**First half highlights**

Performance in-line with upgraded market expectations.

Strong performance across all key operational areas, with strong sales execution underpinning future growth prospects.

Very strong performance across all financial indicators.
- Revenue, profit, cash and sales orders all recording very strong growth.

Strong revenue diversification.
- International up 28% to £12.8m.
- Commercial up 30% to £17.6m.
- SaaS and software-related revenues up 13% to £9.9m.

Ongoing demand within Digital Services.
- Significant engagements within UK Government.
- Strengthened as leading Workday partner, now appointed as partner for Canada.

Digital Platforms making progress against milestones.
- Revenue growth of 13% to £9.9m (H1 2018: £8.7m).
- 139 customers on Kainos Smart (H1 2018: 103).

Maintained strong R&D activity with investment of £2.2m expensed (H1 2018: £2.6m).

Continue to build an exceptionally talented team.
- 1,324 people now working in Kainos, across 11 offices.

---

**Key Performance Indicators**

- **Revenue**: £67.2m (Up 62%)
- **Adjusted Pre-Tax Profit**: £10.1m (Up 42%)
- **Cash**: £38.8m (Up 42%)
- **Sales Orders**: £90.2m (Up 42%)

---

(1) Adjusted pre-tax profit calculated by taking the profit before tax and adding back £1.3 million share-based payments (H1 2018: £0.3 million).
Digital Services: we are a key partner to UK government and the leading European boutique partner for Workday.

Digital Platforms: our software is used by over 170 national and international clients.

- **Digital Transformation**: Online digital platforms for commercial and government clients.
- **Workday Services**: Deployment of Workday SaaS HR and Financial platform for enterprise customers.

(1) Excludes 3rd party revenue. Revenue inclusive of 3rd party for the same periods are: £6.0m, £10.0m, £21.5m, £19.0m and £18.1m representing CAGR of 31.5% (FY14 – FY18).

- **Smart**: Automated testing software that allows Workday customers to verify their Workday configuration both during implementation and in live operation.
- **Evolve EMR**: Digitised patient records platform, focused on the UK and Ireland markets.
Financial Summary

Kainos is a high growth, high margin company providing digital services and digital platforms.

Kainos is headquartered in the UK, with a growing international presence.

H1 2019 results underpin FY19 full year performance.
- Based on consensus market forecasts, FY19 will represent the ninth consecutive year of revenue and adjusted pre-tax profit growth

Financial Metrics.
- Five-year revenue growth CAGR of 23% (FY14-FY18).
- Growth has been entirely organic.
- Excellent revenue visibility: backlog up 29% to £125.6m (H1 2018: £97.1m).
- Strong, sustainable adjusted pre-tax profit(1) margin: 15% (H1 2018: 17%).
- Cash balance up 42% to £38.8m (H1 2018: £27.3m).

Earnings.
- Adjusted diluted EPS: up 35% to 6.6p per share (H1 2018: 4.9p).
- Dividend declared: increased by 40% to 2.8p per share (H1 2018: 2.0p).
- Payment date: 28/12/2018.
- Ex Dividend date: 06/12/2018.

(1) Adjusted to remove the effect of share-based payments
People

We continue to build an exceptionally talented and engaged workforce.

Our international expansion continues and our 12th office, Toronto, will open in early 2019.

Talent development and retention is key to long term success.

- Good levels of engagement, although attrition has increased to 14% (H1 FY2018: 12%).

Recruitment key to our growth plans, with 30% headcount increase to 1,324.

- 244 people joined, 91 from education, 153 from industry.
- 78% hired directly, 22% via agencies.

Where they live.

- Northern Ireland: 678 (+100 people).
- Great Britain: 324 (+171 people).
- Poland: 251 (+20 people).
- Rest of World: 71 (+14 people).

What they work on.

- Digital Services: 946 (+338 people).
Customers

We build long-term relationships with our customers by delivering exceptional value and best-in-class service.

Over 90% of revenue is from our existing clients, a pattern that has repeated over many years.

Revenue diversification continues, across a series of segments.

- Commercial up 30% to £17.6m (H1 2018: £13.6m).
- International up 28% to £12.8m (H1 2018: £10.0m).
- Healthcare up 67% to £11.0m (H1 2018: £6.6m).

Existing customers underpin revenue growth.

- Recurring revenue: 19% (H1 2018: 23%).
- Repeat customer revenue: 76% (H1 2018: 69%).

Best-in-class customer service.

- 90% of customers rating the overall Kainos performance as ‘good’, ‘very good’ or ‘excellent’ (H1 2018: 99%).

New customers.

<table>
<thead>
<tr>
<th>REVENUE TYPE</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurring</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Repeat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

H1 SECTORAL REVENUE
Digital Services

A very strong revenue and margin performance in the past reporting period.

A very strong sales performance, up 50%, has resulted in a very strong backlog and excellent future revenue opportunity.

Digital Services represents 85% of Group revenue.

Very strong revenue performance, up 75%.
- Digital Transformation revenue up 78% to £47.0m (H1 2018: £26.4m).
- Workday Services revenue increased 64% to £10.3m (H1 2018: £6.3m).

Very strong sales performance, up 50%.
- Digital Transformation sales orders up 42% to £67.0m (H1 2018: £47.3m).
- Workday services sales orders up 102% to £15.5m (H1 2018: £7.7m).

Backlog increased by 58% to £90.3m (H1 2018: £57.3m).

Good progress in Commercial Sector (27% growth), but outpaced by Public Sector expansion (81% growth).
Digital Transformation

With over 80 projects delivered in the UK Public Sector, we have established a clear reputation for delivering value, at pace.

We remain well-positioned to maintain a central role in Public Sector transformation.
Digital Transformation

Continued demand from UK Public Sector and continued progress in the Commercial Sector.

Early business generation activity in UK NHS market showing promise.

Very strong performance in Central Government.
- Extended our presence Central Government, now operating across 16 major departments and agencies, adding Department for International Trade in the past period.

Brexit: no impact.
- Clear, unwavering Government commitment to deliver key digital programmes, reflected in revenue growth and strong sales order closure.

Progress continues in the Commercial Sector.
- A total of 37 clients engaged in digital projects; across UK, Ireland and Germany.
- New projects focused on data and data insights, typically the starting point for major transformation programmes.

Developing NHS Digital Opportunity.
- Delivering significant elements of NHS Online and the NHS App, both of which entered private beta testing in October 2018 and on schedule for general availability in December 2018.

MARKET SIZE

£885m
UK PUBLIC SECTOR FY18 SPEND

COMPETITIVE LANDSCAPE
CENTRAL GOVERNMENT

valtech. bjss ThoughtWorks
methods Deloitte.

COMMERCIAL SECTOR

"bjss ThoughtWorks"

COMMERCIAL DYNAMICS
- Direct sales model.
- Primarily time and materials.
Case Studies: Digital Transformation

Our services are driving digital transformation in government, healthcare and the commercial sectors, nationally and internationally.

<table>
<thead>
<tr>
<th>Department for Transport – Street Manager</th>
<th>NewDay</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approx. 2.5 million street and road works each year.</td>
<td>6 million customers of popular credit cards - Amazon, Debenhams and Top Shop.</td>
</tr>
<tr>
<td>Across 153 Local Highway Authorities and 60 utility companies in England.</td>
<td>Ingesting 100GB of data daily.</td>
</tr>
<tr>
<td>£10m investment in Street Manager.</td>
<td>Fully PCI DSS Compliant cloud hosted solution protecting 8 million credit cards.</td>
</tr>
<tr>
<td>• A new digital service to transform planning, management and communication of street and road works.</td>
<td>• We are NewDay’s strategic data partner, creating a contemporary, scalable, agile data platform based on open source and cloud technologies.</td>
</tr>
<tr>
<td>• A single source of accurate data on live and planned works that will be used to minimise disruption and improve journeys for the public and emergency services.</td>
<td>• NewDay is on a journey to become the leading digitally-enabled consumer finance provider in the UK.</td>
</tr>
</tbody>
</table>
Globally, there are 33 partners accredited to implement Workday’s SaaS platform.

24 of those are boutique (specialist) partners.

Our ambition is to be the #1 boutique partner, globally.
Workday Services

Of the 33 partners accredited to implement Workday’s innovative SaaS platform, we are one of the most experienced participants in the partner ecosystem.

**Workday Services**

**Strengthened our position as leading European partner.**
- Strong sales closure: 33 deals signed (H1 2018: 16).
- A total of 34 clients in mainland Europe (H1 2018: 17).

**Continued regional expansion, entering North American market.**
- Appointed as a Workday partner in Canada.
- Signed first implementation project in US.

**Maintained leadership position in UK Public Sector.**
- Leveraging Kainos reputation within UK public sector.
- 7 customers now signed by Workday, 6 are being delivered by Kainos.

**Increased annuity-style Post Deployment Service, supporting customers already live on Workday.**
- Accounts for £4.0m (H1 2018: £1.7m) with 68 customers (H1 2018: 23).

**Mercer acquired France-based Everbe in June 2018.**

**Continue to develop our people: 197 accredited consultants (H1 2018: 137).**

---

**MARKET SIZE**

£110m

UK & NORTHERN EUROPE

**COMPETITIVE LANDSCAPE**

- cloudator (NORDICS)
- alight (UK, EUROPE)
- onesource (UK, EUROPE)
- APPIRIO (UK, EUROPE)
- ataraxis (BENELUX)

**COMMERCIAL DYNAMICS**

- Direct sales model.
- Primarily time and materials.
Case Studies: Workday Services

Our focus on delivering customer success has resulted in excellent client references, both locally and internationally.

**ConsenSys**
- 1100 employees globally.
- ConsenSys Labs is incubating over 50 active projects.

- Deployment of Workday Financials globally for ConsenSys across their 7 core countries USA, UK, France, Switzerland, Canada, Ireland and Romania within 12 weeks.
- An additional 5 countries will be completed in phases 2 and 3.
- First client in the Blockchain market.

**Innovate UK**
- 500+ employees.
- Government Agency, part of UK Research and Innovation.
- Have invested £2.5bn in UK businesses.

- Appointed in 2017 to implement the HCM and Financials modules.
- Now been extended to include Post Deployment.
Revenues increased 13% to £9.9m (H1 2018: £8.7m).
- Five-year CAGR of 32% (FY14-FY18).
- Currently represents 15% of Group revenue.
- Strong long-term revenue visibility, with backlog at £35.4m (H1 2018: £39.8m).

Maintained strong R&D activity with investment of £2.2m expensed (H1 2018: £2.6m).
- Slight reduction in expenditure as major development milestones achieved.

Smart for Workday.
- A SaaS platform uniquely engineered for the Workday product suite and is used to automatically verify Workday configurations in 139 customers globally.

Evolve Electronic Medical Record (EMR).
- The leading EMR platform, selected by 35 NHS Trusts, deployed across 110 hospitals, with 35 million patients registered and managing 1.5 billion images.
Over 135 global customers using Smart.
- Further 28 signed in H1 including Cloudera, Deakin University Australia, Desjardins Insurance and Delivery Hero.

Financial performance underlines strength of product and market opportunity.
- Revenue: up 43% to £5.2m (H1 2018: £3.6m).
- Sales Orders: up 27% to £7.3m (H1 2018: £5.7m).

Four Smart modules: HCM, Security, Financials and Payroll.
- Over 90% of customers have purchased both HCM and Security subscriptions.

Workday Cloud Platform (WCP).
- Workday’s Platform as a Service (PaaS) offering.
- Kainos is part of Workday’s early adopter programme.
- Offers future opportunity – additional IP development, specialised development services to Workday customers and partners.

3,600 WORKDAY Inc. CLIENTS BY FY21

£210m

MARKET SIZE

COMPETITIVE LANDSCAPE

COMMERCIAL DYNAMICS
- Direct sales model.
- Subscription (SaaS).
Case Studies: Smart for Workday

Smart is a cloud-based SaaS solution licensed on a subscription basis to customers.

Sun Life Assurance of Canada

- 34,000 employees.
- $29.3 billion in revenues.
- Presence in 26 countries.

- Smart reduced testing time for six-monthly Workday update by 75%.
- Also using Smart HCM and Security modules for weekly regression testing.
- Used Smart to test new functionality when rolling out Workday in AsiaPac.

EW Scripps

- 4,100 employees.
- Leading US broadcaster with 33 stations nationwide.
- $865 million in revenues.

- Utilising Smart to streamline testing during their initial Workday implementation.
- Smart automated testing modules: HCM & Integrations, Security and Payroll.
- Smart used to improve test coverage and save on manual test effort.
Evolve

Evolve EMR is the leading product for the digitisation of patient records in the Acute Sector of the NHS.

Current projects in Ireland suggest a wider opportunity within the market.

Performance reflects continuing NHS funding headwinds.
- Revenue down 8% to £4.7m (H1 2018: £5.1m).
- Sales Orders at £0.5m (H1 2018: £2.7m).

Slight increase in NHS procurement activity, but generally a subdued picture.

First hospitals now live in Ireland.
- Successful, live operation commenced in Saolta Group (Galway) in November 2018, with National Children’s (Dublin) scheduled for early 2019.
- Irish market represents 48 hospitals and care locations.

Termination of US partner arrangement referred to US counsel.
- Early termination by InTouch Health of partner arrangement being pursued in US courts for unpaid contracted revenues.

REVENUE TREND

MARKET SIZE

£200m
OVER 90 TRUSTS IN ENGLAND TO PROCURE

COMPETITIVE LANDSCAPE

COMMERCIAL DYNAMICS
- Direct sales model.
- Historically perpetual licence, moving to a subscription/SaaS model.

1926/11/2018
Financials: Income Statement

Exceptional revenue growth.

Gross margin impacted by use of contractors.

Net margins impacted by recruitment and geographic expansion costs.

Digital Services:
- Very strong revenue growth in both segments.
  - Digital Transformation: 78%.
  - Workday Services: 64%.
- Gross Margin decreased by 4%.
  - Underlying staff margin unchanged.
  - Increased use of contractors and partners.
  - Utilisation 76% (H1 2018: 73%).

Digital Platforms:
- Strong revenue growth: 13%.
  - Smart revenue growth: 43%.
  - Evolve revenue decline: 8%.
- Gross margin increased by 5%.
  - Mix related – higher margins for Smart.

Operating expenses:
- Digital Services increase 94%
  - Digital Platforms increase 3%.
  - Reduced Evolve R&D spend.
  - Increased Smart R&D spend.
- Central overheads increase 88% (58% excluding recruitment costs and Evolve OEM write off).

Tax rate 20% (H1 2018: 19%).

INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
<th>FY 2018</th>
<th>HY Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Services</td>
<td>57.3</td>
<td>32.7</td>
<td>78.6</td>
<td>75%</td>
</tr>
<tr>
<td>Digital Platforms</td>
<td>9.9</td>
<td>8.7</td>
<td>18.1</td>
<td>13%</td>
</tr>
<tr>
<td>Revenue</td>
<td>67.2</td>
<td>41.4</td>
<td>96.7</td>
<td>62%</td>
</tr>
<tr>
<td>Digital Services</td>
<td>25.0</td>
<td>15.4</td>
<td>36.0</td>
<td>62%</td>
</tr>
<tr>
<td>Digital Platforms</td>
<td>5.8</td>
<td>4.7</td>
<td>10.6</td>
<td>23%</td>
</tr>
<tr>
<td>Gross profit</td>
<td>30.8</td>
<td>20.1</td>
<td>46.6</td>
<td>53%</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(20.8)</td>
<td>(13.0)</td>
<td>(31.3)</td>
<td>(59%)</td>
</tr>
<tr>
<td>Adjusted pre-tax profit</td>
<td>10.1</td>
<td>7.1</td>
<td>15.3</td>
<td>42%</td>
</tr>
<tr>
<td>Adjusted pre-tax profit margin</td>
<td>15%</td>
<td>17%</td>
<td>16%</td>
<td></td>
</tr>
<tr>
<td>Share based payments</td>
<td>(1.3)</td>
<td>(0.3)</td>
<td>(1.1)</td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>8.7</td>
<td>6.8</td>
<td>14.2</td>
<td>28%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(1.8)</td>
<td>(1.3)</td>
<td>(2.6)</td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>7.0</td>
<td>5.5</td>
<td>11.7</td>
<td>27%</td>
</tr>
</tbody>
</table>
Financials: Balance Sheet and Cashflow

**Balance Sheet:**
- Limited fixed assets; IT, office equipment.
- Underlying trade receivables/WIP total 68 days (FY 2018: 75 days).
- Increase in WIP at period end to £9.1m (H1 2018: £8.1m).
- Significant cash reserves £38.8m.
- Debt free.

**Cashflow:**
- Cash conversion 93%[^1] (H1 2018: 63%[^1]).
- Improved working capital.
- Dividend declared 2.8p (H1 2018: 2.0p).

---

**Balance Sheet:**

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets and investments</td>
<td>3.6</td>
<td>2.9</td>
</tr>
<tr>
<td>Receivables and WIP</td>
<td>30.1</td>
<td>22.4</td>
</tr>
<tr>
<td>Other assets</td>
<td>3.7</td>
<td>2.4</td>
</tr>
<tr>
<td>Cash</td>
<td>38.8</td>
<td>27.3</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>76.2</strong></td>
<td><strong>55.0</strong></td>
</tr>
<tr>
<td>Liabilities</td>
<td>(30.4)</td>
<td>(18.8)</td>
</tr>
<tr>
<td><strong>Shareholders’ funds</strong></td>
<td><strong>45.8</strong></td>
<td><strong>36.2</strong></td>
</tr>
</tbody>
</table>

**Cashflow:**

<table>
<thead>
<tr>
<th></th>
<th>H1 2019</th>
<th>FY 2018</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>10.5</td>
<td>16.3</td>
<td>7.6</td>
</tr>
<tr>
<td>Cash generated by operations</td>
<td>9.8</td>
<td>15.7</td>
<td>4.8</td>
</tr>
<tr>
<td>Cash Conversion</td>
<td>93%</td>
<td>96%</td>
<td>63%</td>
</tr>
<tr>
<td>Taxation</td>
<td>(0.5)</td>
<td>(1.5)</td>
<td>(0.6)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(1.0)</td>
<td>(1.2)</td>
<td>(0.5)</td>
</tr>
<tr>
<td>Dividends</td>
<td>-</td>
<td>(7.5)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net cash inflow/(outflow)</strong></td>
<td><strong>9.9</strong></td>
<td><strong>5.4</strong></td>
<td><strong>3.6</strong></td>
</tr>
</tbody>
</table>

[^1]: Cashflow from Operations (CFFO) divided by adjusted EBITDA
[^2]: EBITDA adjusted for share based payments
Market Expansion

Kainos remains on track to meet upgraded full year expectations.

We are expanding our offerings across our key sectors.
This document contains statements about Kainos Group plc that are or may be forward-looking statements. Forward-looking statements include statements relating to (i) future capital expenditures, expenses, revenues, earnings, synergies, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (ii) business and management strategies and the expansion and growth of Kainos Group plc’s operations; and (iii) the effects of government regulation on business.

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