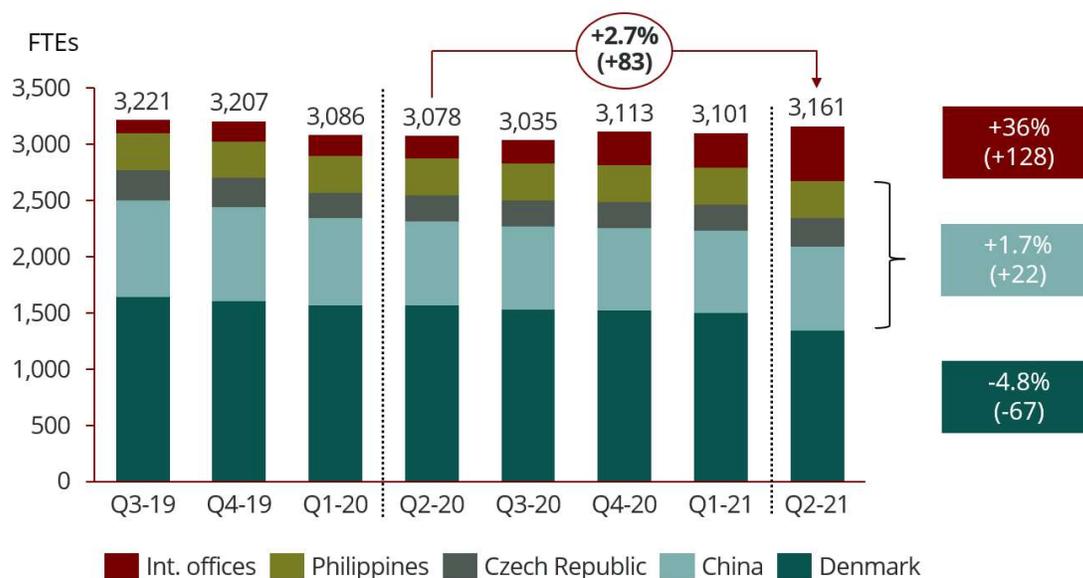
Investments, excluding investments related to acquisition of subsidiaries, amounted to DKK 19m in Q2 2021 compared with DKK 35m in Q2 2020. The decrease is mainly due to timing of investments.

Free cash flow

Free cash flow for Q2 2021 was DKK 150m which was DKK 44m below Q2 2020 mainly due to a lower net profit.

Free cash flow on June 30, 2021 was DKK 64m down DKK 113m compared to June 30, 2020. The decrease was driven by a lower net profit and a decrease in working capital partly countered by lower investing activities.

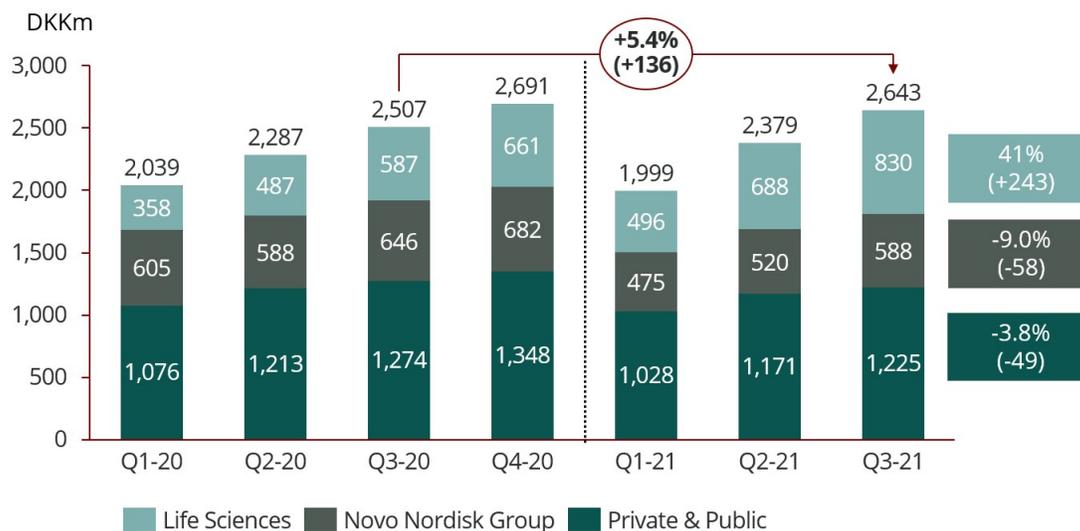
Employees, end-of-period



Since Q2 2020, the number of employees in NNIT's international offices increased by 36% (128 FTEs) due to the strong growth in the Life Sciences International segment and the acquisition of Excellis.

In Denmark the number of FTEs decreased by 4.8% (67 FTEs) and the global sourcing centers saw an increase of 1.7% (22 FTEs).

Order backlog
Backlog for the year, beginning of Q3 2021



At the beginning of Q3 2021, NNIT’s order entry backlog for 2021 amounted to DKK 2,643m, up 5.4% from last year. This is a positive development considering the change towards a more project-based business. This is explained further below.

The backlog from Life Sciences (excl. NNG) customers increased by 41%, driven by Life Sciences International positively impacted by the acquisition of Excellis, while the Novo Nordisk Group declined by 9.0%. Private & Public decreased by 3.8% mainly due to the expiry of the Pandora outsourcing contract and lower order intake.

The high growth forecast within NNIT’s project business, driven by Life Sciences International and Winning Solutions, has a relative low backlog visibility. The growth in project business combined with a declining multi-year outsourcing business makes the backlog numbers less useful as a predictor for total revenue growth. Therefore, the backlog for the current year should not be used in isolation as a proxy for the upcoming year.

Events after balance sheet date

On July 5, 2021 NNIT acquired SL Controls.

SL Controls is headquartered in Ireland and is internationally recognized as an industry leader in equipment systems integration and system support and has strong relationships with some of the largest pharmaceutical and medical device companies in the world.

The acquisition price consists of an upfront cash payment of EUR 12.7m (DKK 94.4m) before adjustments and an earn-out cash payment in the range of EUR 0 to 5.1m (DKK 37.9m), where EUR 4.2m (DKK 31.2m) is target. The earn-out depends on three KPI’s: EBITDA in SL Controls, revenue in SL Controls and unmanaged attrition.

The fair value of net assets acquired and goodwill at the date of acquisition will be assessed during Q3 2021. The allocation of the purchase price is expected to primarily relate to goodwill.

Goodwill relates to future revenue in SL Controls and expected revenue synergies in NNIT.

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, 2021

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 2021 with comparative figures for the first six months of 2020. 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 2021 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 2020 of NNIT A/S. Furthermore, the interim consolidated financial statement for the first six months of 2021 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 2021 are adequate and give a true and fair view of the Group's assets, liabilities and financial position as at June 30, 2021 and of the results of the Group's operations and cash flow for the six months ended June 30, 2021. 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 2021, no changes in the Group's most significant risks and uncertainties have occurred relative to disclosures published in the Annual Report 2020 of NNIT A/S.

Soeborg, August 12, 2021

Executive management

Pär Fors
CEO

Pernille Fabricius
CFO

Board of Directors

Carsten Dilling
Chairman

Peter H. J. Haahr
Deputy Chairman

Anne Broeng

Eivind Kolding

Christian Kanstrup

Caroline Serfass

Anders Vidstrup

Camilla K. K. Christensen

Trine Io Bjerregaard

Consolidated financial statements

Income statement and Statement of comprehensive income

DKK million	Note	Q2 2021	Q2 2020	6M 2021	6M 2020	12M 2020
Income statement						
	1					
Revenue	2	710	701	1,441	1,423	2,830
Cost of goods sold		624	608	1,255	1,227	2,443
Gross profit		86	93	186	196	387
Sales and marketing costs		30	31	61	62	127
Administrative expenses		20	24	41	49	95
Operating profit before special items		36	38	84	85	165
Special items	3	63	12	69	19	43
Operating profit		-27	26	15	66	122
Financial income		1	-2	2	8	11
Financial expenses		12	4	17	8	31
Profit before income taxes		-38	20	0	66	102
Income taxes		-8	6	-1	17	26
Net profit/loss for the period		-30	14	1	49	76

Earnings per share

	DKK	DKK	DKK	DKK	DKK
Earnings per share	-1.22	0.57	0.03	2.00	3.07
Diluted earnings per share	-1.21	0.56	0.03	1.98	3.04

Statement of comprehensive income

DKK million					
Net profit/loss for the period	-30	14	1	49	76
Other comprehensive income:					
<i>Items that will not be reclassified subsequently to the Income statement:</i>					
Remeasurement related to pension obligations	0	-2	2	0	-5
Tax on other comprehensive income	2	1	0	1	4
<i>Items that will be reclassified subsequently to the Income statement, when specific conditions are met:</i>					
Currency revaluation related to subsidiaries (net)	-5	0	15	-2	-25
Recycled to financial items	0	2	1	8	10
Unrealized value adjustments	4	-6	10	-18	-22
Cash flow hedges	4	-4	11	-10	-12
Tax on other comprehensive income related to cash flow hedges	-1	-1	-3	0	2
Other comprehensive income, net of tax	0	-6	25	-11	-36
Total comprehensive income	-30	8	26	38	40

Balance sheet

Assets

	Note	June 30, 2021	June 30, 2020	Dec 31, 2020
DKK million				
Intangible assets		796	527	781
Tangible assets		517	557	552
Lease assets		198	271	227
Contract assets		69	58	75
Deferred tax		42	26	32
Deposits		34	32	33
Total non-current assets		1,656	1,471	1,700
Inventories		3	1	2
Contract assets		33	45	36
Trade receivables	4	468	505	497
Work in progress	4	149	163	145
Other receivables		32	22	21
Pre-payments		112	113	87
Tax receivable		48	26	30
Derivative financial instruments		8	5	1
Cash and cash equivalents		168	120	143
Total current assets		1,021	1,000	962
Total assets		2,677	2,471	2,662

Equity and liabilities

		June 30, 2021	June 30, 2020	Dec 31, 2020
Share capital		250	250	250
Treasury shares		-2	-3	-3
Retained earnings		882	877	855
Other reserves		6	3	-17
Proposed dividends		0	49	49
Total equity		1,136	1,176	1,134
Leasing liability		154	204	171
Employee benefit obligation		35	125	29
Contingent consideration (earn-out)		61	43	112
Provisions		25	25	24
Long term loan		20	28	21
Bank overdraft		334	148	304
Total non-current liabilities		629	573	661
Prepayments received, contract assets		38	20	16
Prepayments received, work in progress	4	91	97	111
Leasing liability		85	81	70
Trade payables		68	93	108
Employee cost payable		281	142	277
Tax payables		13	9	4
Other current liabilities		280	255	247
Derivative financial instruments		0	5	5
Contingent consideration (earn-out)		56	17	28
Provisions		0	3	1
Total current liabilities		912	722	867
Total equity and liabilities		2,677	2,471	2,662

Contingent liabilities and legal proceedings

5

Currency hedging

6

Statement of cash flow

DKK million	Q2 2021	Q2 2020	6M 2021	6M 2020	12M 2020
Net profit/loss for the period	-30	14	1	49	76
Reversal of non-cash items	89	94	168	204	228
Interest paid	-3	-5	-7	-8	-16
Income taxes paid	-7	-4	-20	-23	-42
Cash flow before change in working capital	49	99	142	222	246
Changes in working capital	129	131	9	91	282
Cash flow from operating activities	178	230	151	313	528
Capitalization of intangible assets	-8	-10	-13	-17	-40
Purchase of tangible assets	-10	-28	-23	-45	-95
Change in trade payables related to investments	-1	3	-16	-15	0
Payment of deposits	0	-1	0	1	0
Adjustment acquisition cost	0	0	-1	0	0
Acquisition of subsidiary	0	0	0	0	-188
Payment of earn-out	-9	0	-34	-60	-62
Cash flow from investing activities	-28	-36	-87	-136	-385
Dividends paid	0	0	-25	-49	-98
Purchase of treasury shares	0	0	-8	0	0
Installments on lease liabilities	-19	-24	-36	-47	-89
Long term loan	0	0	0	0	-8
Bank overdraft	-121	-170	30	-83	73
Cash flow from financing activities	-140	-194	-39	-179	-122
Net cash flow	10	0	25	-2	21
Cash and cash equivalents at the beginning of the period	158	120	143	122	122
Cash and cash equivalents at the end of the period	168	120	168	120	143
Additional information¹:					
Cash and cash equivalents	168	120	168	120	143
Bank overdraft	-334	-148	-334	-148	-304
Committed credit facilities	900	900	900	900	900
Financial resources at the end of the period	734	872	734	872	739
Cash flow from operating activities	178	230	151	313	528
Cash flow from investing activities	-28	-36	-87	-136	-385
Free cash flow	150	194	64	177	143

¹ 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 million	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
June 30, 2021									
Balance at the beginning of the period	250	-3	879	-18	-3	4	-17	25	1,134
Net profit for the period	0	0	1	0	0	0	0	0	1
Other comprehensive income for the period	0	0	2	15	11	-3	23	0	25
Total comprehensive income for the period	0	0	3	15	11	-3	23	0	26
Transactions with owners:									
Purchase of treasury shares	0	-1	-7	0	0	0	0	0	-8
Transfer of treasury shares	0	2	-2	0	0	0	0	0	0
Share-based payments	0	0	9	0	0	0	0	0	9
Dividends paid	0	0	0	0	0	0	0	-25	-25
Balance at the end of the period	250	-2	882	-3	8	1	6	0	1,136

DKK million	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
December 31, 2020									
Balance at the beginning of the period	250	-4	860	7	9	-2	14	49	1,169
Net profit for the period	0	0	76	0	0	0	0	0	76
Other comprehensive income for the period	0	0	-5	-25	-12	6	-31	0	-36
Total comprehensive income for the period	0	0	71	-25	-12	6	-31	0	40
Transactions with owners:									
Transfer of treasury shares	0	1	9	0	0	0	0	0	10
Share-based payments	0	0	13	0	0	0	0	0	13
Dividends paid	0	0	0	0	0	0	0	-98	-98
Interim dividend for 2020	0	0	-49	0	0	0	0	49	0
Proposed dividend for 2020	0	0	-25	0	0	0	0	25	0
Balance at the end of the period	250	-3	879	-18	-3	4	-17	25	1,134

DKK million	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
June 30, 2020									
Balance at the beginning of the period	250	-4	860	7	9	-2	14	49	1,169
Net profit for the period	0	0	49	0	0	0	0	0	49
Other comprehensive income for the period	0	0	0	-2	-10	1	-11	0	-11
Total comprehensive income for the period	0	0	49	-2	-10	1	-11	0	38
Transactions with owners:									
Transfer of treasury shares	0	1	8	0	0	0	0	0	9
Share-based payments	0	0	8	0	0	0	0	0	8
Deferred tax on share-based payments	0	0	1	0	0	0	0	0	1
Dividends paid	0	0	0	0	0	0	0	-49	-49
Proposed interim dividend for 2020	0	0	-49	0	0	0	0	49	0
Balance at the end of the period	250	-3	877	5	-1	-1	3	49	1,176

Notes

Note 1

Accounting policies

The consolidated financial statements for the first six months of 2021 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 2020.

The financial reporting including the consolidated financial statements for the first six months of 2021 and Management's review have been prepared in accordance with additional Danish disclosure requirements for interim reports of listed companies.

See pages 63 to 68 of the Annual Report 2020 for a comprehensive description of the accounting policies applied for recognition and measurement.

Note 2

Quarterly numbers

DKK million	2021			2020		
	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	710	731	749	658	701	722
Cost of goods sold	624	631	638	578	608	619
Gross profit	86	100	111	80	93	103
Sales and marketing costs	30	31	34	31	31	31
Administrative expenses	20	21	22	24	24	25
Operating profit before special items	36	48	55	25	38	47
Special items	63	6	18	6	12	7
Operating profit	-27	42	37	19	26	40
Net financials	-11	-4	-10	-10	-6	6
Profit before income taxes	-38	38	27	9	20	46
Income taxes	-8	7	9	0	6	11
Net profit/loss for the period	-30	31	18	9	14	35

Note 2 - continued

Segment disclosures

DKK million	2021			2020		
	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by customer group						
Life Sciences (excl. NNG)	234	228	203	181	174	159
- Life Sciences (Int.)	165	159	136	122	106	92
- Life Sciences (DK)	69	69	67	59	68	67
Novo Nordisk Group	151	159	209	163	175	185
Life Sciences	385	387	412	344	349	344
Enterprise	182	174	172	164	170	206
Public	75	98	104	91	107	105
Finance	68	72	61	59	75	67
Private & public	325	344	337	314	352	378
Total revenue	710	731	749	658	701	722
Gross profit by business unit						
Life Sciences	58	65	74	52	56	62
Private & public	28	35	37	28	37	41
Total Gross profit	86	100	111	80	93	103
Operating profit before special items by business unit						
Life sciences	29	37	44	21	26	31
Private & public	7	11	11	4	12	16
Total operating profit before special items	36	48	55	25	38	47

The Danish operations generated 73% of NNIT's revenue in the first six months of 2021 and 80% in the same period last year 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

Special items

DKK million	Q2 2021	Q2 2020	6M 2021	6M 2020	12M 2020
Special items relates to:					
Impairment of assets	27	0	27	0	0
Change of members of Executive Management	20	0	20	0	1
Restructuring cost	13	12	19	19	33
Cost regarding acquisition and disposal of subsidiaries	3	0	3	0	9
Total special items	63	12	69	19	43
If special items had been recognized in operating profit before special items, they would have been included in the following line items:					
Cost of goods sold	40	12	46	19	28
Sales and marketing costs	0	0	0	0	4
Administrative expenses	23	0	23	0	11
Total special items	63	12	69	19	43

Impairment

In June 2021 it was decided to optimize the use of the Søborg headquarter building enabling sublease of the unused square meters. As this space should now be seen as a separate right-of-use asset an impairment test has been performed. Based on a value-in-use calculation, applying expected lease rates, timing of subleasing the full area, building preparation costs and a discounting impact, an impairment of DKK 27 million has been recognized.

Note 4
Related party transactions

DKK million	June 30, 2021	June 30, 2020	Dec 31, 2020
Assets			
Receivables from related parties	130	30	194
Work in progress related parties	25	55	55
Liabilities			
Liabilities to related parties	1	0	2
Prepayments from related parties	20	45	45

Note 5
Contingent liabilities and legal proceedings

The group is occasionally involved in legal, customer and tax disputes in certain countries. Such disputes are by nature subject to considerable uncertainty. None of these cases are expected to have a material impact on the financial position of NNIT.

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 stem from transactions carried out in the currencies of countries outside of the EU, primarily the US dollar, the Chinese yuan, and, to a lesser extent, the Czech koruna, the Philippine peso and the Swiss franc.

US dollar risk relates to subsidiaries in the US, and is as such a translation reserve, and therefore not hedged.

NNIT's sales in Chinese yuan, Czech koruna, and Swiss franc are not sufficient to balance the currency risks of the delivery center costs held in these currencies. To manage these 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, 2021 is recognized in equity (other comprehensive income) with an amount of DKK 11m before tax (DKK 8m after tax in Q2 2021).

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 23 million	-
CNY	DKK -16 million	14
CZK	DKK -10 million	14
PHP	DKK -7 million	14
USD	DKK 6 million	-
CHF	DKK 0 million	-

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

*The above sensitivities address hypothetical situations and are provided for illustrative purposes only.

Key currency assumptions

DKK per 100	2019 average exchange rates	2020 average exchange rates	2021 average exchange rates	Current exchange rates at August 5, 2021
CNY	96.53	94.70	95.41	97.04
EUR	746.60	745.43	743.68	743.67
CZK	29.08	28.22	28.76	29.23
PHP	12.88	13.17	12.79	12.61
CHF	671.37	696.32	679.61	693.14
USD	667.03	653.36	616.94	626.99

Currency development

NNIT has a net cost exposure in the Chinese yuan, the Czech koruna, the Philippine peso, the US dollar 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)), Philippine peso (PHP) and Czech koruna (CZK) for the coming 14 months.