Annual report 2019

NNIT A/S, Oestmarken 3A, DK-2860 Soeborg • CVR no. 21 09 31 06

NNIT
We make a mark

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At a glance

Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia.

NNIT is a leading provider of IT transformation services and solutions to international life sciences companies and for the Danish private and public sector.

At NNIT, we stand firmly on our three core values and we strongly believe that we can make a mark on business and society together with our clients and partners.

Revenue,
DKK million

3,058

NNIT revenue in 2019. A growth of 1.7%

Operating profit margin before special items

7.8%

Operating profit margin before special items in 2019 compared to 10.2% in 2018

Life sciences international revenue growth

70%

Life sciences international revenue growth in 2019. Organic revenue growth was 17% in 2019

Employees at year-end

3,207

Average number of full-time employees in 2019 was 3,237

Backlog visibility

71%

of revenue contracted at beginning of 2019

Payout ratio

54%

Dividends proposed on net profit in 2019 compared to 48% in 2018

Equity story

Leading Danish IT services company with potential to further utilize life sciences DNA internationally.

- **Top two Danish IT market leader**[1]
- **>20% historical organic revenue growth outside Denmark**[2]
- **Strong domain knowledge within life sciences**[3]
- **Large potential in Denmark and international life sciences markets**[4]
- **Strongholds:** Regulated IT, Hybrid cloud, Cybersecurity
- **Strong employer brand**[5]
- **Successful acquisition track record**[6]
- **High dividend pay-out ratio >45%**[7]

[1] Leading market share in IT services market in Denmark. Based on Gartner "IT services market share 2018"
[2] Last 3 years performance in International Life Sciences. Based on average yearly growth from 2016-2019 in International Life Sciences
[3] Especially within the following areas: Regulatory Affairs, Quality Management, Pharma Production IT and Veeva solutions
[4] The market share in Denmark is below 7% and internationally below 1%. Based on Gartner Q3 2018 and NNIT data, International is International Life Sciences in North America, Western Europe and Greater China
[5] Rated as one of the most attractive IT workplaces in Denmark. Ranked number one in category consultant and four in total in IT company Rank 2019 from Version2. Ranked the seventh most attractive IT employer from Universum 2019
[6] Three acquisitions performed in the past three years. SCALES in 2017, Valiance Partners in 2018 and Halfmann Goetsch Partner in 2019
[7] Defined as dividends paid on net profit for the previous fiscal year

2019 leaves a mixed picture

2019 was a year that represented a very mixed picture for NNIT. Growth in international life sciences continued to be very strong, while changes in buying patterns from some of NNIT's largest clients and a decrease in project revenue from the Novo Nordisk Group resulted in significant pressure on the NNIT business. Reported revenue growth of 1.7% and an operating profit margin before special items of 7.8% was disappointing.

In the annual report for 2018 we introduced an updated business focus alongside a considerable organizational change. Both moves were preparation for anticipated new business behavior from both existing and future clients. While we were expecting new business opportunities as a result, we were also anticipating a change in clients' purchasing behavior – among other things, from single-vendor to multi-vendor perspective, resulting in fewer large agreements than seen previously.

This did help us enable growth. The international life sciences area has consistently demonstrated growth of more than 20% over the last three years, 2019 included. International life sciences remain a strategic focus area for NNIT, and we are encouraged by its prospects. To further advance this growth, we continue to invest in the area, not least through acquisitions that have proven highly valuable, such as the acquisition of US-based Valiance Partners in October 2018.

In April 2019, we acquired Swiss-based Halfmann Goetsch Partner (HGP) that is recognized as one of the strongest providers of IT compliance and quality management services to pharmaceutical companies. With the addition of HGP's excellence, reputation and network within IT compliance, we expect to generate cross-sales synergies. Among others within pharmaceutical production, where HGP's thought leadership fits well with NNIT's existing portfolio of IT-services.

In other segments we unfortunately saw another picture. We adjusted our financial expectations for the year due to a low operating profit margin in Q1 2019 as well as a large decline in the order entry backlog and operating profit margin from the Novo Nordisk Group. As we published our half-year results, the situation had not improved and

Carsten Dilling, Chairman

Per Kogut, CEO

to mitigate this we announced a business and cost reduction plan including reduction of 250 positions.

We also experienced an unexpected termination of the application maintenance agreement with the Novo Nordisk Group while PANDORA chose to terminate their business with NNIT, both with effect from 2020.

The decline in revenue from the Novo Nordisk Group of 15.1% and growth from other clients of 11.7% leaves NNIT with a more diversified client composition. Thus, the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 69% in 2019 from 63% in 2018 and less than 50% at the time of the IPO in 2015.

The updated business focus presented in January 2019 was based on a thorough review of the direction set at our IPO. Many of the elements in the strategy worked well in 2019, including the growth of our business within international life sciences. However, with the unexpected sharp decline in business, increasing competition from new entrants as well as disappointing results with the infrastructure outsourcing area, the board has over the last six months reassessed the strategy through a comprehensive strategy review.

It is clear that in order to improve profitability NNIT needs to have a more focused go-to market strategy in high growth areas leveraging our existing strong capabilities or areas where we have the potential to build strong capabilities - our "winning solutions".

These winning solutions will be based on proven standardized concepts which are delivered fit for purpose and first time right. This will underpin our customer centricity while at the same time ensuring higher margins. A selection of winning solutions can also act as the door opener to infrastructure outsourcing contracts.

Along with implementing this focused go-to market strategy, we will carry through with the earlier announced business and cost restructuring plan reducing costs by DKK 150 million in 2020; targeting a full-year run rate impact of minimum DKK 200 million in 2021.

Key elements in this plan are standardization, continuous automation, higher billable utilization of project staff, and better project execution, as well as reduction in staff functions. All these initiatives will be supported by the standardizations made possible through a focus on winning solutions.

Looking ahead, we anticipate 2020 to be a year of change and transition. While our new strategy formulates our direction and our ambition, it also requires investments and organizational changes as well as cultural changes. We believe we stand well prepared as one of the strongest IT brands in Denmark and we can gain further ground internationally just like we proved in 2019. Not least due to our highly skilled employees who continue to demonstrate their dedication and passion.

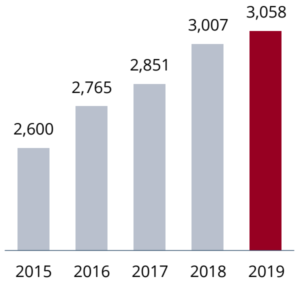
On behalf of NNIT's Management and its Board of Directors, we would like to extend our sincere gratitude to all our clients and our dedicated employees. Our employees remain the foundation of the company. Also special thanks to shareholders and partners for your continued support.

Carsten Dilling, Chairman
Per Kogut, CEO

Main highlights 2019

Revenue

DKK million

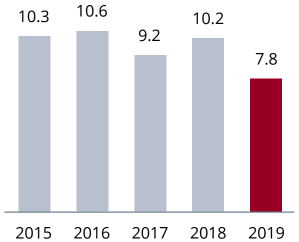


3,058

- Revenue grew by 1.7% driven by international life sciences and finance clients
- 11.7% growth in revenue from clients outside the Novo Nordisk Group, while revenue to the Novo Nordisk Group declined by 15.1%
- Organic revenue growth was negative 1.5% and positive 6.2% when excluding the Novo Nordisk Group

Operating profit margin

%

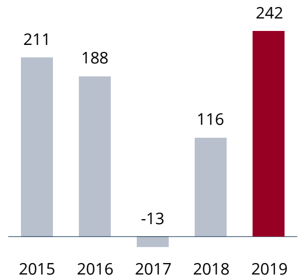


7.8%

- Operating profit margin before special items of 7.8% (10.2% in 2018). The operating profit was impacted by declining revenue and prices from the business with the Novo Nordisk Group
- Operating profit margin after special items of 7.0% (10.2% in 2018)

Free cash flow

DKK million



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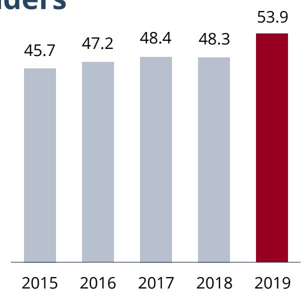
- NNIT generated a free cash flow of DKK 242 million in 2019 compared to DKK 116 million in 2018. 2018 was impacted by the up-front payment for the acquisition of Valiance (DKK 162 million), whereas 2019 was impacted by the up-front payment for the acquisition of HGP (DKK 58 million) and from commercial factoring (DKK 149 million), see note 3.6 for further information

Payout to shareholders

%

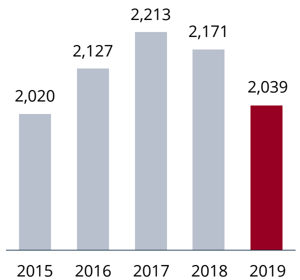


4.0

- Proposed dividend for 2019 of DKK 98 million (2018: DKK 113 million) corresponds to a payout ratio of 54% and a dividend yield of 3.6%
- Dividends are normally paid out twice a year, an interim dividend after Q2 and an ordinary dividend after Q4
- Earnings per share of DKK 7.43

Order backlog

DKK million

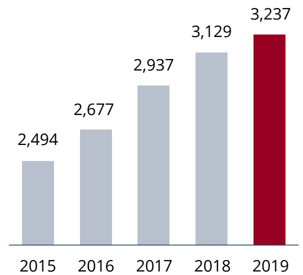


2,039

- NNIT's order backlog of signed contracts for delivery in 2020 at December 31, 2019
- Year on year decline in backlog for 2020 of 6.1% compared to the backlog for 2019 impacted by expiry of the large application maintenance agreement with the Novo Nordisk Group and loss of PANDORA agreement

Growth in employees

%



3.4%

- Average number of full-time employees in 2019 was 3,237. This was 3.4% higher than in 2018
- The share of employees outside Denmark increased to 50% in 2019 from 49% in 2018

Protecting your assets with IT security

In an increasingly complex world of IT, the protection of business assets becomes progressively more important and more sophisticated.

As more and more random and targeted cyberattacks continue to threaten businesses globally, the need for mitigating and protecting company assets grows. At NNIT, the Cyber Defense Center encompasses all NNIT's security related response services. We support 24/7 monitoring and response by certified cybersecurity specialists with an agile delivery model that is customizable to the client needs.

NNIT offers a wide range of services that help clients achieve the right level of security protection for their business and to avoid financial and reputational damage. From initial security assessment to getting an overview of the current threat landscape, pain points and desired risk profile. NNIT also support clients' developing a roadmap for implementing the identified security initiatives and advise and manage across all aspects of the security landscape, including the people, process and technology areas.

NNIT cybersecurity motto is to 'predict, prevent, and respond'.

Five-year performance highlights

DKK million	2019	2018	2017	2016	2015	2018 -2019
Financial performance						
Revenue:						Change
Novo Nordisk Group	955	1,124	1,185	1,238	1,316	-15.1%
Life sciences international	361	212	153	127	125	70.5%
Life sciences Denmark	230	222	222	231	209	3.8%
Life sciences	1,546	1,558	1,560	1,597	1,650	-0.8%
Enterprise	802	794	684	546	385	1.1%
Public	392	399	354	385	375	-1.7%
Finance	318	256	253	237	191	23.7%
Private & Public	1,512	1,449	1,291	1,168	951	4.3%
Total revenue	**3,058**	**3,007**	**2,851**	**2,765**	**2,600**	**1.7%**
EBITDA before special items	498	554	494	437	410	-10.3%
Depreciation and amortization	259	247	232	144	141	4.6%
Operating profit before special items[1]	239	307	262	293	269	-22.3%
Special items[1]	24	0	0	0	0	n.a.
Operating profit (EBIT)	215	307	262	293	269	-30.1%
Net financials	16	-2	-10	-13	3	n.a.
Net profit	**183**	**236**	**199**	**216**	**212**	**-22.5%**
Investment in tangible assets	134	146	327	165	141	-8.3%
Investments in intangible assets and acquisition in subsidiaries	87	177	108	14	0	-50.2%
Total assets	2,613	2,545	2,322	1,591	1,336	2.7%
Equity	1,169	1,085	974	846	741	7.8%
Dividends proposed/paid	98	113	105	102	97	-12.8%
Free cash flow	242	116	-13	188	211	108.2%
Earnings per share						
Earnings per share (DKK)	7.43	9.60	8.17	8.89	8.76	-22.6%
Diluted earnings per share (DKK)	7.36	9.52	7.97	8.85	8.73	-22.7%
Employees						
Average number of full-time employees	3,237	3,129	2,937	2,677	2,494	3.4%

DKK million	2019	2018	2017	2016	2015	2018 -2019
Financial ratios						
Revenue growth	1.7%	5.5%	3.1%	6.3%	7.9%	
Gross profit margin	15.5%	18.0%	18.0%	19.6%	19.9%	
EBITDA margin	16.3%	18.5%	17.3%	15.8%	15.8%	
Operating profit margin before special items	7.8%	10.2%	9.2%	10.6%	10.3%	
Operating profit margin	7.0%	10.2%	9.2%	10.6%	10.3%	
Effective tax rate	21.0%	22.8%	21.2%	23.0%	22.0%	
Investments/Revenue	5.4%	5.3%	11.8%	6.4%	5.4%	
Return on equity[2]	16.2%	22.9%	21.8%	27.2%	29.8%	
Solvency ratio	44.8%	42.6%	41.9%	53.2%	55.5%	
Return on invested capital (ROIC)[2,3]	10.4%	16.1%	20.8%	37.6%	38.3%	
Cash to earnings[2]	132.3%	49.3%	-6.3%	87.3%	99.2%	
Cash to earnings (three-year average)[2]	55.9%	44.9%	61.7%	86.6%	93.2%	
Additional numbers[4]						
Order entry backlog for the current year	2,039	2,171	2,213	2,127	2,020	-6.1%

1) Special items comprise restructuring costs related to the business and cost restructuring plan
2) Financial metrics are moving annual total (MAT), i.e. annualized. Cash to earnings (three-year-average) is calculated using the past 36 months
3) Net profit/average invested capital
4) Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in the future

2019 financial performance

NNIT delivered revenue growth of 1.7% and an operating profit margin before special items of 7.8%.

NNIT's 2019 revenue growth of 1.7% and operating profit margin before special items of 7.8% (8.0% in constant currencies) were in line with the most recent outlook provided in October 2019. Revenue growth and operating profit margin before special items were below the outlook provided in January 2019 due to a large decrease in revenue and operating profit margin from the Novo Nordisk Group.

Investments were in line with the outlook provided in January 2019 and reiterated in October 2019.

Revenue development
Revenue increased by 1.7% (1.2% in constant currencies) in 2019 driven by 70% and 24% growth from the international life sciences and finance clients, respectively. Clients from life sciences Denmark increased by 3.8% and enterprise clients by 1.1%. This was partly countered by a decline in revenue from the Novo Nordisk Group of 15.1% and public clients of 1.7%. Revenue from clients outside the Novo Nordisk Group increased by 11.7%. Adjusted for acquisitions, organic growth was negative 1.5% including the Novo Nordisk Group and positive 6.2% excluding the Novo Nordisk Group.

As a consequence the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 69% in 2019 from 63% in 2018.

Gross profit, costs and operating profit
Gross profit decreased by 12.2% due to declining revenue and lower margins from business with the Novo Nordisk Group. Following the unsatisfactory gross profit development, NNIT has initiated a business and cost restructuring plan with a targeted impact of DKK 150 million in 2020 and a targeted full year run-rate impact of minimum DKK 200 million from 2021. The gross profit margin was 15.5% in 2019 compared to 18.0% in 2018.

Sales and marketing costs increased by 3.0% due to increased activities with the acquisitions of Valiance and HGP. Administrative expenses decreased by 1.0% in 2019 mainly due to cost efficiencies.

Operating profit before special items decreased by 22.3% to DKK 238.7 million, corresponding to an operating profit margin of 7.8%, which was 2.4pp lower than in 2018 due to the above-mentioned developments.

Special items amounted to DKK 23.8 million and was mainly related to severance payments to terminated employees. Operating profit margin after special items was 7.0% in 2019.

Life sciences, revenue and profitability review
Revenue in life sciences decreased by 0.8% in 2019 driven by the decline in revenue from the Novo Nordisk Group partly offset by growth from international life sciences and clients from life sciences Denmark.

Novo Nordisk Group
Revenue from the Novo Nordisk Group declined by DKK 169.3 million or 15.1% in 2019, primarily due to a significant reduction in project activity and lower prices.

Life sciences international
Revenue from life sciences international clients increased by 70.5% in 2019 driven by the contribution from the Valiance acquisition with impact from November 2018, the HGP acquisition with impact from April 2019 and increased project activity. Organic growth was 17.1% in 2019 driven by increased revenue within Compliance as a Service, Veeva solutions and regulatory affairs offerings.

Customer group

DKK million	2019	2018	2018-2019
Novo Nordisk Group	955	1,124	-15.1%
Life sciences international	361	212	70.5%
Life sciences Denmark	230	222	3.8%
Life sciences	**1,546**	**1,558**	**-0.8%**
Enterprise	802	794	1.1%
Public	392	399	-1.7%
Finance	318	256	23.7%
Private & Public	**1,512**	**1,449**	**4.3%**

Life sciences Denmark
Revenue from clients in life sciences Denmark increased by 3.8% in 2019 mainly due to higher project activity with existing clients.

The decline in revenue and prices from the Novo Nordisk Group had a significant negative impact on gross profit, operating profit and corresponding margins. Further, margins were impacted negatively by costs from purchase price allocation (PPA) in relation to the acquisitions of Valiance Partners and HGP which typically impact NNIT for a period of two-three years after the acquisitions. Operating profit before special items in the life sciences segment decreased by 27.5% to DKK 203.0 million leading to an operating profit margin of 13.1% compared to 18.0% in 2018.

Private & Public, revenue and profitability review
Revenue in the private & public segment increased by 4.3% in 2019 driven by finance and enterprise clients which was partly offset by public clients.

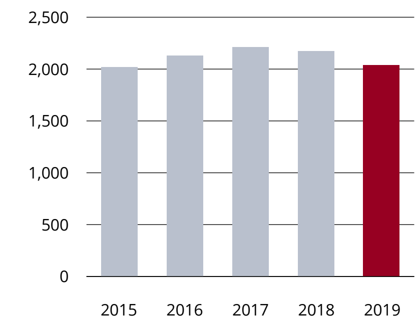
Enterprise clients
Revenue from enterprise clients increased by 1.1% driven by sales to GN Hearing and full year effect of STARK partly countered by price reductions and lower scope on some of the large enterprise agreements.

Income statement

DKK million	2019	2018	Change
Revenue	**3,058**	**3,007**	**1.7%**
Cost of goods sold	2,583	2,466	4.7%
Gross profit	**475**	**541**	**-12.2%**
Gross profit margin	15.5%	18.0%	-2.5pp
Sales and marketing costs	131	128	3.0%
Administrative expenses	105	106	-1.0%
Operating profit before special items*	**239**	**307**	**-22.3%**
Operating profit margin before special items*	7.8%	10.2%	-2.4pp
Special items*	24	0	n.a.
Operating profit	**215**	**307**	**-30.1%**
Operating profit margin	7.0%	10.2%	-3.2pp
Net financials	16	-2	n.a.
Profit before tax	**231**	**305**	**-24.3%**
Tax	48	69	-30.3%
Effective tax rate	21.0%	22.8%	-1.8pp
Net profit	**183**	**236**	**-22.5%**

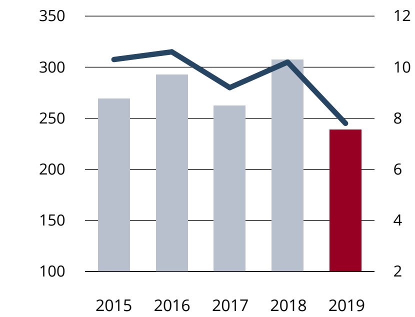
* Special items comprise restructuring costs related to the business and cost restructuring plan

Order entry backlog
DKK million



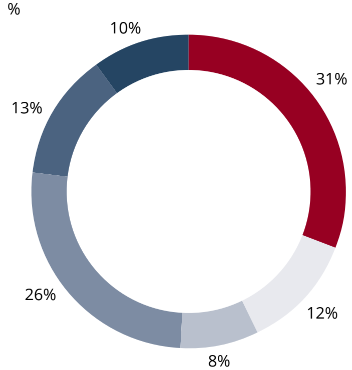
Contracts for delivery in the year at the beginning of the year

Operating profit and margin before special items
DKK million %



Operating profit before special items
Operating profit margin before special items

Revenue by customer group
%



Novo Nordisk Group
Life sciences international
Life sciences Denmark
Enterprise
Public
Finance

Public clients
Revenue from public clients decreased by 1.7% due to the lower scope on the agreement with DSB.

Finance clients
Revenue from finance clients increased by 23.7% mainly due to expansion of service level agreements with existing clients and the new contracts with AP Pension and SDC.

Operating profit before special items in private & public increased by 31.2% to DKK 35.7 million leading to an operating profit margin of 2.4%. A strong growth and margin development in the Microsoft D365 ERP implementation business is partly offset by price reductions and lower scope on large outsourcing agreements.

Order entry backlog

At the beginning of 2020, NNIT's order entry backlog for 2020 amounted to DKK 2,039 million, which was a decline of 6.1% compared to the backlog for 2019 at the beginning of 2019. The backlog from the Novo Nordisk Group declined by 26.4% while the backlog for life sciences and private & public clients increased by 12.3% and 4.4%, respectively. The decline in the Novo Nordisk Group order entry backlog is due to expiry of the large application maintenance agreement which has not been prolonged, while the order entry backlog in private & public is impacted by the loss of PANDORA agreement, but still showing a growth of more than 4% due to strong growth from other clients.

The high growth in NNIT's project business with low backlog visibility and a declining multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth than in previous years.

Net financials and tax

Net financials showed an income of DKK 16.1 million in 2019 compared to an expense of DKK 2.3 million in 2018. The improvement was primarily due to higher gains on cash flow hedges and a positive effect from earn-out adjustments (DKK 8.3 million). Income tax decreased to DKK 48.4 million in 2019 compared to DKK 69.5 million in 2018, mainly due to the lower profit before tax and adjustments from prior years. The effective tax rate for 2019 was 21.0%, a decrease of 1.8pp compared to 2018 due to adjustments related to prior years.

Capital expenses and free cash flow

Investments amounted to DKK 166.5 million in 2019 compared to DKK 160.5 million in 2018. The increase is related to replacement of fully depreciated equipment and investments related to new clients. The free cash flow for 2019 was DKK 241.7 million compared to a free cash flow of DKK 116.1 million in 2018. 2018 was impacted by the acquisition of Valiance Partners (DKK 162.3 million), whereas 2019 was impacted by the acquisition of HGP (DKK 57.9 million). Further, the increase is mainly related to commercial use of factoring on two of NNIT's larger clients with a strong credit profile (please see note 3.6 for further information) partly offset by the lower operating result, other changes in working capital and higher investments.

NNIT paid ordinary dividends of DKK 63.9 million in March 2019 and interim dividends of DKK 49.2 million in August 2019. 2019 net cash flow amounted to DKK 14.4 million compared to a DKK 33.0 million outflow in 2018.

Balance sheet

Net cash and cash equivalents were negative with DKK 109.1 million at December 31, 2019, an increase of DKK 26.0 million relative to December 31, 2018. Equity at December 31, 2019 amounted to DKK 1,169.4 million, an increase of DKK 84.5 million compared to December 31, 2018. The improvement was due to net profits offset by the payment of ordinary dividends for 2018 (DKK 63.9 million) and interim dividend for 2019 (DKK 49.2 million).

Events after the balance sheet date

There have been no events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2019.

Business areas

DKK million

Life sciences	**2019**	2018	2018-2019
Revenue	1,546	1,558	-0.8%
Operating profit before special items	203	280	-27.5%
Operating profit margin before special items	13.1%	18.0%	4.9pp

Private & Public	**2019**	2018	2018-2019
Revenue	1,512	1,449	4.3%
Operating profit before special items	36	27	31.2%
Operating profit margin before special items	2.4%	1.9%	0.5pp

Revenue growth

1.7%

5.5% (2018)

Ten largest clients' share of NNIT's total revenue:

63%

69% (2018)

Novo Nordisk Group share of NNIT's total revenue:

31%

37% (2018)

Outlook

The order entry backlog for 2020 at the beginning of Q1 2020 declined by DKK 131.9 million to DKK 2,039 million, or by 6.1%, compared to the order entry backlog for 2019 at the beginning of Q1 2019. The declining order entry backlog is primarily due to the earlier announced termination of the application maintenance agreement with the Novo Nordisk Group (effect from January 1, 2020) and the termination of the business with PANDORA (expected revenue of around one quarter of the revenue in 2019).

The large operations maintenance agreement with the Novo Nordisk Group expires at the end of 2020. However, in the following guidance it is assumed that the agreement is renegotiated and prolonged during the first half of 2020 with an impact from the time of signing.

NNIT's guides a revenue decline of 4-8% in constant currencies for 2020 excluding potential new acquisitions in 2020. The operating profit margin before special items (DKK 15-25 million) in constant currencies is expected to be in the range of 6-8%. Investments are expected to be 5-7% of revenue.

The guidance is based on a number of important assumptions, including that business performance, client and competitor actions will remain stable and that key currency exchange rates will remain at the current (as of January 22, 2020) levels versus Danish kroner.

Summary of current expectations

	Current guidance
Organic revenue growth	
in constant currencies*	-4% to -8%
Operating profit margin before special items	
in constant currencies*	6-8%
Investments / revenue	5-7%

* Constant currencies measured using average 2019 exchange rates

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 28 million	-
CNY	DKK -18 million	14
CZK	DKK -10 million	14
PHP	DKK -7 million	14
CHF	DKK -1 million	-
USD	DKK 6 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 consistently with our current 2020 business plan.

Key currency assumptions

DKK per 100	2018 average exchange rates	2019 average exchange rates	YTD 2020 average exchange rates at January 22, 2020	Current exchange rates at January 22, 2020
EUR	745.32	746.60	747.30	747.30
CNY	95.43	96.53	97.17	97.70
CZK	29.06	29.08	29.65	29.73
PHP	11.98	12.88	13.22	13.24
CHF	645.74	671.37	692.73	694.61
USD	631.74	667.03	671.59	674.24

Forward-looking statements

This Annual Report contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' another 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 29-31.

Market trends

NNIT's new focused go-to market strategy is supported by key market trends. Due to NNIT's prominence as a digital transformation partner and IT services company in Denmark and internationally (life sciences), global macro trends will continue to significantly impact NNIT as well as the businesses of NNIT's clients. Digital transformation is an umbrella term covering the transition from analog to digital business that is changing how businesses operate and deliver value to their clients.

As a result of businesses scaling up their digital efforts, the typical client across various industries will face up to four core realities:

1) The need to digitally transform their business to fuel growth by innovation
2) The need to increase productivity while creating superior customer experiences
3) The need to increase agility while sustaining access to critical systems
4) The need to secure regulatory compliance while safeguarding the organization with a high level of cyber security.

As the world transforms at an accelerating speed, businesses must address all these realities in order to remain competitive.

Customer experience

Customers' and employees' experiences will be increasingly strengthened by the digital business component. New solutions aimed at employees' experiences in using corporate systems and collaborative tools to become more productive will be required. Further data-driven customer experience supported by advanced AI solutions will emerge creating new experiences and new revenue streams.

Next generation ERP

Enterprise Resource Planning (ERP) systems are the digital backbone in enabling the digital transformation and ensuring stable business critical processes. Core players this area are SAP (S/4 HANA) and Microsoft (Dynamics 365), who are investing significantly in bringing new advanced functionality into their ERP suites.

Integration

As digital transformation spreads throughout ecosystems and digital platforms the need for strong integrations increase rapidly. The advancement of e.g. cloud solutions enhances the need for integration solutions that can tie the applications together in a fast, secure and compliant manner.

Agility and hybrid Cloud

Businesses are increasingly coming under pressure to become more agile and to respond to changing market conditions. The cloud is appreciated as a lever for boosting both agility and speed of innovation. Hybrid cloud solutions are essential in increasing business agility; placing IT in the cloud where possible and on-premise where it is required due to regulation or specific business needs.

Much of the innovation using the cloud solutions will be based on agile and DevOps principles to ensure close cooperation between developers, operations and end-users. These new models will co-exist with more traditional methods.

Data and AI

While technology such as robots, artificial intelligence (AI), blockchain, and the Internet of Things transform multiple companies and entire industries, innovation capabilities and processes must be redesigned to address new challenges and take a more radical approach. Design thinking methods therefore increasingly take precedence over old and incremental ways of innovating.

Regulation, security, compliance

With everything being digitalized, data volumes explode and hence the need for data protection increases. Public authorities escalate regulation to protect citizens' personal data and prevent cybercrime, and businesses must comply with authorities' requirements as well as the demands of clients, suppliers, and employees. EU GDPR is among the latest cross sector regulation, but more is expected such as the EU NIS for critical infrastructure. Industry specific regulation e.g. anti-money laundering for financial services and life science specific regulation will continue to drive new IT investments. Security and compliance is moving up in the corporate agenda with Board of Directors requiring regular reporting and updated threat assessments.

NNIT strategy

The strategy presented in January 2019 was based on a thorough review of the direction set at the IPO and included greater customer centricity and a new organization.

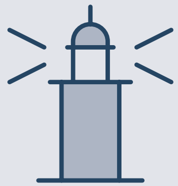
With the unexpected sharp decline in business with the Novo Nordisk Group, termination of the PANDORA agreement, increasing competition from new entrants, increased price pressure within the infrastructure outsourcing area and the need for faster adoption of cloud/hybrid solutions, the board has adjusted the strategy with a new focused go-to market approach.

The strategy includes:

- Continue the successful life sciences strategy with focus on Regulatory Affairs, Quality Management, Pharma Production IT and Veeva solutions with a targeted annual organic growth of around 20%
- Continue to actively pursue acquisitions of IT companies serving life sciences and/or companies with capabilities within selected technology areas
- Continue the earlier announced business and cost restructuring plan reducing costs by DKK 150 million in 2020; targeting a full-year run rate impact of minimum DKK 200 million in 2021. Significant cost reductions have already been carried out in Denmark and China
- Implement a new focused go-to market strategy in high growth areas leveraging existing strong capabilities or areas where NNIT has the potential to build strong capabilities – named "winning solutions". These winning solutions will be built on proven standardized concepts which are delivered fit for purpose and first time right. Please see the following pages for more information

At NNIT, we still stand firmly on our three core values and we strongly believe that we can continue to **make a mark on business and society together with our clients and partners**.

Following a thorough review of our operating environment, trends in the market, competitive reality and client demand, we have sharpened our strategy.



Aspiration

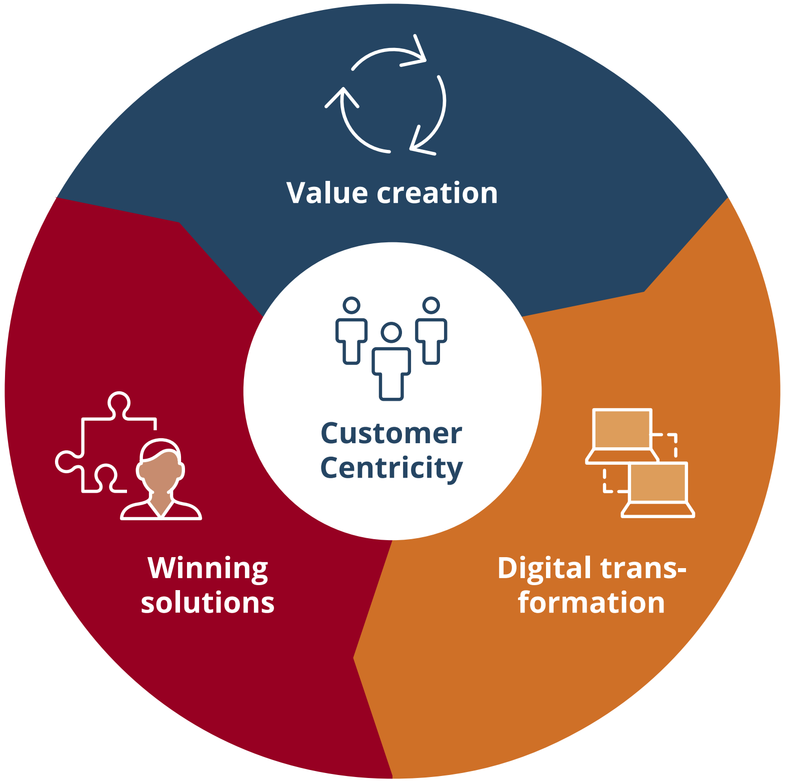
Together we make a mark in business and society; bringing digital transformation to life

Strategy

We enable value creation through winning solutions based on proven concepts delivered fit for purpose and first time right

Values

Open and honest
Conscience driven
Value adding

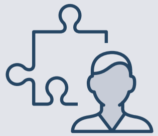


At NNIT the customer-centric focus remains unchanged in the new go-to market strategy. NNIT maintains a firm focus on the international life sciences industry and select clients of Danish origin in Private and Public industries.

NNIT's clients and prospects across industries are faced with a multitude of potentials and pitfalls in terms of applying digital services to drive fast and sustainable value creation.

NNIT will provide winning solutions based on proven concepts that are delivered fit for purpose and first time right. We believe this is the recipe for both client and NNIT success.

To ensure client success through fast and sustainable value creation, three dimensions apply to the go-to market strategy covering all the selected **winning solutions**.



Proven concept

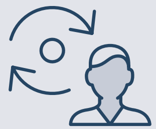
Clients need a fast and safe implementation with less risk of delay or redundancy. Concepts and solutions must be well-tested and swiftly implemented to deal with any pain point – quickly supporting clients' business.

A proven concept means basing an offering on a recognized technology and/or business critical service. The proven concept is based on a standardized and easily configurable solution that contribute to repeatable business.

Fit for purpose

Clients need to-the-point solutions without any unnecessary features or obstacles that are contextual to their business today and sustainable for value creation in the long run.

Fit for purpose means delivering a solution on time and to the estimated cost, solving exactly what is important for the client – nothing more and nothing less.



First time right

Clients will continue to expect a solution that remedies the specific business pain or support the exact business potential, without reruns, contract and scope changes.

First time right means using proven concepts with a fit-for-purpose scoping that is based on best practice. This means focus on best practice sharing to ensure fast and friction-free implementation.

As part of the new strategic direction, ten winning solutions have been identified. These solutions are characterized by existing NNIT capabilities and market potential. **The winning solutions are:**

SAP Solutions

With more than 300 employees working with SAP NNIT is considered as one out of 10 global SAP life sciences partners and in Denmark one of top five SAP system implementation/integration partners. NNIT has a deep understanding of the complete SAP product portfolio as well as the business processes supported by these SAP products. SAP is investing heavily in their digital product suite outside the ERP core, which opens up many new opportunities for SAP related business e.g. cloud enabled services.

Veeva Solutions

NNIT is well positioned as one of eight global primary partners for Veeva and the largest partner in Europe. Veeva is offering a unified platform for Clinical, Quality, Safety and Regulatory Affairs for the life sciences industry, in a multitenant cloud setup. NNIT has defined a set of services, in cooperation with Veeva, which is complimentary to the Veeva standard project model. The NNIT Veeva Powerhouse suite focuses on implementation services and application services.

Employee experience

Following Microsoft as a world leader in creating employee experience and productivity, NNIT wants to become one of the leading providers in Denmark. The services include traditional end user outsourcing, as well as new digital workplace services, hereunder Device Management (Configuration Management, Software Packaging and Deployment), O365 (SharePoint, Exchange, Skype/Teams etc.), MS Virtualization, MS 365 Security Services (Always On, Windows Hello etc.).

Cybersecurity

In line with increasing security and compliance demands in the market at large, NNIT has one of Denmark's largest cybersecurity organizations with more than hundred employees covering deliverables from advisory to support. The combination of a skilled workforce and the experience from regulated industries, NNIT sees a large market potential for this solution area. NNIT will leverage its broad security competencies to make NNIT one of the preferred cybersecurity players in the IT market.

Quality Management

Digital platforms will be a key offering for life sciences companies in the future. Several clients are looking on how to optimize, transform and digitalize their existing quality management landscape and processes to support the digital transformation. NNIT has a deep understanding of the GxP requirements in life sciences and understands how to drive digital transformation at a global scale with advanced quality management solutions such as IntelligentQA, Test Automation, Digital Validation Lifecycle Management, Paperless Validation and Continuous Validation.

Pharma Production IT

With its widely recognized reputation in the pharmaceutical production IT area, NNIT will offer a full (end-to-end) service, especially Pharma MES. The objective is to “globalize” the service offerings and offer a truly end-to-end service for market leading production IT and supply chain IT solutions. NNIT aims to be recognized as a leading production and supply chain advisory, consultancy and services company that helps life sciences companies to embark on their digital journey in their production facilities.

Data & AI

Companies are on a transformative journey to make data and insight a strategic corporate asset. The use of data is the fuel for optimizing current and future production processes, business models, products features, and customer experiences. NNIT is positioned with the competencies and brand to help our customers navigate this journey, especially within life sciences with a strong competitive GxP and compliance edge across domains.

Hybrid cloud

Digital transformation will continue to be fueled by cloud solutions. The NNIT hybrid cloud strategy support existing clients and new clients in their cloud journey. Regardless of whether hybrid means combining multiple cloud solutions or finding the right mix between cloud and on-premise, NNIT offer a phased plan for the cloud journey with strategic focus on migration, advisory services combined with standardized operational cloud services.

Integration

With the complexity of the digital and hybrid world today, integration services are key to success. NNIT is today recognized as a local leader in integrations across technologies utilizing the global delivery model of NNIT. NNIT’s integration solutions fuel digital transformation and cloud enablement using state of the art technologies based on proven governance. With increased focus and cross NNIT collaboration NNIT can leverage this to high and sustainable growth.

Microsoft solutions

NNIT together with its subsidiary SCALES is the leading provider of Microsoft D365 FO (Finance & Operations) implementations and operations in Scandinavia due to a proven concept and a close relationship with Microsoft. Together with the full-stack enterprise service capabilities and global 24/7 setup NNIT differentiates compared to most of the other Microsoft partners in Denmark. These solutions will continue to drive productivity gains and digital transformation for NNIT clients.

Halfmann Goetsch Partner AG – an NNIT Group Company

In April 2019, NNIT A/S announced the acquisition of Halfmann Goetsch Partner AG (HGP), a swiss-based life sciences IT technology company.

HGP is recognized and referenced as one of the strongest providers of IT compliance and quality management services to primarily pharmaceutical companies. NNIT has integrated its existing employees in Switzerland into their headquarter in Basel. Furthermore, the company has delivery centers in Frankfurt and Singapore, and a nearshore office in Krakow.

The acquisition provides NNIT with a stronger presence in the European life sciences hubs of Frankfurt and Basel and strengthens its position as an international leading IT transformation partner for life sciences companies.

Compliance excellence in life sciences
While collection of data increases within life sciences, regulatory requirements also increase with industry-specific regulation and general data privacy laws. As the technological opportunities and the pressure for legal compliance increase, the market for data risk management and validation of data systems grows significantly.

With a flexible consultancy base and access to top subject matter experts from across the international life sciences IT arena, HGP offers the industry leading approach to compliance excellence. Combined with NNIT's existing quality management portfolio, HGP's excellence, reputation and network within IT compliance is expected to generate cross sales synergies. Synergies are also expected within pharmaceutical production, where HGP's thought leadership fits well with NNIT's existing portfolio of IT-services.

Market leading technology and automation
The need for automated IT compliance, system validation and data traceability has never been higher. On top of this, increasing regulations on data integrity and security put further pressure on the business. With the acquisition of HGP, NNIT can accelerate clients' use of new technologies. We combine deep domain knowledge about processes, IT and business requirements with market leading technology and automation – in short; together we help clients bridge technology and compliance.

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

Our business model

NNIT resources

People:
NNIT's business results rely on highly skilled, passionate and loyal employees, who are able to transform their IT knowledge into value-adding winning solutions for our clients.

Combined with a strong company culture and heritage, the NNIT aspiration, strategy and values guide our leadership team and employees, providing a strong foundation for further development and growth.

Process:
The NNIT delivery processes are orchestrated in a global integrated model. The model enables both agile methods as well as more classical models better suited for certain deliveries.

Financial:
As a listed company and with a strong balance sheet NNIT has access to capital for investments and strategic growth.

This is how we bring digital transformation to life

We advise:
As digital solutions and technology are transforming all industries, the opportunities and threats they present are dramatically expanding the role of the information technology executive. NNIT consultants bring a deep understanding of IT and domain to help clients compete successfully in the digital age.

We build:
Within our winning solutions areas, we can build and deliver proven concepts to our clients. At NNIT, we strive to understand our clients' business strategy, employees and culture, so we can develop and implement fit for purpose solutions that drive tangible business benefits for our clients.

Winning solutions

We support:
To allow clients to fully focus on core business, NNIT offers a vast variety of support services, providing everything from call center services to full-service desk services and onsite end-user any device support.

We operate:
The world operates 24/7 and relies heavily on digital business critical services to do so. To that end, NNIT offers infrastructure and application services in a hybrid cloud setup, so clients can focus on their business results and less on operations.

Benefits

On clients:
NNIT drives business change and transformation at a high pace while delivering sustainable business results and keeping the business secure and compliant.

Shareholders:
NNIT intends to deliver a competitive return to its shareholders through a dividend payout ratio of at least 45%.

Employees:
NNIT create jobs and develop talents and careers in all locations where NNIT is present.

Society:
At NNIT, we want to make a mark and support initiatives that inspire the young generation to explore the potential of technology careers – ultimately strengthening the talent pool, not just for the benefit of NNIT, but for society in general.

The clients we serve

NNIT offers a broad range of winning solutions to serve client groups in Denmark and internationally. Our solutions and proven concepts enable our clients to drive business change and tangible business results at a high-speed while addressing cybersecurity and compliance from regulatory requirements.

Life sciences

International life sciences

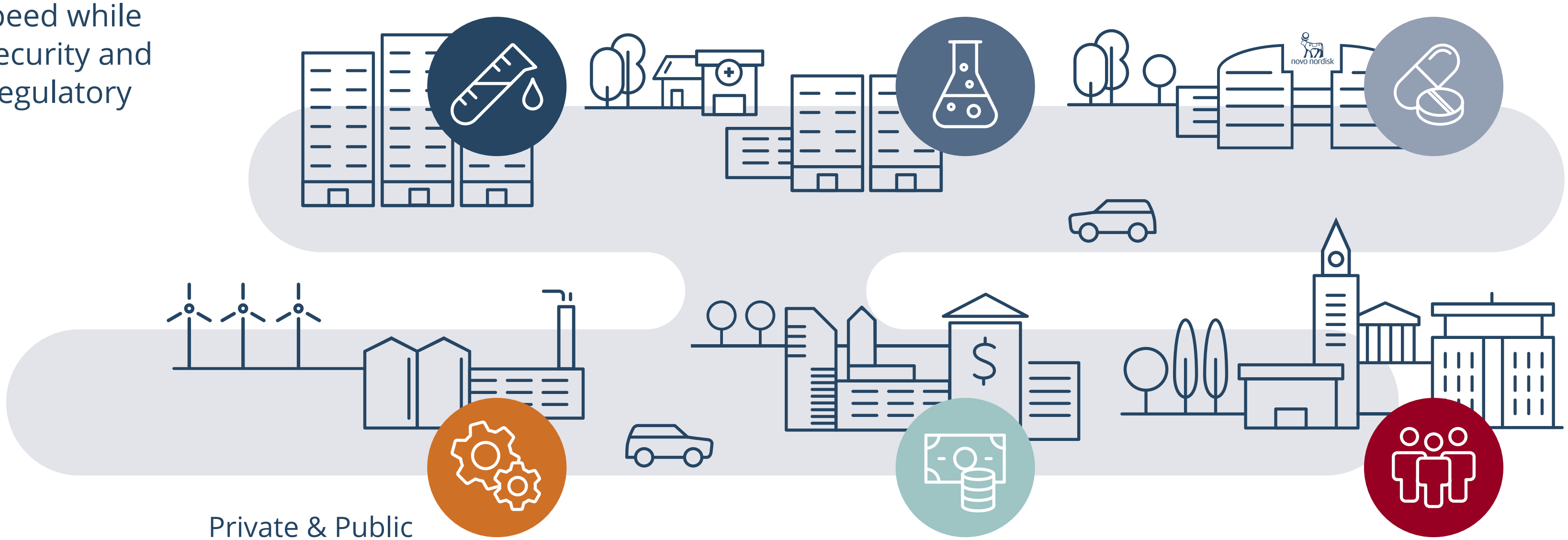
With more than 20 years' experience, NNIT understands the challenges that international life sciences businesses face. Our solutions are based on industry best practice, integrated with the existing IT landscape, and fully compliant with FDA, EMA and other regulatory bodies.

Denmark life sciences

Originating from the Danish life sciences industry, our technology, information and life sciences experts deliver integrated IT consultancy services and solutions that increase the capabilities of key areas of the pharmaceutical value chain, including drug development, regulatory affairs, quality management and serialization.

Novo Nordisk Group

NNIT's history dates back some 20 years and was born in 1998 as Novo Nordisk IT. The Novo Nordisk Group remains NNIT's largest client. The Novo Nordisk genes are embedded in our DNA and in our approach to quality and business ethics.



Private & Public

Enterprise

In the enterprise segment, we leverage our extensive experience in regulated IT to support our clients in meeting legal requirements as well as demanding business needs. We supply everything from ERP solutions to general IT systems operations for companies as diverse as manufacturing, food, and energy companies.

Finance

Financial institutions increasingly face demands for regulatory compliance, cost reductions and improved returns. We support our clients in achieving sustainable efficiency while addressing intense regulatory oversight, cybersecurity and digital innovation.

Public

NNIT has extensive experience in optimizing processes, simplifying work processes and reducing costs for public sector organizations. This applies to management plans, case handling, various digital services and day-to-day support.

Life Sciences

International life sciences

Market size 2019E[1]:	**82.5bn**
Market size 2023E[1]:	**102.5bn**
CAGR[1]:	**5.6%**

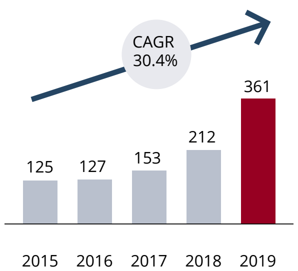
- Significant potential especially within Veeva solutions and Quality Management solutions
- Regulatory driven changes
- IT cost to move towards SaaS IT and business transformation
- Not a generalist market

NNIT estimated market share[1]

0.4%

NNIT, revenue growth

DKK million



Denmark life sciences

Market size 2019E[1]:	**3.7bn**
Market size 2023E[1]:	**4.3bn**
CAGR[1]:	**3.6%**

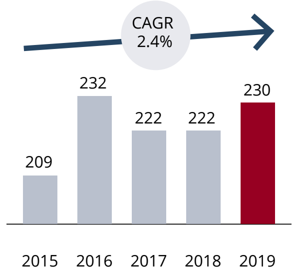
- Stable market situation with established IT providers
- Regulatory driven changes
- IT cost to move towards SaaS IT and business transformation
- Not a generalist market

NNIT estimated market share[1]

32%

NNIT, revenue growth

DKK million



Novo Nordisk Group

External IT spend 2019E[1]:	**1.9bn**

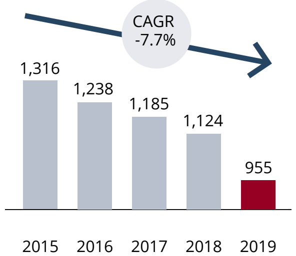
- Declining revenue since 2016, but still NNIT's largest client
- In depth knowledge of Novo Nordisk infrastructure and application landscape
- Regulatory driven changes
- IT cost to move towards SaaS IT and business transformation

NNIT estimated market share[2]

Largest IT supplier

NNIT, revenue growth

DKK million



Private & Public

Enterprise

Market size 2019E[1]:	**16.7bn**
Market size 2023E[1]:	**19.3bn**
CAGR[1]:	**3.8%**

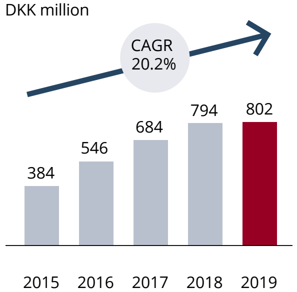
- A significant portion of large companies still run IT in-house
- Opportunities to follow Danish clients internationally
- Security, future digital workplace and SaaS solutions are increasing

NNIT estimated market share[1]

4.8%

NNIT, revenue growth

DKK million



Finance

Market size 2019E[1]:	**8.8bn**
Market size 2023E[1]:	**10.6bn**
CAGR[1]:	**4.7%**

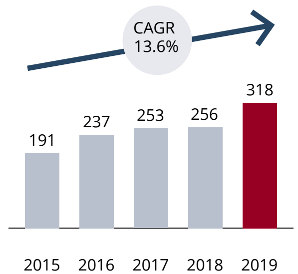
- Strong regulation and compliance requirements fit well with our life sciences DNA
- High security demands
- On-premise data center demands
- Market is being disrupted
- Mainframe is still a significant part of the IT landscape

NNIT estimated market share[1]

3.6%

NNIT, revenue growth

DKK million



Public

Market size 2019E[1]:	**10.4bn**
Market size 2023E[1]:	**12.1bn**
CAGR[1]:	**3.9%**

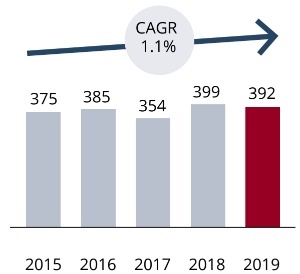
- NNIT is mainly targeting regions and central government
- Rigorous contract regime and terms and conditions
- Public tenders regulated by law
- Replacement of legacy systems is an opportunity

NNIT estimated market share[1]

3.8%

NNIT, revenue growth

DKK million



[1] Estimated market share calculated on the basis of market estimates by Gartner (Q3 2019) and NNIT 2019 revenue data

[2] NNIT's estimated market share at Novo Nordisk is unknown. However, NNIT is informed about being the largest IT supplier

Customer experience and satisfaction

NNIT's clients include some of the most prestigious brands; international life sciences companies, enterprises and financial services firms as well as public sector organizations.

A common denominator for all of NNIT's clients is the need for competitive solutions that enable them to digitally transform and meet the requirements of their customers. In addition to our ongoing interaction with clients, NNIT runs an extensive customer feedback program, aimed at collecting input from clients. We believe that a good customer experience is everybody's business, hence NNIT has made this a top priority across the entire company.

NNIT's customer feedback program is divided into three feedback channels. An annual Customer Satisfaction Survey measuring each client's overall satisfaction with NNIT, a quarterly survey ('EvalGO') measuring satisfaction with specific deliveries (approximately 1,500 surveys a year), and last but not least, End-user Surveys that continuously measure clients' satisfaction with NNIT's service desk.

To further ensure that cooperation and business with clients are conducted in a proper and diligent manner, NNIT undergoes several client audits each year (14 in 2019 compared to 18 in 2018). Audits, which also include third-party audits, independent service auditor reports, and internal audits, seek to determine whether deliveries meet client expectations and regulatory requirements. No material findings have been identified in the audits conducted in 2019.

The number of independent service auditor reports were 37 (35 in 2018).

In line with ISO 9001 and ISO 27001certification requirements including interpretation of FDA and EMA regulations, NNIT further conducted internal audits and external supplier audits in accordance with ISO certifications.

Customer experience

NNIT runs an extensive customer feedback program in order to chart the customer experience and improve it systematically. The numbers are consistently addressed in all areas of the organization and given top priority.

Two out of the five customer journey scenes indicate room for improvement in relation to the customer satisfaction score. Actions have been identified.

The service performance indicator result of 93.5% in 2019 was affected by a high complexity in onboarding of a new customer and the implementation of revised contracts with three existing customers.

Customer satisfaction

3.6

(Scale 1-5), 2018: 3.7

1 Target 4.0 5

Bi-annual survey focusing on the full customer journey. Respondents are typically top management.

EvalGo

4.3

(Scale 1-5), 2018: 4.2

1 Target 4.0 5

Quarterly survey focusing on the specific deliveries. Respondents are typically middle to top management.

End-user survey

4.4

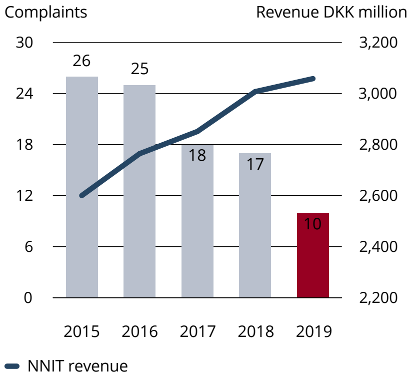
(Scale 1-5), 2018: 4.4

1 Target 4.0 5

Ongoing surveys focusing on the experience delivered to users of the NNIT Service Desk. Respondents are IT Users (all levels).

Quality (Customer complaints)

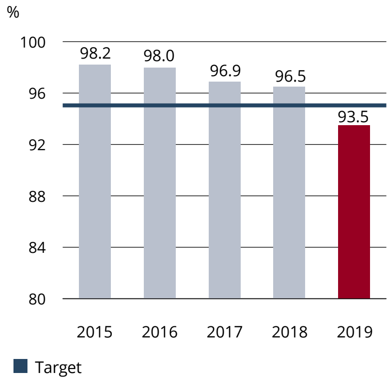
10



Service performance indicators

93.5%

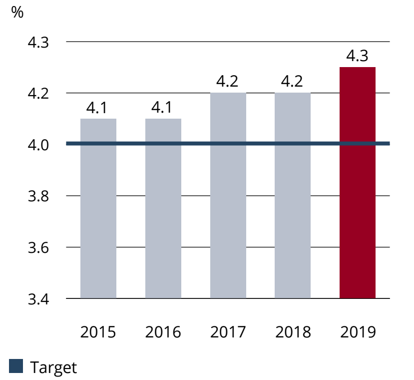
(key performance indicators (KPI) met)

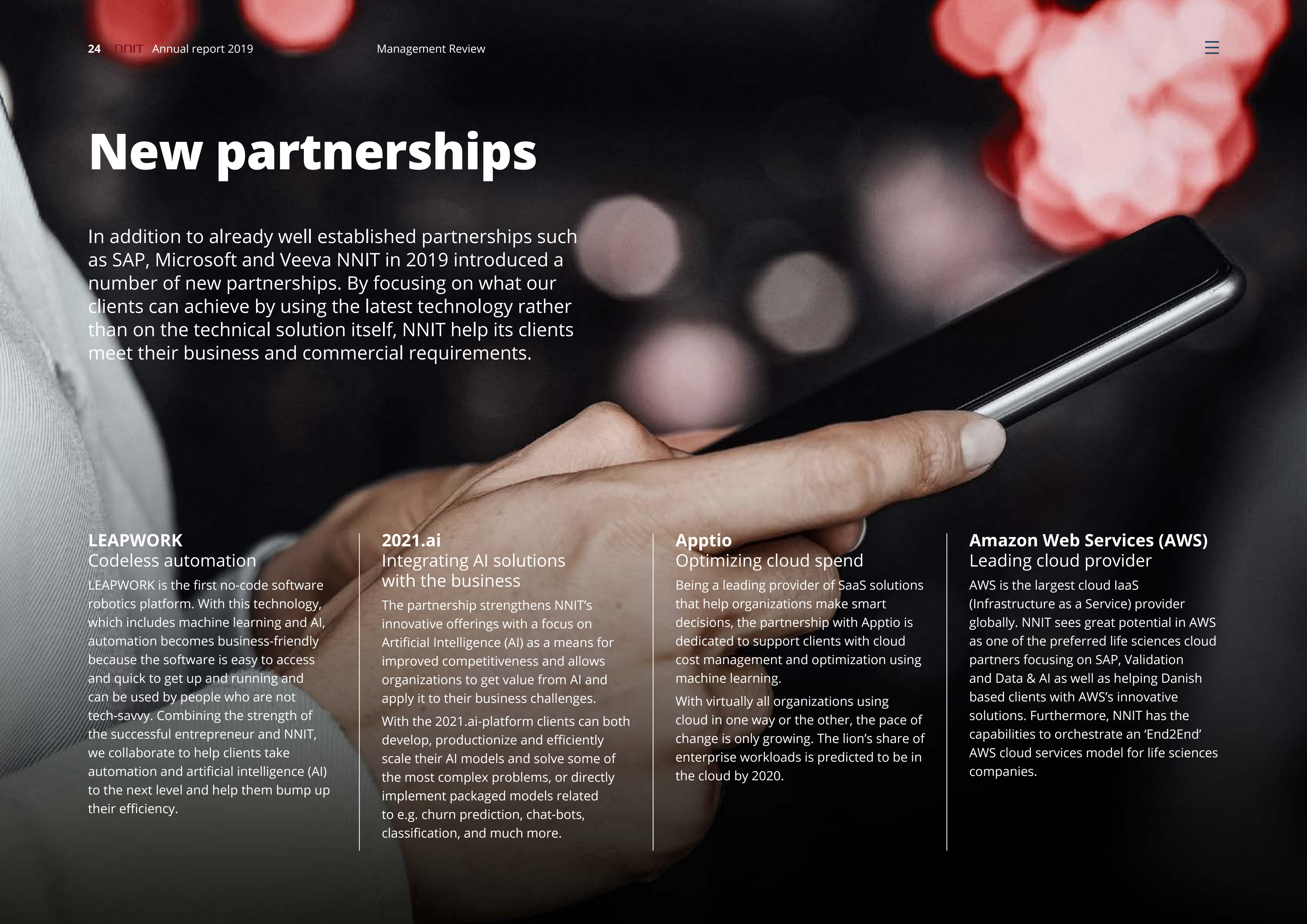


Project performance

4.3

(ability to meet deadlines - scale 1-5)





New partnerships

In addition to already well established partnerships such as SAP, Microsoft and Veeva NNIT in 2019 introduced a number of new partnerships. By focusing on what our clients can achieve by using the latest technology rather than on the technical solution itself, NNIT help its clients meet their business and commercial requirements.

LEAPWORK
Codeless automation

LEAPWORK is the first no-code software robotics platform. With this technology, which includes machine learning and AI, automation becomes business-friendly because the software is easy to access and quick to get up and running and can be used by people who are not tech-savvy. Combining the strength of the successful entrepreneur and NNIT, we collaborate to help clients take automation and artificial intelligence (AI) to the next level and help them bump up their efficiency.

2021.ai
Integrating AI solutions with the business

The partnership strengthens NNIT's innovative offerings with a focus on Artificial Intelligence (AI) as a means for improved competitiveness and allows organizations to get value from AI and apply it to their business challenges.

With the 2021.ai-platform clients can both develop, productionize and efficiently scale their AI models and solve some of the most complex problems, or directly implement packaged models related to e.g. churn prediction, chat-bots, classification, and much more.

Apptio
Optimizing cloud spend

Being a leading provider of SaaS solutions that help organizations make smart decisions, the partnership with Apptio is dedicated to support clients with cloud cost management and optimization using machine learning.

With virtually all organizations using cloud in one way or the other, the pace of change is only growing. The lion's share of enterprise workloads is predicted to be in the cloud by 2020.

Amazon Web Services (AWS)
Leading cloud provider

AWS is the largest cloud IaaS (Infrastructure as a Service) provider globally. NNIT sees great potential in AWS as one of the preferred life sciences cloud partners focusing on SAP, Validation and Data & AI as well as helping Danish based clients with AWS's innovative solutions. Furthermore, NNIT has the capabilities to orchestrate an 'End2End' AWS cloud services model for life sciences companies.

Cloud – how high will you go

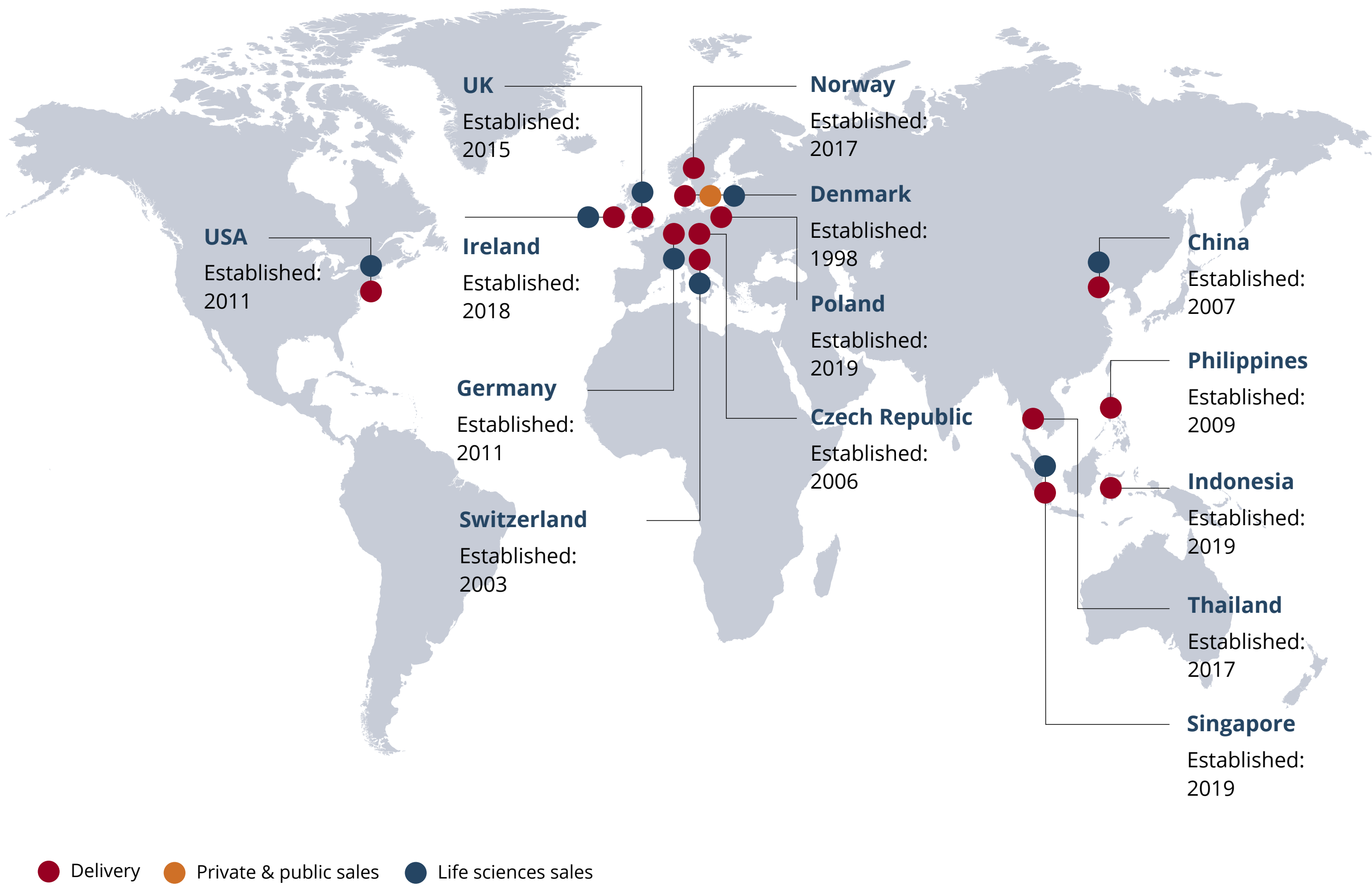
Moving to the cloud has long been a goal for many businesses. However, for some, meeting regulatory compliance requirements prove to be a strong challenge. With NNIT's hybrid cloud, clients benefit from the best of two worlds; the innovative public cloud and the highly controlled compliant infrastructure of the private cloud.

With our catalog of cloud services and our strong partnerships as a solid foundation, clients get a reliable and well-architected cloud solution built from proven components, regardless of whether the preferred platform is Microsoft Azure, SAP, Amazon Web Services or Google Cloud.

Rather than locking clients in to one specific solution, NNIT uses standardized native tools from the chosen platform as building blocks. In close collaboration with our clients, we tie everything together into a dynamic setup, which can be scaled up or down as needed. The entire solution is wrapped in compressed and automated monitoring systems to ensure that nothing is compromised.

Business and company overview

Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia.



Revenue in Denmark,
2019, DKK million

2,493

Based on location of clients

Revenue outside Denmark,
2019, DKK million

565

Based on location of clients

Global IT Services Estimated market CAGR

+5.8%

Compound Annual Growth Rate 2019-2023 from Gartner Q3 2019

Company overview

Denmark

NNIT headquarters, located in Soeborg, Copenhagen is responsible for delivery and sales, as well as administrative staff functions. NNIT further has offices in Silkeborg, Aalborg, Odense and Aarhus, respectively – servicing clients in the region. Some 1,600 colleagues work out of the Danish offices.

NNIT employees end year
FTE in 2019 (2018): 1,585 (1,635)

Switzerland, UK, Ireland, Germany, Norway

The Zurich office spearheads our services to international pharmaceutical companies, supplying IT and consultancy services. We further operate small offices out of the UK, Ireland, Germany and Norway, primarily servicing local clients.

NNIT employees end year
FTE in 2019 (2018): 108 (69)

North America

The Princeton and Basking Ridge-based offices service our North-American pharmaceutical clients and are further responsible for sales to new life sciences clients in the region. The offices are in the so-called pharmaceutical corridor, in between Boston and Philadelphia, but also services clients on the US west coast.

NNIT employees end year
FTE in 2019 (2018): 66 (45)

China

NNIT's China office in Tianjin is the company's largest subsidiary. The office, which includes a sales office in Shanghai, delivers IT services to European clients while also catering to local clients in the growing Chinese life sciences market.

NNIT employees end year
FTE in 2019 (2018): 839 (899)

Czech Republic

NNIT's Prague office is responsible for IT operations for clients based mainly in the European region. The office is further part of NNIT's 24/7 global operations setup and provides a 14-language-service desk, and delivers services in close cooperation with the delivery centers in Denmark, China and the Philippines.

NNIT employees end year
FTE in 2019 (2018): 254 (273)

Poland

The office in Poland was added to NNIT with the acquisition of HGP in April 2019. The office mainly provides recruitment and staffing services.

NNIT employees end year
FTE in 2019 (2018): 7 (0)

Philippines

NNIT's Manilla-office works as an integral part of NNIT's global IT service delivery, specializing in network and server operations for clients around the world. It is a part of NNIT's 24/7 global operations setup, providing IT services to clients around the world.

NNIT employees end year
FTE in 2019 (2018): 322 (294)

Singapore, Indonesia, Thailand

The Singaporean office services pharmaceutical companies which have decided to place part of their manufacturing in Singapore as an Asian hub. The office in Indonesia is a delivery center for Singapore, while the Thailand office serves the local production site of PANDORA.

NNIT employees end year
FTE in 2019 (2018): 26 (0)

Delivery Private & public sales Life sciences sales

Novo Nordisk, major customer

An important part of NNIT's business is its relationship and cooperation with Novo Nordisk. Approximately one third of NNIT's revenue stems from this single client, hence any changes in the relationship will affect NNIT's business.

Established in 1998 as Novo Nordisk IT, NNIT's history dates back more than 20 years. However, as part of Novo Nordisk, the mutual roots go back much further. The Novo Nordisk DNA is in NNIT's blood, and NNIT is proud to be a member of the Novo Nordisk Group.

In 2019, NNIT generated revenue of DKK 955m from this, its largest client, the Novo Nordisk Group, which accounted for 31% of NNIT's 2019 revenue. However, sales to the Novo Nordisk Group have been declining over the past four years. Novo Nordisk – as many other companies – has increasingly changed its buying pattern, moving from a single-vendor perspective to a multi-vendor strategy. In addition, the Group is pursuing cost savings on central IT budgets which affect external IT spend.

Being NNIT's single largest client, obviously any such changes will reflect on NNIT's revenue and business. Still, Novo Nordisk remains an important and valued client. To sustain the long cooperation and shared history, NNIT continues to focus on business areas within Novo Nordisk, where NNIT has a competitive advantage and can generate a better output, while at the same time focusing on growing the business outside the Novo Nordisk Group to reduce dependency on any single client.

Risk management

Operating in a highly competitive and rapidly changing global marketplace, a structured approach to risk management that is applied consistently across the organization is essential for profitable growth.

In NNIT, risk management consists of four elements; risk identification, risk assessment, identification and implementation of mitigating actions as well as risk reporting. NNIT identifies risks applying a combined bottom-up/top-down approach. Key risks are initially identified within each divisional area and reported to Group Management together with information on actions taken and any further action intended. High risks are collected, and a broad list is presented in an annual risk report that is submitted to Group Management for review.

Below an overview of the key risks identified as particularly important to NNIT, including the mitigating actions taken by the company, followed by a more detailed description of the risks and the measures taken to reduce those.

NNITs financial risks such as currency risk, credit risk and interest risk are described in note 4.4. The financial risks are more limited in likelihood than the risks listed below. The client composition limits credit risk and NNIT has never had any material loss from bad debt. Currency exposure is hedged and natural hedges are aimed in order to reduce the currency exposure.

Risk	**Business with Novo Nordisk Group**	**Attracting and retaining required talent**	**Innovating new services**	**Generating new profitable business**	**Legal risks, contract management and GDPR policies**	**Cybersecurity**	**Loss of existing business**
Mitigating actions	• Focus at Novo Nordisk key business needs within line of business • Offer competitive solutions and services • Grow non-Novo Nordisk business	• Establishment of Future Specialist Programs • Focus on training in new technologies	• Executing the hybrid cloud strategy • Focused innovation and service development resulting in new proven concepts	• Provide winning solutions based on proven concepts • Focus on new, innovative services • Remain price competitive by implementing business and cost plan	• Strengthening of contract management framework • Establishment of a geo-restriction program	• Implementation of security roadmap • Clear roles and responsibilities for handling security	• Maintaining close relationships with clients • Partnership and new relevant offerings • Customer-centric organization

Risk	Risk description	Mitigating actions
Business with Novo Nordisk Group	In 2019, NNIT generated revenue of DKK 955 from its largest client, the Novo Nordisk Group, equaling 31% of NNIT's 2019 revenue. However, sales to the Novo Nordisk Group have been declining over the years. (See also page 28 on Novo Nordisk). While it is NNIT's strategic intent to reduce its dependency on Novo Nordisk business, it constitutes a risk if it happens sooner than new, compensating business has been generated.	As the Novo Nordisk Group remains an important client, NNIT will continue to focus on generating business within Novo Nordisk Group's line of business where the value-adds and specialization of NNIT can be utilized. Simultaneously, NNIT will focus on the strategic intent of reducing its dependency on the Novo Nordisk Group by growing non-Novo Nordisk clients.
Attracting and retaining required talent	NNIT's business is based on specialized expertise in IT technology and life sciences. Maintaining and renewing existing client contracts and winning new business relies on NNIT's ability to attract, retain and develop qualified IT professionals with the skills to keep pace with the continuing changes in information technology, evolving industry standards and changing client preferences. Further, the shortage and significant competition for qualified IT professionals constitutes a severe challenge. It is imperative that NNIT continues to attract, develop, and retain the most skilled employees and management talent. Failure to do so constitutes a risk to the Group.	NNIT makes use of various elements to address these challenges. The past decade the company has run graduate programs for talented young IT professionals. This program has been supplemented with a "Future Specialist Program" enabling IT professionals to specialize in a technical area. To reduce attrition NNIT is conducting "stay" interviews aiming to get early touchpoints instead of getting feedback at exit interviews when the employees have resigned.
Innovating new services	Staying at the forefront of clients' needs is imperative to beat the competition. Operating in a competitive market with both domestic and international players, NNIT must continuously improve efficiency and offerings to meet the demands of the clients. Technology and market disruption change clients' preferences and needs, which may cause existing business to shrink or disappear. Changes in market technology could also introduce new competitors, who have previously operated in other industries.	NNIT has a dedicated business development and technology unit focused on investigating and gathering the latest market trends while developing and managing offering initiatives and partnerships. NNIT continues to develop and strengthen offerings that match its clients' needs and requirements as well as building partnerships with some of the industry's leading technology providers. NNIT takes a wide range of initiatives to ensure that new offerings, sales, branding and customer experience meet both the clients' and NNIT's needs. NNIT aims to reposition itself as the preferred hybrid clouds service provider for our clients through the dedicated hybrid cloud strategy.
Legal risks, contract management and GDPR policies	Protecting NNIT's long-term business interests is vital to our continued operations. Increasing contract complexity, the influence of legal advisors, procurement professionals and intensified regulatory requirements increase the risk of non-compliance, disputes leading to arbitration and followingly reputational damage. Also expected changes to EU legislation on data transfers (GDPR) that need to comply with geo-restrictions may impact NNIT's business and hence pose a risk.	NNIT has implemented a contract management framework to improve the overview of contracts and contractual obligations. NNIT has dedicated contract management team has been placed in client facing team in order to increase the level of direct support and involvement. NNIT's Data Protection Officers monitors GDPR developments, and the company has further established a geo-restriction program to ensure compliance.

Risk	Risk description	Mitigating actions
Generating new profitable business	NNIT must continue to generate new and more business. Operating in a competitive market with both domestic and international players, NNIT must continuously improve efficiency and offerings to meet the demands of the clients. Changing buyer behavior, including shift of buying power from CIO to line of business and procurement may affect NNIT's ability to generate new or add-on business. Intensifying competition from both new and existing competitors further influence the market, while new technology and market disruption change client preferences and needs. While NNIT remains a sizable player in the Danish IT services market, internationally the company is a niche player, thus size, relations and presence are challenging factors.	NNIT has formulated a new strategy focusing on winning solutions based on proven concepts that are delivered fit for purpose and first time right. To support the strategy NNIT has prioritized investments towards the winning solution areas in order to retain market leading knowledge and competencies as well as building new capabilities. In order to remain price competitive NNIT has launched a cost savings program aiming to reduce costs by at least DKK 150m in 2020 and DKK 200m by 2022.
Cybersecurity	Cybersecurity remains one of NNIT's top risks and could for example be intruders gaining unauthorized access to NNIT impacting confidentiality, integrity and availability of critical systems and/or data resulting in breach of regulatory requirements as well as reputational damage. Cybersecurity risk also involves a total shutdown of systems, network or infrastructure causing a threat to the operation of NNIT's clients' critical systems.	NNIT has successfully implemented a security roadmap which has been assessed by PwC concluding that NNIT fulfills the requirements set out by the Board of Directors meaning that NNIT is generally above the Information Security Forum (ISF) benchmark. NNIT has appointed a Compliance Security information Officer (CISO) overseeing NNITs internal security. NNIT will merge client focused security across the delivery functions and appoint a Customer Compliance Security Information Officer (CCSIO) with the responsibility of overseeing customer security.
Loss of existing business	Changes in clients' purchasing behavior impact the risk of losing existing business. Such changes may be related, but are not limited, to cost reductions, adoption of multivendor strategies, splitting up of contracts into towers and/or new business strategies. Change of decision-making power from CIO to line of business as well as increased procurement involvement further introduce new stakeholders, which increases the risk of changes to existing business. More aggressive behavior from existing competitors and/or the entry of new competitors further increase the risk of losing existing contracts. Technology and market disruption change clients' preferences and needs, which may cause existing business to shrink or disappear. Changes in market technology could also introduce new competitors, who have previously operated in other industries.	For NNIT, it is a priority to maintain close relationships with its clients in order to gain continuous feedback and understanding of their business needs. In order to offer market-conform prices, NNIT is constantly focused on process optimization and automation as well as leveraging its global delivery model. NNIT has a dedicated business development and technology unit focused on investigating and gathering the latest market trends while developing and managing offering initiatives and partnerships. NNIT continues to develop and strengthen offerings that match its clients' needs and requirements as well as building partnerships with some of the industry's leading technology providers. NNIT takes a wide range of digital transformation initiatives to ensure that new offerings, sales, branding and customer experience meet the both the clients' and NNIT's need for digital transformation.

Great people make the difference

Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia. In 2019, the company had a total headcount of 3,259 employees (3,237 FTE).

To succeed as an IT company, NNIT must have the sufficient talent and resources available. As such our employees remain the core of our business, and an asset that we value, build and protect.

To help our employees realize the full potential of their talent and grow with NNIT, we continue to support and encourage their personal and professional development as well as ensure that their managers get the best possible training by continually investing in leadership and mentoring programs.

When we ask our employees to 'make a mark' it actually means something. At NNIT, every employee is encouraged to make a personal mark on the projects they work.

To continuously be among the most attractive workplaces, job satisfaction remains a key priority for NNIT. Continued learning in a constantly changing technology environment is hence a focus area, and we continue to develop individual development plans annual for every employee. In 2019, NNIT colleagues held around 4,300 technology certificates.

To ensure that our efforts warrant high employee satisfaction, we conduct an annual employee satisfaction survey. In 2019, our overall employee satisfaction rating was 4.3 on a scale of 1 to 5 (4.3 in 2018). NNIT generally enjoys high employee satisfaction, however it remains an area of ongoing attention.

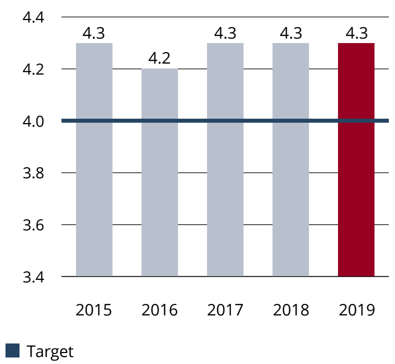
In 2019, the turnover rate, adjusted for managed turnover was 15.1% (13.3% in 2018) – somewhat above NNIT's own target of maximum 12%.

The overall turnover rate was 21.3% (19.6% in 2018) mainly influenced by an announced business and cost restructuring program in the fall of 2019. To mitigate unmanaged turnover, NNIT makes use of the concept of

Employee satisfaction

4.3

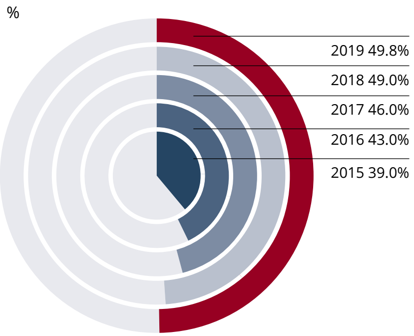
(Scale 1-5)



Internationalization ratio

49.8%

(employees outside Denmark)

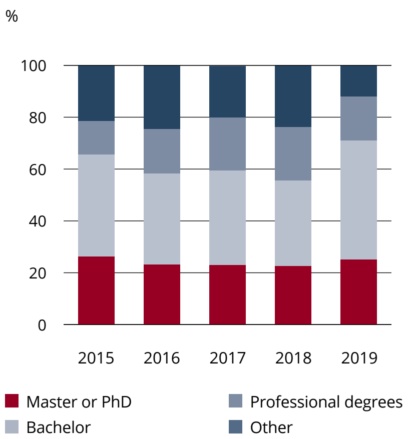


'stay interviews', investigating and clarifying the reasons for staying as well as the threats of leaving. We further believe that a dedicated effort towards better leadership will help attract and retain highly-qualified employees and enhance the success of our company. We therefore operate a comprehensive leadership training program to ensure that NNIT's management resources are among the best in the industry with the ability to both inspire, involve and lead.

Number of certificates held by employees

4,290

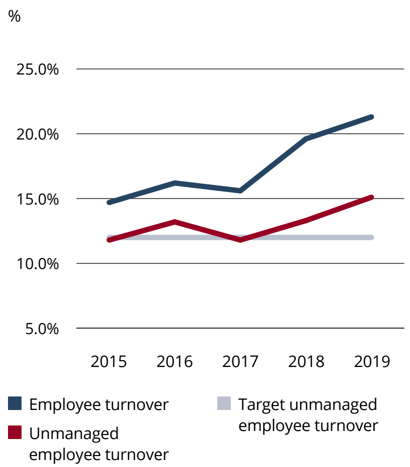
Overview of employees' education



Employee turnover rate (unmanaged)

15.1%

Employee turnover



One world, One NNIT

In 2019, NNIT staff declined by 0.2% to the total of 3,207 full-time employees at December 31, 2019. Approximately 80% of our employees hold an academic degree, primarily within IT technologies.

Number of employees

3,207

End of year, FTE (3,215 - 2018)

Growth in employees

-0.2%

(6.1% - 2018)

Nationalities

61

Job rotations & promotions

30%

(26% - 2018)

Gender distribution at NNIT

67%	Male	Female	33%

Integration

In a constantly evolving world of technology, the need for system integration becomes increasingly apparent. As the ability for all systems to connect, 'talk to each other', and share data across to improve value, system integration is at the core of an IT business.

System integration involves integration of existing, often disparate systems in a way that provides value to both the business and its clients. Proper system integration will improve the use of data, and hence optimize the business outcome.

As an experienced system integration consultant, NNIT helps clients overcome the hurdle of adding new solutions and technologies to an existing landscape, ensuring that all systems are able to connect. Driven by years of experience, NNIT offers IaaS (Integration as a Service), supporting businesses dismantling internal silos and ensuring seamless dataflows.

Corporate governance

The Board of Directors of NNIT has a continuous focus on good governance practices. NNIT is in full compliance with suggested recommendations except for a separate nomination committee, the role of which is handled by the Chairmanship.

Corporate governance structure

Governance Structure

Annual general meetings

The shareholders of NNIT have the ultimate authority over the company and exercise their right to make decisions at general meetings. At the annual general meetings, shareholders approve the annual report and any amendments proposed to the company's Articles of Association. Shareholders also elect board members and the independent auditor. NNIT's Annual General Meeting is held in March each year. The Board of Directors and Executive Management operate under a two-tier management structure wherein powers and responsibilities are distributed between the Board of Directors and the Executive Management. The Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction, while the Executive Management is in charge of the day-to-day management. The Executive Management has established a Group Management consisting of the chief executive officer, the chief financial officer and senior vice presidents. As per 31 December 2019, NNIT's Board of Directors consisted of six shareholder-elected members and three employee-elected members. One Board member is a member of the Executive Management of Novo Holdings A/S, and one board member is a former senior vice president of Novo Nordisk A/S and both are regarded as representing the interests of a controlling shareholder. The remaining four of the six shareholder-elected board members are independent as defined by the Danish Corporate Governance Recommendations. The composition of the Board of Directors ensures that its members represent the required professional breadth, industry knowledge, diversity and international experience.

Board members elected by the shareholders at the Annual General Meeting serve for a one-year term and are eligible for re-election. Board members elected by employees serve for a statutory four-year term and have the same rights, duties and responsibilities as shareholder-elected board members. In January 2019, the employees of NNIT A/S elected three new employee representatives to the Board of Directors of which one was a reelection. Pursuant to the articles of association, Board members must retire at the first annual general meeting after reaching the age of 70.

In 2019, the Board of Directors held six ordinary meetings and one extraordinary meeting. All board members attended all meetings, except for one meeting, where one Board member was absent due to illness.

Read more about the members of the Board of Directors on pages 41-43.

The Chairmanship

The shareholders elect the chairman and deputy chairman of the Board of Directors directly at each year's annual general meeting. The Chairmanship performs administrative tasks, such as planning board meetings to ensure a balance between overall strategy-setting and financial and managerial supervision of the company. For a detailed view of the Chairmanship's tasks, please refer to the Chairmanship Charter on NNIT's website.

The Audit Committee

The Audit Committee consists of three members with experience within auditing, finance, risk management and the IT sector. The majority of the members are independent. The Audit Committee is responsible for assisting the Board in overseeing the financial reporting process, the effectiveness of the internal control and risk management systems as well as security and quality issues in relation to client audits. Further, it follows up on any whistleblower reports received. In 2019, the Audit Committee conducted five ordinary meetings and a number of ad-hoc meetings. All members of the Audit Committee attended all meetings in 2019. For a detailed view of the committee's tasks please refer to the Audit Committee Charter available on NNIT's website.

The Remuneration Committee

The Remuneration Committee consists of three members, the majority of whom are independent. The Remuneration Committee is responsible for assisting the Board in overseeing the Remuneration Policy as well as the actual remuneration of board members, board committees and Group Management. In 2019, the Remuneration Committee conducted two meetings. All members of the Remuneration Committee attended all meetings in 2019. For a detailed view of the committee's tasks, please refer to the Remuneration Committee Charter available on NNIT's website.

Board evaluation

The Board of Directors annually conducts a self-assessment and review of the Executive Management's performance and succession preparedness. The chairman of the Board has the overall responsibility for conducting the self-assessment of the Board of Directors and review of the Executive Management. Every third year the self-assessment and review is facilitated by external consultants, who interview all members of the Board of Directors and the Executive Management. The last time the self-assessment was facilitated by external consultants was in 2018.

The annual self-assessment in 2019 included an assessment of strategy development and implementation, cooperation between the Board of Directors and the Executive Management, Board composition and dynamics, preparation and accomplishment of board meetings, Committee value contribution and evaluation of the chairman.

Overall the self-assessment revealed good performance by the Board of Directors as well as good cooperation between the Board of Directors and the Executive Management. However, the Board found that there was a need for more Board involvement in the strategy process and better monitoring of strategic initiatives. As a result of the self-assessment the Board has increased its focus on the strategy development and implementation and revised the internal strategy review process in 2020.

Diversity

Pursuant to section 99 b of the Danish Financial Statements Act, the Board of Directors set its diversity ambition in 2013 to include at least two shareholder-elected non-Danish Board members and at least two female and two male shareholder-elected Board members by 2019.

As of December 31, 2019, two shareholder elected board members were female and four were male, thus, the company has fulfilled the ambition of having at least two shareholder-elected board members of each gender on the Board. The Board of Directors remains committed to having interna-

Corporate Governance Documentation

Articles of Association

- Remuneration Policy
- Rules of Procedure of the Board of Directors as well as the Executive Management
- Competence Profile of the Board of Directors
- Board Committee charters
- Corporate Social Responsibility Policy
- Diversity Policy for Management Levels

Diversity

NNIT's Diversity Policy is available at https://media.nnit.com/Governance/Diversity-Policy-for-Management-Levels.pdf

tional members of the Board. Currently, one shareholder-elected Board member is of non-Danish nationality. NNIT's statutory statement pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2019 is available on the company's website at https:/media.nnit.com/Governance/COP19.pdf

Compliance with corporate governance recommendations

As a publicly listed company, NNIT is subject to the Danish recommendations on corporate governance. In accordance with section 107b of the Danish Financial Statements Act, NNIT discloses its Statutory Corporate Governance Statement for the financial year 2019 at https://media.nnit.com/Governance/Corporate-Governance-Statement-2019.pdf Today, NNIT adheres to all but the following recommendation:,

- 3.4.6 establishing a separate nomination committee; the task of nomination committee is handled by the Chairmanship in accordance with the Chairmanship Charter. For more information, please refer to the Statutory Corporate Governance Statement 2019.

Corporate Social Responsibility

NNIT is committed to developing its business based on the combination of running a profitable company with continued growth, while acting in a socially responsible manner. Our DNA emerges from the regulated pharmaceutical industry and it reflects our approach to quality and business ethics as well as our definition of corporate responsibility.

Our Corporate Social Responsibility Policy integrates and reflects our business objectives and our core business values – while keeping in mind that corporate responsibility must be based on the mutual commitment of management and employees as an integrated part of our day-to-day work.

NNIT supports the Sustainable Development Goals, and works actively to promote SDG 4, 'Quality Education' and SDG 5, 'Gender Equality'.

NNIT's Corporate Social Responsibility Policy is available from the company's website at https:/media.nnit.com/Governance/CSR-Policy.pdf

In addition to a general approach to proper and diligent business conduct, NNIT has committed itself to the following:

- The UN Global Compact[1]
- The Universal Declaration of Human Rights[2]
- The United Nations Convention against Corruption[3]
- The International Labour Organization's conventions and declarations[4], including the Rio Declaration on Environment and Development, convention no. 155[5]
- Declaration on Fundamental Principles and Rights at Work[6]

1 https://www.unglobalcompact.org/

2 https://www.un.org/en/universal-declaration-human-rights/

3 https://www.unodc.org/unodc/en/corruption/tools_and_publications/UN-convention-against-corruption.html

4 http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_095895.pdf

5 https://legal.un.org/avl/pdf/ha/dunche/rio_ph_e.pdf

6 https://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_467653.pdf

Risk management and control activities

In order to sustain a robust business, risk monitoring and control activities are designed and implemented to obtain the desired overview and assurance. The control activities are based on a risk assessment performed by Group Management and installed to prevent, detect and take steps to counter any material risks. A general description of risks is provided in the section 'Risk Management' on pages 29-31. As part of its risk management, the company has also set up a whistleblower function which, in addition to the usual control functions, is intended to provide access to report on suspected irregularities in the business.

NNIT's statutory statement on Corporate Social Responsibility (CSR) pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2019 is available from the company's website at https:/media.nnit.com/Governance/COP19.pdf

Remuneration

NNIT has adopted a Remuneration Policy covering Executive Management and the Board of Directors. The overall objective of the Policy is to offer competitive remuneration and ensure alignment between the interest of the Executive Management and those of the shareholders and ultimately promote the long-term interests and sustainability of NNIT and support NNIT's strategy. The shareholders approve the remuneration of the Board of Directors for both the previous and the coming year at each year's annual general meeting.

The level of the total remuneration for the Board of Directors proposed to the Annual Meeting is consistent with compensation for boards of directors of comparable Danish companies.

The Board of Directors approves the remuneration of the Executive Management for the coming year. The remuneration package for the Executive Management consists of a fixed annual base salary and variable components consisting of short-term and long-term incentives which can be both cash and share-based. In addition, members of the Executive Management receive a pension contribution and ordinary benefits.

During 2018 the Board of Directors established a Remuneration Committee, which has been tasked with recommending a remuneration policy, making proposals on remuneration for members of the Board of Directors and Executive Management, and assisting with the preparation of the annual remuneration report which is available on NNIT's website.

During 2019 the Remuneration Committee has reviewed the remuneration package in totality and has determined that it is both reasonable and competitive to relevant benchmarks and provides appropriate incentives to meet short and long-term objectives.

NNIT's current Remuneration Policy, which is available at the company's website, was adopted by the Board of Directors and approved by the shareholders at the annual general meeting on March 7, 2019. A revised remuneration policy will be proposed at the annual general meeting in 2020. The objective of the revised remuneration policy is to strengthen focus and promotion of the long-term interests and sustainability of NNIT and support NNIT's strategy in the short and long term. In addition to the policy for fixed fees or salary and incentive-based remuneration described above, the Remuneration Policy set out the principles for pension, other benefits, termination of employment and severance payments.

Remuneration figures in the annual report are based on the value at grant according to accounting standards. Therefore, no adjustments are made based on the actual share price development. In the annual report 2019 DKK 5.7 million is reported as share based salary for executive management. Based on the actual share price development the share-based salary would have been DKK 2.0 million. The remuneration report contains management salary based on actual share price development.

Remuneration of the Board of Directors

Chairman (2.5 * base fee)	DKK	750,000
Deputy chairman (1.5 * base fee)	DKK	450,000
Ordinary members (base fee)	DKK	300,000
Chairman of the Audit Committee (additional 0.5 * base fee)	DKK	150,000
Member of the Audit Committee (additional 0.25 * base fee)	DKK	75,000
Member of the Remuneration Committee	DKK	50,000
Member of the ad hoc Strategy Committee	DKK	50,000
Travel allowance (per meeting – for members residing outside Denmark)	DKK	18,500

Board of Directors

- Fixed fee
- No incentive-based remuneration
- Travel allowance

Executive Management

- Fixed salary
- Short- and long-term incentive programs
- Pension contribution
- Other benefits (car, phone etc.)

NNIT's Remuneration Principles are available from the company's website at https://media.nnit.com/Governance/Remuneration-Policy.pdf

Shareholder information

NNIT had 21,835 registered shareholders at December 31, 2019, representing 97% of the company's share capital.

NNIT shares were priced at DKK 111.60 per share at December 31, 2019, for a market capitalization of DKK 2,790 million. The share price depreciated 39% in 2019. By comparison, the Nasdaq Copenhagen A/S blue chip index (OMXC20 CAP) increased 27%, while the Nasdaq Copenhagen MidCap index, of which NNIT is a component, was up 29% in the same period. Peer stocks in the Nordic and European IT services markets appreciated by 22% and 34% respectively, in the same period.

Share capital and ownership

NNIT's share capital amounts to DKK 250,000,000 divided into 25,000,000 shares, each with a nominal value of DKK 10. NNIT has a single share class, each share carrying 10 votes. There are no restrictions on ownership or voting rights. NNIT had 21,835 registered shareholders at December 31, 2019.

The four largest shareholders held at least two-thirds of the share capital, with 51% being directly or indirectly controlled by Novo Holdings A/S. The following investors have reported holding of more than 5% of NNIT's share capital in pursuance of section 55 of the Danish Companies Act:

- Novo Holdings A/S, Gentofte, Denmark 33.50% directly and 51.00% through its holding in Novo Nordisk A/S
- Novo Nordisk A/S, Gladsaxe, Denmark 17.50%
- Chr. Augustinus Fabrikker Akts., Copenhagen, Denmark 10.00%

At December 31, 2019, about 89% of NNIT's shares were held by investors based in Denmark, while 5% and 1% were held by investors in the US and UK, respectively. The remaining proportion of 2% of the registered shares were held by investors in other countries, while the outstanding 3% of the shares are not registered by name.

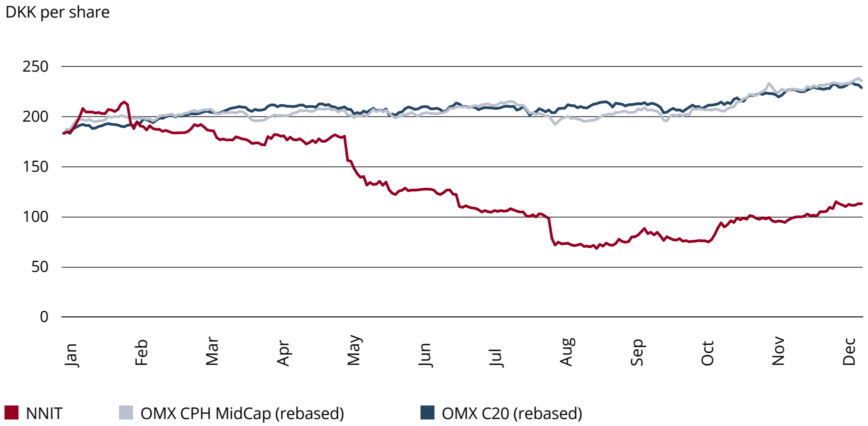
Treasury shares

As part of its internal incentive programs NNIT has acquired 25,500 shares for a total value of DKK 5 million and transferred 80,522 shares related to incentive programs for a total value of DKK 16 million.

Dividend policy and capital structure

NNIT aims to deliver a competitive return to its shareholders through dividend payouts. The guiding principle is that excess capital after funding of NNIT's growth opportunities including investments should be returned to the shareholders. NNIT aims to pay interim and ordinary dividends corresponding to

NNIT Share price compared to peers



Share information

Stock exchange:	Nasdaq Copenhagen A/S
Index:	Mid Cap
Share capital (DKK):	250,000,000
Number of shares:	25,000,000
Nominal value (DKK):	10
ISIN code:	DK0060580512
Trading symbol:	NNIT
Share price at year-end (DKK):	111.60
Treasury shares:	409,071 (1.6%)

Financial calendar for 2020

January 23	Deadline for shareholders submitting proposals for matters to be considered at the Annual General Meeting
January 29	Full year report for the period January 1, 2019 to December 31, 2019 and Annual Report
March 5	Annual General Meeting
May 6	Interim report for the first three months of 2020
August 13	Interim report for the first six months of 2020
October 29	Interim report for the first nine months of 2020

a total payout ratio of at least 45%, while remaining cash and debt neutral.

Due to the strong underlying cash flow generation, the Board of Directors intends to propose to the shareholders at the annual general meeting that ordinary dividends of DKK 2.00 per share be distributed for the financial year 2019. Including the interim dividend of DKK 2.00 per share in August 2019, this brings the total dividend for the financial year 2019 to DKK 4.00 per share, equal to a dividend payout ratio of 54% of the 2019 net results.

Annual General Meeting

The Annual General Meeting of NNIT A/S will be held on Thursday March 5, 2020 at 2 pm at the NNIT head office, Oestmarken 3A, 2860 Soeborg, Denmark. The Board of Directors intends to propose Anne Broeng, Caroline Serfass, Carsten Dilling, Christian Kanstrup, Eivind Kolding and Peter Haahr for re-election. The Board of Directors also intends to propose the re-election of Carsten Dilling as Chairman and re-election of Peter Haahr as Deputy Chairman. The members of the Board of Directors are elected for one-year terms.

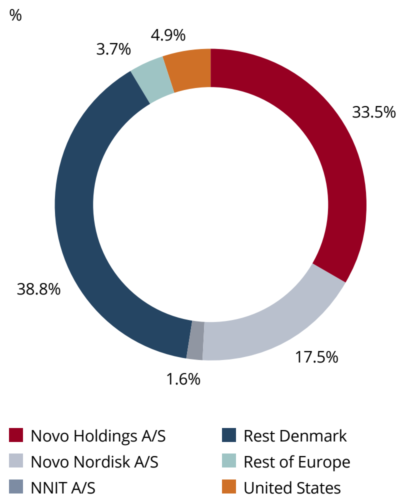
Further, the Board of Directors intends to propose the re-election of Pricewaterhouse-Coopers Statsautoriseret Revisionspartner-selskab as the Company's auditor. The Board of Directors also intends to propose that the general meeting approves the company's revised remuneration policy which has been revised in order to ensure compliance with the new requirements under sections 139 and 139a of the Danish Companies Act.

Communication with shareholders

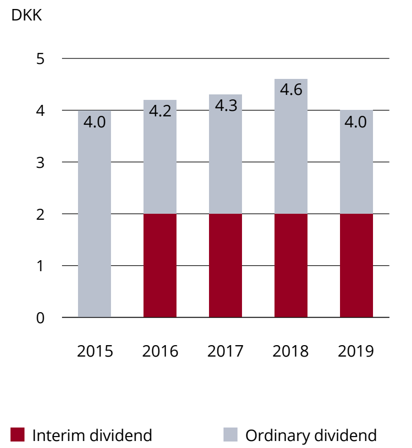
NNIT aims to give investors the best possible insight into the company to ensure fair and efficient pricing of NNIT shares. This is done by pursuing an open dialog with investors and analysts. NNIT's Executive Management hosts conference calls following the release of quarterly financial results. Members of the Executive Management and the Investor Relations officers travel extensively and participate in relevant seminars to ensure that investors with significant shareholdings in NNIT can meet with NNIT on a regular basis and to provide other shareholders and prospective shareholders access to NNIT's Executive Management and investor relations officers. The NNIT stock is currently covered by four financial analysts, who regularly issue research reports on NNIT. A full list of the analysts covering NNIT can be found at https://www.nnit.com/Pages/investor.aspx together with an overview of all company announcements, press releases, historical financial figures, latest consensus estimates and further information on NNIT. NNIT's share register is managed by VP Securities A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark, and shareholders can register their shares by name by contacting their depository bank.

NNIT Investor Relations contact information:
Carsten Krogsgaard Thomsen, CFO,
telephone +45 3075 1415, ckth@nnit.com,
www.nnit.com/investor

Shareholder overview



Dividend per share



Board of Directors

Carsten Dilling

Chairman of the Board

Member of the Remuneration Committee

Personal and educational background

Born 1962. Danish citizen. Bachelor of Science and Bachelor of Commerce, Int. Marketing from Copenhagen Business School.

Member of the Board of Directors since 2016.

Other Directorships

Chairman of the Boards of SAS AB, Icotera A/S, MT Højgaard A/S and Højgaard Holding A/S. Member of the Board of Directors of Terma A/S, and member of the Investment Committee of Maj Invest.

Considered independent.

Special competences

Strong executive background as CEO and chairman of a number of boards, and extensive experience within the IT industry.

Attended all board meetings and chairmanship meetings in 2019.

Peter Haahr

Deputy Chairman of the Board

Member of the Remuneration Committee

Personal and educational background

Born 1968. Danish citizen. MSc in Financial and Accounting from Aarhus Business School and Executive MBA from IMD.

Member of the Board of Directors since 2017.

Other directorships

CFO of Novo Holdings A/S, Chairman of the Board of Directors of House of Denmark A/S, Novo Invest 1, NH Principal Investments US Inc., ENV HoldCo, Xellia HoldCo, ERT HoldCo, Sonion HoldCo, and member of the Board of Directors of Symphogen A/S and Novo Ventures 1.

Not considered as independent due to his CFO position in Novo Holdings A/S' which is a major shareholder of NNIT A/S.

Special competences

Extensive background in the international life sciences industry as well as strong competences in finance and investor relations.

Attended all board meetings and chairmanship meetings in 2019.

Anne Broeng

Chairman of the Audit committee

Personal and educational background

Born 1961. Danish citizen. MSc in Economics from the University of Aarhus.

Member of the Board of Directors since 2014.

Other directorships

Chairman of the board at Velliv, member of the boards of NASDAQ Nordic Oy, VKR Holding A/S, Velux A/S, ATP, Aquaporin A/S, IFU, Rodinia ApS, and Deputy Chairman of Bruhn Holding ApS.

Considered independent.

Special competences

Extensive executive background as CFO and experience from serving on a number of boards with strong competencies in finance, risk management, M&A and CSR.

Attended all board meetings and Audit Committee meetings in 2019.

Peter Haahr Anne Broeng Carsten Dilling

Christian Kanstrup

Member of the Audit Committee

Personal and educational background

Born 1972. Danish citizen. Master of Science, Economics (cand. polit.) from the University of Copenhagen. Post graduate executive education from IMD.

Member of the Board of Directors since 2018.

Other Directorships

Executive Vice President of Nordics and Baltics Mediq. Member of the board of directors of Glycom and FastPassCorp.

Not considered as independent due to his relations to Novo Nordisk A/S' which is a major shareholder of NNIT A/S.

Special competences

Extensive background in the international life sciences industry as well as strong competences in finance and investor relations.

Attended all board meetings and Audit Committee meetings in 2019.

Anders Vidstrup

Employee-elected representative

Personal and educational background

Born 1962. Danish citizen. Graduate Diploma in Business Administration from Copenhagen Business School. Senior IT Quality SME at NNIT A/S.

Employee-elected member of the Board of Directors since 2015, re-elected in 2019, joined the Novo Nordisk Group in 2000 and NNIT in 2011.

Other Directorships

Chairman of the Board of Directors of Residence Massena Nice A/S.

Special competences

Extensive background in NNIT business processes for development and operations, especially in terms of quality and security requirements in the life sciences industry, such as FDA end EMA.

Attended all board meetings in 2019.

Brankica Markovic

Employee-elected representative

Personal and educational background

Born 1975. Danish citizen. BA in Business English from Copenhagen Business School. Compliance Officer at NNIT A/S.

Employee-elected member of the Board of Directors since 2019, joined NNIT in 2009.

Special competences

Extensive background within compliance and process optimization with strong competencies within Security and Access Management and GDPR implementation and operation.

Attended all board meetings since being elected in 2019.

Christian Kanstrup Brankica Markovic Anders Vidstrup

Eivind Kolding

Chairman of the Remuneration Committee

Member of the Audit Committee

Personal and educational background
Born 1959. Danish citizen. Master of Laws from the University of Copenhagen and AMP from Wharton Business School.

Member of the Board of Directors since 2015.

Other directorships
Chairman of the Board of Directors of Nordic Transport Group (NTG) A/S, Danmarks Skibskredit A/S and CC Oscar Holding A/S (CASA A/S gruppen). Member of the Board of Directors of LEO Holding A/S, BiQ ApS and Altor Fund Manager AB.

Considered independent.

Special competences
Extensive executive background as CEO and CFO, and strong competencies within finance, IT, and general management.

Attended all board meetings and Audit Committee meetings in 2019.

Caroline Serfass

Board Member

Personal and educational background
Born 1961. French/British citizen. MSc in Robotics from the University of Montreal, Canada, Master in Electrical and Electronics Engineering, École Centrale de Paris, France.

Member of the Board of Directors since 2018.

Other Directorships
Senior Vice President and CIO of Canon Europe.

Considered independent.

Special competences
Extensive background as a CIO in the international life sciences industry and strong competencies in IT and regulated industries.

Attended all Board of Directors meetings in 2019 except one. Absents due to illness.

Trine Io Bjerregaard

Employee-elected representative

Personal and educational background
Born 1968. Danish citizen. Master in French And International Relations from Aalborg University. Diploma in African Area Studies from Copenhagen University. Resource Management Consultant.

Employee-elected member of the Board of Directors since 2019, joined NNIT in 2004.

Special competences
Delivery Management and Resource Management.

Attended all board meetings since being elected in 2019.

Eivind Kolding Caroline Serfass Trine Io Bjerregaard

Group Management

Jacob Hahn Michelsen

Senior Vice President, Private & Public

Born in 1966. Jacob Hahn Michelsen joined NNIT in July 2009 and has held his present position since 2016. Jacob Hahn Michelsen holds an MSc in Manufacturing Management and Computer Science from the Technical University of Denmark.

Brit Kannegaard Johannessen

Senior Vice President, People, Communication, Marketing, Quality

Born in 1973. Brit Kannegaard Johannessen joined NNIT in May 2010. She is a member of the Board of Directors of Teknologiens Mediehus A/S. Brit Johannessen holds an MSc in Business Administration and Commercial Law from Aalborg University.

Carsten Krogsgaard Thomsen

Executive Vice President and CFO, Member of the Executive Management

Born in 1957. Carsten Krogsgaard Thomsen joined NNIT in January 2014. He is a member of the board of Directors of SKAKO A/S and Chairman of the Audit Committee. He previously served as Deputy Chairman (2011-2014) and as a member (2004-2014) of the board of NNIT. He holds an MSc in Economics from the University of Copenhagen.

Per Kogut

President and CEO, Member of the Executive Management

Born in 1964. Per Kogut joined NNIT in January 2007. He is a member of the board of Tee TopCo A/S (EET Europarts) and a member of the board of the Danish IT Industry Association (ITB). Chairman of the Board of Digital Hub. Per Kogut holds an MSc in Political Science from the University of Copenhagen.

Claus Middelboe Andersen

Senior Vice President, Projects & Consulting

Born in 1969. Claus Middelboe Andersen joined NNIT in November 2017, present position since 2017. Claus Middelboe Andersen holds a MSc in Business Administration and Law from Copenhagen Business School.

Ricco Larsen

Senior Vice President, Life Sciences

Born in 1973. Ricco Larsen joined NNIT in October 1999, present position since 2016. Ricco Larsen holds an MSc in Business Administration and Total Quality Management from the Aarhus School of Business/Aarhus University

Søren Østergaard

Senior Vice President, Infrastructure & Application Services

Born in 1972. Søren Østergaard joined NNIT in November 2009, present position since 2019. Søren Østergaard holds a Master of Laws from the University of Copenhagen and from King's College London.

Financial statements 2019

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Parent company financial statements

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Management's statement

The Board of Directors and the Executive Management (the "Management") have today discussed and approved the annual report of NNIT A/S (NNIT A/S together with its subsidiaries the "Group") for the financial year 2019.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and further requirements in the Danish Financial Statements Act.

The Management Review and the parent company financial statements of NNIT A/S, have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the accounting policies applied are appropriate, and the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at December 31, 2019 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 2019.

Furthermore, in our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances, of the results for the year, and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the Annual Report be adopted at the Annual General Meeting

Soeborg, January 29, 2020

NNIT A/S

EXECUTIVE MANAGEMENT

Per Kogut
President and CEO

Carsten Krogsgaard Thomsen
Executive Vice President and CFO

BOARD OF DIRECTORS

Carsten Dilling
Chairman

Peter Haahr
Deputy Chairman

Anne Broeng

Eivind Kolding

Christian Kanstrup

Caroline Serfass

Anders Vidstrup
Employee-elected representative

Brankica Markovic
Employee-elected representative

Trine Io Bjerregaard
Employee-elected representative

Independent auditor's report

To the Shareholders of NNIT A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2019 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the Parent Company Financial Statements give a true and fair view of the Parent Company's financial position at 31 December 2019 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2019 in accordance with the Danish Financial Statements Act.

Our opinion is consistent with our Auditor's Long-form Report to the Audit Committee and the Board of Directors.

What we have audited

The Consolidated Financial Statements of NNIT A/S for the financial year 1 January to 31 December 2019, pp. 50-91 comprise income statement and statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and the notes, including summary of significant accounting policies.

The Parent Company Financial Statements of NNIT A/S for the financial year 1 January to 31 December 2019, pp. 92-104, comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "Financial Statements".

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 were not provided.

Appointment

Following the admission of the shares of NNIT A/S for listing on Nasdaq OMX Copenhagen, we were first appointed auditors of NNIT A/S on 11 March 2016. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 4 years including the financial year 2019.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2019. These matters were addressed in the context of our audit of the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Revenue recognition

We focused on revenue recognition related to fixed fee projects, as the accounting treatment of the contracts are dependent on complex and subjective judgements by Management.

The most judgmental accounting estimates relate to assessing the stage of completion, which Management determines by reference to the proportion of costs to date to total cost estimate.

Assessments of cost estimates is made periodically following Management review, which may result in a re-assessment of the percentage of completion as of the date of review. Such re-assessments results in revisions to revenue attributable to work performed up until the date of revision.

In addition, we focused on the accounting treatment for arrangements involving multiple elements, which include both transition and transformation projects, as the accounting treatment is complex due to that the total contract value is allocated to each identified component on a relative fair value basis.

Refer to Note 1.1, 1.2, 2.1, 3.4 and 3.7.

How our audit addressed the Key Audit Matter

Our audit procedures in regard of revenue recognition included testing of relevant control activities. This included test of relevant application controls and test of Management's review controls.

We assessed the appropriateness of revenue recognition policies, with reference to IFRS 15, and considered whether revenue from the contracts selected, including amendments, change orders, etc. was recognized in accordance with these policies.

We assessed the accuracy of the stage of completion assessment, including the key assumptions, and considered the historical accuracy of the assessment of stage of completion. During the year, we reviewed the run-off on closed projects.

We assessed the revenue amounts assigned to each deliverable by assessing delivery of performance obligations with respect to contractual terms, particularly where estimates or applied judgement relating to the timing and value of revenue recognized have been made.

Statement on Management's Review

Management is responsible for Management's Review, pp. 1 – 44.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Moreover, we considered whether Management's Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibility for the Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the Audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

As part of an audit in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Hellerup, January 29, 2020

PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR No. 3377 1231

Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404

Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Consolidated financial statements

Income statement

for the year ended December 31

DKK million	Note	2019	2018
Revenue	2.1	**3,058**	**3,007**
Cost of goods sold	2.2, 2.3, 2.4, 5.1	2,583	2,466
Gross profit		**475**	**541**
Sales and marketing costs	2.2, 2.4, 5.1	131	128
Administrative expenses	2.2, 2.4, 5.1	105	106
Operating profit before special items		**239**	**307**
Special items	2.5	24	-
Operating profit		**215**	**307**
Financial income	4.1	32	11
Financial expenses	4.1	16	13
Profit before income taxes		**231**	**305**
Income taxes	2.6	48	69
Net profit for the year		**183**	**236**
Earnings per share			
Earnings per share (DKK)	4.2	7.43	9.60
Diluted earnings per share (DKK)	4.2	7.36	9.52

Statement of comprehensive income

for the year ended December 31

DKK million	Note	2019	2018
Net profit for the year		**183**	**236**
Other comprehensive income:			
Items that will not subsequently be reclassified to the income statement:			
Remeasurement related to post employment benefit obligations	3.8	9	4
Tax on other comprehensive income related to post employment benefit obligations	2.6	(1)	(1)
Items that may be reclassified to the income statement, when specific conditions are met:			
Exchange rate adjustment related to subsidiaries (net)		1	1
Recycled to financial items		*21*	*9*
Unrealized value adjustments		*(20)*	*(5)*
Cash flow hedges		1	4
Tax on other comprehensive income related to cash flow hedges	2.6	1	(1)
Other comprehensive income, net of tax		**11**	**7**
Total comprehensive income		**194**	**243**

Balance sheet

at December 31

ASSETS

DKK million	Note	2019	2018
Intangible assets	3.1, 5.6	524	432
Tangible assets	3.3	576	594
Lease assets	4.3	316	372
Contract assets	3.4	69	111
Deferred taxes	2.6	32	39
Deposits	3.5	34	33
Total non-current assets		**1,551**	**1,581**
Inventories		2	2
Contract assets	3.4	53	52
Trade receivables	3.6, 5.8	627	548
Work in progress	3.7	140	151
Other receivables		11	5
Pre-payments		84	88
Tax receivables	2.6	11	-
Derivative financial instruments	4.5	12	10
Cash and cash equivalents	4.4	122	108
Total current assets		**1,062**	**964**
Total assets		**2,613**	**2,545**

EQUITY AND LIABILITIES

DKK million	Note	2019	2018
Share capital	4.2	250	250
Treasury shares	4.2	(4)	(5)
Retained earnings		860	764
Other reserves		14	12
Proposed dividends	4.2	49	64
Total equity		**1,169**	**1,085**
Lease liabilities	4.3	239	299
Deferred taxes	2.6	-	3
Employee benefit obligations	3.8	82	15
Contingent consideration	3.9	43	113
Provisions	3.10	25	25
Long term loan		28	-
Bank overdraft	4.4	231	243
Total non-current liabilities		**648**	**698**
Prepayments received, contract assets	3.4	42	88
Prepayments received, work in progress	3.7, 5.8	98	115
Lease liabilities	4.3	90	84
Trade payables	5.8	88	97
Employee costs payables		228	253
Tax payables	2.6	9	6
Other current liabilities		155	118
Derivative financial instruments	4.4	1	1
Contingent consideration	3.9	81	-
Provisions	3.10	4	-
Total current liabilities		**796**	**762**
Total equity and liabilities		**2,613**	**2,545**

Statement of cash flows

for the year ended December 31

DKK million	Note	2019	2018
Net profit for the year		**183**	**236**
Reversal of non-cash items	5.4	439	340
Interest paid	4.1	(16)	(13)
Income taxes paid	2.6	(50)	(63)
Cash flow before changes in working capital		**556**	**500**
Changes in working capital [1]	5.5	(91)	(62)
Cash flow from operating activities		**465**	**438**
Capitalization of intangible assets	3.1	(33)	(14)
Purchase of tangible assets	3.3, 5.5	(134)	(146)
Acquisition cost refunded		2	-
Acquisition of subsidiaries	5.6	(58)	(162)
Cash flow from investing activities		**(223)**	**(322)**
Dividends paid		(113)	(105)
Purchase of treasury shares		(5)	(37)
Instalments on lease liabilities	4.3, 4.4	(93)	(90)
Instalment on long term loan		(5)	-
Bank overdraft		(12)	149
Cash flow from financing activities		**(228)**	**(83)**
Net cash flow		**14**	**33**
Cash and cash equivalents at the beginning of the year		108	75
Cash and cash equivalents at the end of the year	5.5	**122**	**108**

[1] Of which DKK 149m relates to factoring. Please refer to note 3.6 for more details.

The changes in cash flow cannot all be derived directly from the income statement and balance sheet due to the acquisition of subsidiaries during the year.

Statement of changes in equity

at December 31

DKK million

2019	Note	Share capital	Treasury shares	Retained earnings	Other reserves: Exchange rate adjustments	Other reserves: Cash flow hedges	Other reserves: Tax	Total other reserves	Proposed dividends	Total
Balance at the beginning of the year		**250**	**(5)**	**764**	**6**	**8**	**(2)**	**12**	**64**	**1,085**
Net profit for the year		-	-	183	-	-	-	-	-	183
Other comprehensive income for the year		-	-	9	1	1	-	2	-	11
Total comprehensive income for the year		**-**	**-**	**192**	**1**	**1**	**-**	**2**	**-**	**194**
Transactions with owners:										
Purchase of treasury shares		-	-	(5)	-	-	-	-	-	(5)
Transfer of treasury shares		-	1	(1)	-	-	-	-	-	-
Share-based payments	5.1	-	-	13	-	-	-	-	-	13
Deferred tax on share-based payments [1]		-	-	(5)	-	-	-	-	-	(5)
Dividends paid		-	-	-	-	-	-	-	(113)	(113)
Interim dividend for 2019		-	-	(49)	-	-	-	-	49	-
Proposed dividend for 2019		-	-	(49)	-	-	-	-	49	-
Total dividends for 2019		**-**	**-**	**(98)**	**-**	**-**	**-**	**-**	**98**	**-**
Balance at the end of the year	4.2	**250**	**(4)**	**860**	**7**	**9**	**(2)**	**14**	**49**	**1,169**

[1] Deferred tax on increased value of NNIT shares in relation to share-based payments.

Statement of changes in equity

at December 31

DKK million

2018	Note	Share capital	Treasury shares	Retained earnings	Other reserves: Exchange rate adjustments	Other reserves: Cash flow hedges	Other reserves: Tax	Total other reserves	Proposed dividends	Total
Balance at the beginning of the year		**250**	**(7)**	**665**	**5**	**4**	**-**	**9**	**56**	**973**
Net profit for the year		-	-	236	-	-	-	-	-	236
Other comprehensive income for the year		-	-	4	1	4	(2)	3	-	7
Total comprehensive income for the year		**-**	**-**	**240**	**1**	**4**	**(2)**	**3**	**-**	**243**
Transactions with owners:										
Purchase of treasury shares		-	(2)	(35)	-	-	-	-	-	(37)
Transfer of treasury shares		-	4	(5)	-	-	-	-	-	(1)
Share-based payments	5.1	-	-	16	-	-	-	-	-	16
Deferred tax on share-based payments [1]		-	-	(4)	-	-	-	-	-	(4)
Dividends paid		-	-	-	-	-	-	-	(105)	(105)
Interim dividend for 2018		-	-	(49)	-	-	-	-	49	-
Proposed dividend for 2018		-	-	(64)	-	-	-	-	64	-
Total dividends for 2018		**-**	**-**	**(113)**	**-**	**-**	**-**	**-**	**113**	**-**
Balance at the end of the year	4.2	**250**	**(5)**	**764**	**6**	**8**	**(2)**	**12**	**64**	**1,085**

[1] Deferred tax on increased value of NNIT shares in relation to share-based payments.

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1. Basis of preparation

1.1 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and further requirements of the Danish Financial Statements Act. The Consolidated Financial Statements are prepared in accordance with IFRS standards and interpretations applicable to the 2019 financial year.

Measurement basis

The consolidated financial statements have been prepared under the historical cost convention, as modified by the measurement of derivative financial instruments and contingent consideration at fair value through profit or loss.

The accounting policies set out below have been applied consistently in the preparation of the consolidated financial statements for all the years presented.

Non-invoiced receivables regarding SLA agreements are in 2019 disclosed as trade receivables. Further bank overdraft has been disclosed as non-current liabilities as the maturity of the bank overdraft is beyond one year. Comparative figures for 2018 have been changed.

Accounting policies

Considering all the accounting policies applied, Management regards the following as the most significant accounting policies for the recognition and measurement of reported amounts:

Recognition of revenue
Revenue is the fair value of consideration received or receivable from the sale of our services and customized IT applications and is the gross sales price less VAT and any price reductions in the form of discounts and rebates.

Revenue can be recognized over time or at a point in time.

Revenue is recognized over time when an asset on behalf of a customer is created with no alternative use and NNIT has an enforceable right to payment for performance completed year to date, or the customer obtains control of a service and thus has the ability to direct the use and obtain the benefit from the service.

NNIT has two different types of businesses – “projects” and “Service Level agreements” (SLA) where revenue recognition is treated differently.

Projects
The project business is characterised by being deliveries which in nature are negotiated contracts based on consumption and typically comprise advisory, design and development activities. Revenue will be recognized over time, as the above criteria’s are met, using “the percentage of completion method”.

The proportion of revenue to be recognized in a particular period is calculated according to the percentage of completion of the project. For most contracts this is measured by reference to the costs of performing the contract incurred up to the relevant balance sheet date as a percentage of the total estimated costs of performing the contract. Reference to cost is assessed to be the most appropriate method as incurred hours are the value driver for the projects. The sales value agreed in the contract is recognized over the contract period using above method.

For time-and-material contracts, we recognize revenue as performance takes place based on actual hours incurred.

Contracts where the recognized revenue from the work performed exceeds progress billings are recognized in the balance sheet under assets.

Contracts for which progress billings exceed the revenue are recognized under liabilities. Prepayments from customers are recognized under liabilities.

If it is likely that the total costs in relation to a construction contract will exceed the total revenue on a specific project, the expected loss is recognized immediately in the income statement in the current period.

Service Level Agreements (SLA)
The SLA business comprise infrastructure and application outsourcing services and requires the performance of certain performance obligations typically defined as service levels. As described below under “Outsourcing contracts”, the revenue under an outsourcing contract will be recognized over time.

Outsourcing contracts
Outsourcing contracts consist of two activities, preparatory project (such as transition and transformation projects) and operation of the IT systems e.g. application, servers and infrastructure. These identifiable components are accounted for differently to reflect the substance of the transaction.

Transition
Transition is:
- Basic transfer of services and responsibilities
- The minimum activities required that enable the delivery organization to take over operation of the current or similar services for the customer.

The transition phase takes place in the period between contract signing and service start up (operation).

Activities performed in the transition phase do not transfer services to the customer as they are seen as ‘start-up’ costs and therefore revenue cannot be recognized as the activities are performed, but will be recognized over the operation period. Cost regarding the transition projects are capitalized and depreciated over the contract period. Please refer to ‘contract assets’.

Any prepayments received regarding transition projects will be recognized as revenue over the operation period.

Transformation
Transformation is:
- A significant change to future state of the subject.
- The full set of activities required for the delivery organization to provide the future state operation of services to the customer.

These activities transfer services to the customer as performed.

The transformation phase starts after the successful completion of transition and ends when the environment has reached the agreed future state. In some circumstances the transformation phase will take place in parallel with the transition phase.

Revenue regarding transformation projects are recognized over time as an asset is created with no alternative use and NNIT has an enforceable right to payment and revenue recognition in nature is similar to the project business.

Operation
Revenue from the operation of IT systems is recognized in the period in which the outsourcing services are provided based on amounts billable to a customer (for fixed price components in the contract, revenue is typically recognized on a straight-line basis over the course of a year, while for variable components revenue is recognized based on usage of units, and price lists according to the contract).

1.1 Summary of significant accounting policies – continued

Hedge accounting
All currency derivative instruments are initially recognized at fair value and subsequently re-measured at fair value at the end of the reporting period.

Value adjustments of currency derivative financial instruments classified as cash flow hedges are recognized directly in other comprehensive income, given hedge effectiveness, and recognized in a hedging reserve in equity. The cumulative value adjustment of these instruments is transferred from the hedging reserve to the income statement as a reclassification adjustment under financial income or financial expenses, when the hedged transaction is recognized in the Income statement.

When a hedging instrument no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in the hedging reserve for the period in which the criteria were met remains in equity and will be recognized in the income statement when the forecasted transaction is ultimately recognized in the income statement.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognized in equity is immediately transferred to the income statement under financial income or financial expenses.

1.2 Summary of key accounting estimates

The preparation of financial statements under IFRS requires the use of certain key accounting estimates.

Determination of the carrying amount of some assets and liabilities requires Management to make judgements, estimates and assumptions about future circumstances.

Estimates and assumptions are based on historical experience and other factors, and are regarded by Management as reasonable in the circumstances, but are inherently uncertain and unpredictable and therefore the actual outcome may differ from these estimates.

Management considers judgements and estimates under the following items as significant to these consolidated financial statements:
- Impairment test, goodwill (note 3.2)
- Work in progress (note 3.7)

Impairment test
For the goodwill impairment test, a number of estimates are made on the development in revenues, gross profits, operating margins, future capital expenditures, discount rates and growth expectations in the terminal period. These estimates are based on assessments of the current and future development in the subsidiary and are based on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

Work in progress
The determination of the percentage of completion of work in progress is based on estimates of future costs, hours and materials. Each project is unique in their design. Management makes judgements on individual assessments of specific projects and their associated risk from the on-going monitoring, to identify any deviations from estimates.

Adjustments to cost estimates may be made periodically following management review, which may result in a re-assessment of the percentage of completion as of the date of review. Such changes result in revisions to revenue attributable to work performed up until the date of revision. The effect of such changes in estimates is recognized as a change to revenue in the period in which the revisions are determined.

1.3 Changes in accounting policies and disclosures

Adoption of new or amended IFRSs
As of January 2018 NNIT A/S early adopted IFRS16 "Lease" therefore no new standards has been implemented in 2019.

IFRIC 23 'Uncertainty over Income Tax Treatments' has been implemented as of January 1, 2019, however the effect is assessed immaterial.

Changes in accounting policies
In 2019 a new line item 'special items' has been introduced in the income statement. Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance. The Group has not had any special items in 2018. Please refer to general accounting policies below for details regarding the nature of special items.

Changes in disclosures
On March 1, 2019 NNIT A/S has implemented a new organization and new operating segments. To reflect this the segment reporting has been changed from 'IT Operation Services' and 'IT Solution Services' to 'Life Sciences' and 'Private & Public'. Comparison figures for 2018 have been restated.

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

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

1.4 General accounting policies

Principles of consolidation

The consolidated financial statements include the financial statements of NNIT A/S (parent company) and entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. NNIT A/S and its subsidiaries are collectively referred to as the Group.

The consolidated financial statements are based on the financial statements of the Parent Company and the subsidiaries, and are prepared by combining items of a similar nature and eliminating intercompany transactions, shareholdings, balances and unrealized intercompany profits and losses. The consolidated financial statements are based on financial statements of Group companies prepared in accordance with the Group's accounting policies.

Other accounting policies

Acquisition of subsidiaries
On acquisition of subsidiaries, the acquisition method is applied, and identifiable assets and liabilities are recognized and generally measured at fair value at the date control was achieved.

Identifiable intangible assets are recognized if they can be separated and the fair value can be reliably measured. Deferred tax on revaluations is recognized.

Any positive differences between fair value of consideration transferred and fair value of net assets acquired on acquisition of subsidiaries are recognized as goodwill. Consideration transferred consists of shares, contingent consideration as well as cash and cash equivalents.

Goodwill is not amortized, but is tested annually for impairment.

Transactions costs are recognized as operating costs as they have incurred.

If the initial accounting for business combination can be determined only preliminary by the end of the period in which the combination is effected, adjustments made to the provisional fair value of acquired net assets or cost of the acquisition within 12 months of the acquisition date are adjusted to the initial goodwill.

Acquired entities are recognized in the consolidated financial statements at the date control was achieved.

Segment reporting
Segment performance is evaluated on the basis of the operating profit consistent with the consolidated financial statements.

Operation segments are reported in a manner consistent with the internal reporting provided to Group Management and the Board of Directors. No operating segments have been aggregated to form the reported business segments.

There are no sales or other transactions between the business segments. Costs have been split between the business segments according to a specific allocation with the addition of a minor number of corporate overhead costs allocated systematically between segments. Other operating income has been allocated to the two segments based on the same principle.

Financial income and expenses and income taxes are managed at Group level and are not allocated to business segments.

Translation of foreign currency
Functional currency and presentation currency
The financial statement items for each of the Group's entities are measured in the currency used in the economic environment in which the entity operates (functional currency).

The consolidated financial statements are presented in Danish kroner (DKK).

Transactions and balance sheet
Transactions in foreign currencies within the year are translated into the functional currency at the exchange rate at the transaction date. Receivables and liabilities in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date.

Realized and unrealized exchange rate adjustments are recognized in the income statement under "financial income and expenses".

Currency translation for foreign operations in the financial statements of foreign subsidiaries' balance sheet items are translated to Danish kroner (DKK) at the exchange rate at the balance sheet date, and income statement items are translated using the average exchange rate.

Exchange differences arising from:
- the translation of subsidiaries' net assets at the beginning of the financial year at exchange rates at the balance sheet date and
- the translation of subsidiaries' income statements at exchange rates at the balance sheet date

are recognized in 'exchange rate adjustments' in other comprehensive income and presented in a separate reserve within equity.

Costs
Cost of goods sold
The cost of goods sold comprises costs paid in order to generate revenue for the year, including amortization and depreciation, share-based compensation and salaries.

Sales and marketing costs
Sales and marketing costs comprise costs in the form of salaries and share-based compensation for sales and marketing staff, advertising costs, and amortization and depreciation.

Administrative expenses
Administrative expenses comprise costs in the form of share-based compensation and salaries for administrative staff and amortization and depreciation.

Special items
Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities and are non-recurring of nature. Such costs and income include the cost related to significant restructuring of the cost base and processes as well as restructuring costs related to resignation of employees due to lost contracts. Further special items include significant cost related to acquisition of subsidiaries or activities, retirement of members of Executive Management, impairment of goodwill and gains and losses regarding disposal of activities or subsidiaries.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

Financial items
Financial income and expenses comprise interest, realized and unrealized gains and losses from exchange rate adjustments, fair value adjustments on forward contracts and the cumulative value adjustment of these instruments transferred from the hedging reserve within equity.

Interest income is recognized on an accrual basis according to the effective interest rate method.

Tax
Income tax comprises current tax and deferred tax for the year, and is recognized as follows: The amount that can be allocated to the net profit for the year is recognized in the income statement, and the amount that relates to items recognized in other comprehensive income and/or equity respectively is recognized in other comprehensive income and/or equity.

Deferred tax is measured according to the balance sheet-based liability method on all temporary differences between the carrying amount and tax base of assets and liabilities.

Deferred tax assets are recognized in the balance sheet under non-current assets.

Deferred tax liabilities are recognized in the balance sheet under non-current liabilities.

1.4 General accounting policies – continued

Deferred tax is measured on the basis of the tax rules and tax rates that according to current legislation at the balance sheet date will apply at the time of the expected realization of the deferred tax asset or settlement of the deferred tax liability. Any changes to deferred tax caused by changes in statutory tax rates are recognized in the income statement.

For Danish tax purposes, NNIT A/S and SCALES A/S is assessed jointly with the Novo Group. Income tax is allocated between the companies in proportion to their taxable incomes (full allocation with compensation concerning tax losses). The jointly assessed companies are included in the Tax Prepayment Scheme.

Intangible assets

Goodwill

Goodwill arising from business combinations is recognized and measured as the difference between the total of the fair value of the consideration transferred compared to the fair value of identifiable net assets on the date of acquisition.

Goodwill is not amortized, but the carrying amount is tested at relevant cash generating unit level (CGU-level) for impairment once a year.

Goodwill is written down to its recoverable amount through the income statement if lower than the carrying amount.

The recoverable amount is determined as the present value of the discounted future net cash flow from the activities goodwill relates to. In calculating the present value, discount rates are applied reflecting the risk-free interest rate with the addition of risks relating to the individual CGU.

IT development projects

IT development projects are clearly specified and identifiable projects under development for internal and external use for which the technical feasibility of completing the development project has been demonstrated and resources are available within NNIT.

Any development projects that do not meet the criteria for capitalization in the balance sheet are recognized as costs.

Development costs meeting the criteria for capitalization are measured at cost less accumulated amortization and any impairment losses. Development costs include salaries, amortization and depreciation and other costs that can be directly attributed to NNIT development activities.

Development costs recognized in the balance sheet are amortized from completion of the development using the straight-line method, over the period the asset is expected to generate economic benefits.

Straight-line amortization over the expected useful life of the asset:
- IT projects: 5-10 years

Intangible assets that are in use and subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors that could trigger an impairment test include changes in the economic lifes of similar assets or the relationship with other intangible assets or tangible assets.

Intangible assets under construction are tested for impairment once a year.

If the carrying amount of intangible assets exceeds the recoverable amount based upon the above indicators of impairment, any impairment loss is measured based on discounted future cash flows.

Tangible assets

Tangible fixed assets are measured at cost less accumulated depreciation and any impairment losses. Cost price includes the purchase price and costs relating directly to the purchase. Subsequent costs are either included in the carrying amount of the asset or recognized as a separate asset, where there are likely future economic benefits for the Group and the value of the asset can be reliably measured.

The depreciable amount of the assets is depreciated on a straight-line basis over the following estimated useful life periods:
- Other equipment: 3-10 years
- Leasehold improvements: 5-10 years
- Buildings: 10-50 years

Major components of buildings which are expected to be replaced with regular intervals during the life of the building are treated as separated components of the building and are depreciated over the period until expected replacement.

Asset residual values and useful lifes are assessed and where required adjusted on each balance sheet date.

Tangible assets are tested for impairment if there are indications of impairment. The carrying amount of an asset is written down to its recoverable amount if the carrying amount exceeds the estimated recoverable amount. The recoverable amount for the asset is determined as the higher of fair value less costs to sell and net present value of future net cash flows from continued use. If the recoverable amount of an individual asset cannot be determined, value in use is determined for the smallest group of assets for which it is possible to determine a recoverable amount. Impairment losses are recognized in the income statement under the relevant functional areas.

Depreciation and gains or losses from disposal of tangible assets are recognized in the income statement under cost of goods sold, sale and marketing costs and administrative expenses respectively.

Lease assets

Lease assets are 'right-of-use assets' arising from a lease agreement. Lease assets are initially measured at cost consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received and the initial estimate of refurbishment costs and any initial directs costs incurred by NNIT as the lessee.

NNIT has three different types of leases:
- Rental of premises
- IT equipment
- Company cars

The lease assets are depreciated on a straight-line basis over the lease term. The lease asset can be adjusted due to modifications to the lease agreement or reassessment of lease term.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture with a value below DKK 100 thousand.

Contract assets

Contract asset consists of cost regarding transition projects, which has been capitalized until operation begins. The cost will be amortized over the operation period.

Inventories

Goods for resale are measured at the lower of cost and net realizable value.

Trade receivables

Trade receivables are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for doubtful trade receivables.

Allowance for doubtful trade receivables is made using the expected credit loss model, which uses a lifetime expected loss allowance for all trade receivables.

The allowance is deducted from the carrying amount of trade receivables and the amount of the loss is recognized in the income statement under cost of goods sold.

Other receivables and prepayments

Current receivables

Current receivables are measured at amortized cost less potential write-downs for impairment losses. Write-downs are based on individual assessments of each debtor.

1.4 General accounting policies – continued

Prepayments
Prepayments comprise costs incurred for the next financial year. These are usually prepayments for maintenance of hardware and software licenses.

Equity
Treasury shares
Treasury shares are deducted from equity. Acquisition/disposal of treasury shares are recognized directly in equity.

Dividend
Dividend distribution to the shareholders of NNIT is recognized as a liability when dividends are declared. Proposed dividends are disclosed in the statement of changes in equity.

Lease liabilities
Lease liabilities arise from a lease agreement. Lease liabilities are initially equal to the present value of the lease payments during the lease term that are not yet paid.

At initial recognition NNIT assess each contract individually to assess the likelihood of exercising a potential extension option in the contract. The option to extend the contract period will be included in the calculation of the lease liability if it is reasonably certain that NNIT will exercise the option.

When calculating the net present value NNIT has used a discount rate corresponding to the incremental borrowing rate.

The lease liability will be remeasured when changes occur due to modifications to the contract (extension, termination etc.) or indexation.

Employee benefits
Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses and non-monetary benefits are recognized in the financial year in which the NNIT employee provided the related work service.

Pensions
NNIT operates a number of defined-contribution pension plans. The costs of these pension plans are recognized in the financial year in which the relevant NNIT employees provided the related service.

In some countries NNIT operates defined-benefit plans. Such liabilities are measured at the present value of the expected payments related to benefits accrued at the balance sheet date less the fair value of plan assets by applying the projected unit credit method. Plan assets, if any, are measured at fair value and offset against the defined benefit obligation in the balance sheet. Service costs and the interest component are recognized in the income statement. Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. Settlements are immediately recognized in the income statement.

Jubilee benefits
This comprises liabilities for the cost of employee anniversaries. The liability is based on a Net Present Value calculation. Gains and losses are recognized in the income statement.

Long-term incentive and retention programs
NNIT has two different share-based incentive programs; long-term incentive program (LTIP) and retention program (RP)

Long-term incentive program (LTIP)
Group Management and the Vice President Group are part of a long-term share-based incentive program (LTIP).

Under the program, NNIT allocates shares based on operating profit and free cash flow.

LTIP
The participants receive NNIT shares. The shares are subject to a lock-up period of four years.

NNIT has the obligation to deliver treasury shares, and accordingly, the arrangement is classified as an equity-settled arrangement and will be charged to the income statement over the four-year vesting period based on the market price at the grant date.

Retention program (RP)
Group Management are part of the retention program. This program comprise an accustomed self-investment with reference to the IPO Launch Incentive Program. For each share invested by the participant, the participant will be eligible to be granted up to two (2) Restricted Share Units (RSU). The shares are subject to a lock up period of three years, following which the RSU's are released if certain vesting targets are met.

NNIT has the obligation to deliver treasury shares, and accordingly, the arrangement is classified as an equity-settled arrangement and will be charged to the income statement over the three-year vesting period based on the market price at the grant date. During that period the shares are administered as part of the Company's treasury shares, and no dividends are paid on such shares and the participants are not able to exercise any voting rights during the lock-up period.

Contingent consideration (earn out)
Contingent considerations are recognized at fair value. Fair value changes in contingent considerations are recognized in the income statement in financial items until final settlement.

Provisions
Provisions are recognized when NNIT has a legal or constructive obligation arising from past events, it is probable that the Company will have to draw on its financial resources to settle the liability, and the liability can be reliably estimated.

Provisions in the case of NNIT consist of provisions for losses on construction projects and refurbishment obligations.

Provision for onerous contracts/projects
This refers to projects that NNIT is obliged to complete and for which the total project costs exceed the total project income.

Provision for refurbishment obligation
This refers to refurbishment obligations regarding NNIT's lease agreements for rental of premises.

Trade payables
Trade payables are measured at amortized cost.

Other current liabilities
Other current liabilities comprise accrued expenses and VAT.

Cash flow statement
The cash flow statement is prepared using the indirect method. The cash flow statement shows the cash flows for the year, divided into operating, investing and financing activities, and how these cash flows have affected the cash position for the year.

Cash flow from operating activities
Cash flows from operating activities are calculated as the net profit for the year, adjusted for non-cash operating items. These include amortization, depreciation and write-downs, share-based compensation, change in net working capital and interest received and paid.

Cash flow from investing activities
Cash flows from investing activities comprise cash flows from the purchase and sale of intangible, tangible and financial non-current assets and the purchase and sale of securities.

Cash flow from financing activities
Cash flows from financing activities comprise cash flows from raising and repaying long-term debt, dividend payments to shareholders, instalments on lease liabilities and bank overdraft.

Cash and cash equivalents
Cash and cash equivalents include cash and deposits.

The cash flow statement cannot be derived from the annual report alone.

1.5 Financial definitions

Operating profit margin	=	Operating profit x 100 / Revenue
Gross profit margin	=	Gross profit x 100 / Revenue
Return on assets	=	Operating profit x 100 / Average operating assets
Return on equity	=	Net profit after tax x 100 / Average equity
Dividend per share for the year	=	Proposed dividend / The number of outstanding shares
Return on invested capital (ROIC)	=	Net profit ex. financials x 100 / Average invested capital [1]
EBITDA margin	=	Operating profit + depreciation and amortization / Revenue
Solvency ratio	=	Equity / Total assets
Effective tax rate	=	Tax / Profit before tax

[1] Average invested capital is calculated excluding cash and cash equivalents, shares and non-interest bearing debt.

The above key ratios have been prepared in accordance with the guidelines issued by the Danish Finance Society.

Non-IFRS financial measures

In the Annual Report, NNIT discloses certain financial measures of the Group's financial performance, financial position and cash flows that reflect adjustments to the most directly comparable measures calculated and presented in accordance with IFRS. These non-IFRS financial measures may not be defined and calculated by other companies in the same manner, and may thus not be comparable with such measures.

The non-IFRS financial measures presented in the Annual Report are:
- Special items
- Backlog
- Cash to earnings
- Financial resources at the end of the year
- Free cash flow
- Organic growth

Special items
Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities and are non-recurring of nature. Such costs and income include the cost related to significant restructuring of the cost base and processes as well as restructuring costs related to resignation of employees due to lost contracts. Further special items include significant cost related to acquisition of subsidiaries or activities, retirement of members of Executive Management, impairment of goodwill and gains and losses regarding disposal of activities or subsidiaries.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

Backlog
The backlog represents anticipated revenue from orders not yet completed or performed undersigned contracts that are expected to be recognized as net turnover. The calculation of backlog is subject to certain assumptions, including estimation of expected billings under time and materials contracts for the applicable period.

Cash to earnings
Cash to earnings is defined as 'free cash flow as a percentage of net profit'.

Financial resources at the end of the year
Financial resources at the end of the year are defined as the sum of cash and cash equivalents at the end of the year and undrawn committed credit facilities.

Free cash flow
NNIT defines free cash flow as 'net cash generated from operating activities less net cash used in investing activities'.

Organic growth
Expansion of operations from own (internally generated) resources, without growth from acquisition of other companies.

2. Results for the year

2.1 Segment information

NNIT delivers services and solutions through two business units, Life sciences and Private & Public, each responsible for delivering a number of services to customers.

The Life sciences unit delivers to both the Novo Nordisk Group and other life sciences clients in Denmark as well as internationally.

The Private and Public unit delivers to clients within the enterprise, public and finance segments in Denmark.

DKK million	2019	2018
Revenue by customer group		
Novo Nordisk Group	955	1,124
Life sciences international	361	212
Life sciences Denmark	230	222
Life sciences	1,546	1,558
Enterprise	802	794
Public	392	399
Finance	318	256
Private & Public	1,512	1,449
Total revenue	**3,058**	**3,007**
Gross profit by business unit		
Life sciences	334	409
Private & Public	141	132
Total gross profit	**475**	**541**

DKK million	2019	2018
Operating profit before special items by business unit [1]		
Life sciences	203	280
Private & Public	36	27
Total operating profit before special items	**239**	**307**

[1] When deducting special items and net financials profit before income taxes is obtained

DKK million	2019	2018
Amortization, depreciation and impairment losses		
Life sciences	122	115
Private & Public	137	132
Total amortization, depreciation and impairment losses	**259**	**247**

The Danish operations generated 81.5% of the revenue in the year ended December 31, 2019 (2018: 87.4%) based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, NNIT will not disclose a geographical revenue split.

99.2% of tangible assets are placed in Denmark (2018: 98.9%).

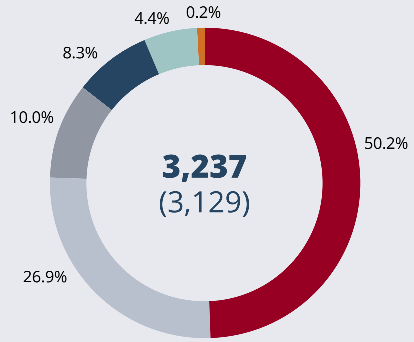
The Novo Nordisk Group generated 31.2% of the revenue in the year ended December 31, 2019 (2018: 37.4%).

2.2 Employee costs

DKK million	2019	2018
Employee costs comprise:		
Wages and salaries	1,629	1,447
Share-based payments	13	16
Pensions - defined contribution plans	121	134
Pensions - defined benefit obligations (note 3.8)	19	7
Other employee costs	115	115
Total employee costs	**1,897**	**1,719**
Included in the income statement under the following headings:		
Cost of goods sold	1,699	1,555
Sales and marketing costs	107	102
Administrative expenses	69	62
Restructuring expenses	22	-
Total employee costs	**1,897**	**1,719**
Average number of full-time employees	3,237	3,129

Average number of employees 2019 (2018)

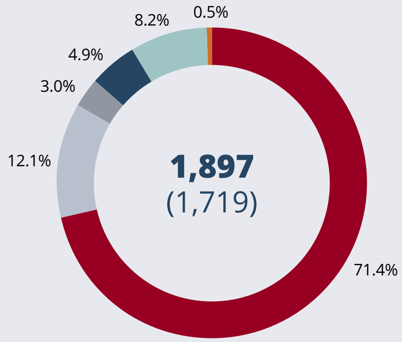
FTE



- Denmark **1,625** (1,627)
- China **870** (879)
- Philippines **324** (259)
- Czech Republic **269** (278)
- Rest of Europe and North America **142** (86)
- Rest of Asia **7** (0)

Employee costs 2019 (2018)

DKK million



- Denmark **1,354** (1,282)
- China **229** (216)
- Philippines **57** (43)
- Czech Republic **93** (95)
- Rest of Europe and North America **155** (83)
- Rest of Asia **9** (0)

Group Management's remuneration and share-based payment

DKK million	Fixed base salary	Cash Bonus (STIP)	Pension	Benefits	Share-based incentives (LTIP/RP)[2]	Total
2019						
Per Kogut	4.3	1.6	1,4	0.2	3.7	11.2
Carsten Krogsgaard Thomsen	2.5	0.6	0.7	0.2	2.0	6.0
Executive Management	**6.8**	**2.2**	**2.1**	**0.4**	**5.7**	**17.2**
Other members of Group Management[1]	**9.0**	**1.6**	**1.4**	**0.6**	**5.3**	**17.9**
Group Management total	**15.8**	**3.8**	**3.5**	**1.0**	**11.0**	**35.1**

[1] Remunerations included above are for the period each employee has served as member of Group Management only
[2] Includes the annually recognized expense on granted share-based and launch incentive programs, which are not released

DKK million	Fixed base salary	Cash Bonus (STIP)	Pension	Benefits	Share-based incentives (LTIP/RP)[2]	Total
2018						
Per Kogut	4.1	1.9	1.5	0.2	4.6	12.3
Carsten Krogsgaard Thomsen	2.4	0.8	0.8	0.2	2.5	6.7
Executive Management	**6.5**	**2.7**	**2.3**	**0.4**	**7.1**	**19.0**
Other members of Group Management[1]	**6.8**	**2.2**	**0.9**	**0.4**	**4.9**	**15.2**
Group Management total	**13.3**	**4.9**	**3.2**	**0.8**	**12.0**	**34.2**

[1] Remunerations included above are for the period each employee has served as member of Group Management only
[2] Includes the annually recognized expense on granted share-based and launch incentive programs, which are not released

2.2 Employee costs – continued

Board of Directors

DKK million	Fixed base fee	Fee for committee work	Travel allowance	Total
2019				
Carsten Dilling (Chairman of the Board of Directors and member of the Remuneration Committee)	0.8	-	-	0.8
Peter H.J. Haahr (Deputy Chairman of the Board of Directors and member of the Remuneration Committee)	0.5	-	-	0.5
Anne Broeng (Chairman of the Audit Committee)	0.3	0.2	-	0.5
Caroline Serfass (Chairman of Strategic Committee)	0.3	-	0.1	0.4
Christian Kanstrup (member of the Audit Committee and member of Strategic Committee)	0.3	0.1	-	0.4
Eivind Kolding (member of the Audit Committee and Chairman of the Remuneration Committee)	0.3	0.1	-	0.4
Anders Vidstrup	0.3	-	-	0.3
Henrik Vienberg Andersen [2]	0.1	-	-	0.1
Trine Io Bjerregaard [1]	0.2	-	-	0.2
Brankica Markovic [1] (member of Strategic Committee)	0.2	-	-	0.2
Total fees to Board of Directors	**3.3**	**0.4**	**0.1**	**3.8**
Total fees to Group Management and Board of Directors				**38.9**

[1] Elected at the Annual General Meeting March 7, 2019
[2] Not re-elected at the Annual General Meeting March 7, 2019

DKK million	Fixed base fee	Fee for committee work	Travel allowance	Total
2018				
Carsten Dilling (Chairman of the Board of Directors)	0.8	-	-	0.8
Peter H.J. Haahr (Deputy Chairman of the Board of Directors)	0.5	-	-	0.5
Anne Broeng (Chairman of the Audit Committee)	0.3	0.2	-	0.5
Caroline Serfass [1]	0.3	-	0.1	0.4
Christian Kanstrup (member of the Audit Committee) [1]	0.3	0.1	-	0.4
Eivind Kolding (member of the Audit Committee)	0.3	0.1	-	0.4
John Beck (member of the Audit Committee) [2]	0.1	-	-	0.1
René Stockner [2]	0.1	-	-	0.1
Anders Vidstrup	0.3	-	-	0.3
Henrik Vienberg Andersen	0.3	-	-	0.3
Total fees to Board of Directors	**3.3**	**0.4**	**0.1**	**3.8**
Total fees to Group Management and Board of Directors				**37.8**

[1] Elected at the Annual General Meeting March 8, 2018
[2] Not re-elected at the Annual General Meeting March 8, 2018

2.2 Employee costs – continued

Short-term incentive program (STIP)
Group Management and certain other employees participate in a STIP program, which entitles each participant to receive an annual performance-based cash bonus, linked to the achievement of a number of predefined functional and individual business targets. Performance is measured for each financial year and the cash-based incentives, if any, are paid after announcement of the annual report for the subsequent year.

Retention Program (RP)
RP is a program for Group Management designed to secure and enhance a strong retention incentive.

The program is based on a self-investment in NNIT shares by the participants which makes the participants eligible to receive up to two (2) RSU for each share invested. The number of RSUs is based on performance in the three year period 2018 to 2020 measured on revenue growth and operating profit margin.

Long-term incentive program (LTIP)
LTIP is designed to promote the collective performance of Group Management and Vice Presidents to align the interests of executives and shareholders.

The program is based on earnings including hedge gains/losses, before interest and tax compared to the targeted level. In addition, the realized free cash flow compared to the targeted level is taken into consideration.
NNIT's Board of Directors approves the financial targets for the coming year, ensuring that the short-term targets are aligned with NNIT's long-term targets and strategy.

The allocation under LTIP for the CEO cannot exceed the equivalent of ten months' fixed base salary including pension contribution, and the allocation for the CFO cannot exceed the equivalent of eight months of such person's fixed base salary including pension contribution. The allocation for the other members of Group Management cannot exceed the equivalent of six months fixed base salary including pension contribution. A fixed and predefined number of shares will be allocated to Vice Presidents.

The shares allocated to the members of Group Management based on the 2016 performance, will be released to the individual participants subsequent to the approval of the Annual Report 2019 by the Board of Directors. Based on the share price at the end of 2019, the value of the released shares is as follows:

DKK million	Number of shares	Market value
Values at December 31, 2019 of shares to be released February 1, 2020:		
Per Kogut	12,461	1.4
Carsten Krogsgaard Thomsen	6,047	0.7
Executive Management	**18,508**	**2.1**
Other members of Group Management	**8,297**	**0.9**
Group Management total	**26,805**	**3.0**

2.3 Development costs

DKK million	2019	2018
Costs for development of new projects, not eligible for recognition in the balance sheet are charged immediately to the income statement:		
Cost of goods sold	9	16
Total development costs	**9**	**16**

2.4 Amortization, depreciation and impairment losses

DKK million	2019	2018
Amortization	26	14
Depreciation	233	233
Total amortization, depreciation, and impairment losses	**259**	**247**
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	243	233
Sales and marketing costs	4	5
Administrative expenses	12	9
Total amortization, depreciation, and impairment losses	**259**	**247**

2.5 Special items

DKK million	2019	2018
Special items of DKK 24 million relates to restructuring cost.		
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	22	-
- Sales and marketing costs	2	-
Total special items	**24**	-

2.6 Income taxes

DKK million	2019	2018
Current tax	47	51
Deferred tax	4	16
Adjustments recognized for current tax of prior periods	(3)	1
Adjustments recognized for deferred tax of prior periods	-	1
Income taxes in the income statement	**48**	**69**
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	(0.3%)	0.1%
Other adjustments to taxable income	0.6%	0.1%
Adjustment of current and deferred tax regarding previous years	(1.3%)	0.6%
Effective tax rate	**21.0%**	**22.8%**
Tax on other comprehensive income for the year	**-**	**(2)**

Tax on other comprehensive income for the year relates to deferred tax on remeasurement of pension obligations and cash flow hedges.

Tax on equity relates to deferred tax on share-based payments.

2.6 Income taxes – continued

Deferred taxes

DKK million	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2019								
Deferred tax asset								
At the beginning of the year	**(15)**	**46**	**(22)**	**13**	**1**	**(2)**	**15**	**36**
Adjustment to addition from business combination prior years	5	-	-	-	-	-	-	5
Movements within the year	(4)	(2)	(8)	1	-	-	9	(4)
Movements in equity	-	-	-	-	(5)	-	-	(5)
Movements in comprehensive income in the year	-		-	-	-	1	(1)	-
At the end of the year	**(14)**	**44**	**(30)**	**14**	**(4)**	**(1)**	**23**	**32**

DKK million	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2018								
Deferred tax asset/liability								
At the beginning of the year	(10)	49	(18)	11	5	(1)	29	65
Additions from business combinations	(5)	-	-	-	-	-	-	(5)
Adjustments related to previous years	-	-	-	-	-	-	(1)	(1)
Exchange rate adjustments	-	(1)	-	-	-	-	-	(1)
Movements within the year	-	(2)	(4)	2	-	-	(12)	(16)
Movements in equity	-	-	-	-	(4)	-	-	(4)
Movements in comprehensive income in the year	-	-	-	-	-	(1)	(1)	(2)
At the end of the year	**(15)**	**46**	**(22)**	**13**	**1**	**(2)**	**15**	**36**

Deferred tax is recognized in the balance sheet as follows:	
Deferred tax under assets	39
Deferred tax under liabilities	3
Total deferred tax	**36**

2.6 Income taxes – continued

DKK million	2019	2018
Tax payable/receivable		
Tax payable/receivable at the beginning of the year	(6)	(18)
Adjustment hereto	2	-
Income tax paid during the year	47	41
Tax paid related to previous years	(1)	17
Withholding taxes paid during the year	4	5
Current tax on profit for the year	(47)	(51)
Adjustments related to previous years	3	-
Tax payable at the end of the year	**2**	**(6)**
Tax payable/receivables are recognized in the balance sheet as follows:		
Tax receivables	11	-
Tax payables	(9)	(6)
Total tax	**2**	**(6)**

3. Operating assets and liabilities

3.1 Intangible assets

DKK million	Goodwill	Other intangible assets	IT development projects	IT development projects under construction	2019
2019					
Cost at the beginning of the year	367	30	85	15	497
Adjustment to cost at the beginning of the year	(5)				(5)
Additions from business combinations	85	4	-	-	89
Additions	-	-	6	27	33
Transfer	-	-	14	(14)	-
Exchange rate adjustment	1	-	-	-	1
Cost at the end of the year	**448**	**34**	**105**	**28**	**615**
Amortization and impairment losses at the beginning of the year	-	7	58	-	65
Amortization	-	14	12	-	26
Amortization and impairment losses at the end of the year	**-**	**21**	**70**	**-**	**91**
Carrying amount at the end of the year	**448**	**13**	**35**	**28**	**524**
Amortization period		2-5 years	5-10 years		

IT development projects mainly include NNIT's ERP system which is used as the basis for the Group's day-to-day operations.
IT development projects under construction consist of both internal IT-systems and developed applications for customer services.

3.1 Intangible assets – continued

DKK million	Goodwill	Other intangible assets	IT development projects	IT development projects under construction	2018
2018					
Cost at the beginning of the year	168	9	79	7	263
Adjustment	-	-	4	(4)	-
Additions from business combinations	200	21	-	-	221
Additions	-	-	1	13	14
Transfer	-	-	1	(1)	-
Exchange rate adjustment	(1)	-	-	-	(1)
Cost at the end of the year	**367**	**30**	**85**	**15**	**497**
Amortization and impairment losses at the beginning of the year	-	2	49	-	51
Amortization	-	5	9	-	14
Amortization and impairment losses at the end of the year	**-**	**7**	**58**	**-**	**65**
Carrying amount at the end of the year	**367**	**23**	**27**	**15**	**432**
Amortization period		2-5 years	5-10 years		

IT development projects mainly include NNIT's ERP system which is used as the basis for the Group's day-to-day operations.
IT development projects under construction consist of both internal IT-systems and developed applications for customer services.

3.2 Impairment test

Goodwill

The carrying amount of goodwill relates to SCALES, DKK 168 million, Valiance Partners, DKK 195 million and HGP Group DKK 85 million.

HGP Group

Goodwill for HGP Group has been tested for impairment at December 31, 2019 based on value in use. Net cash flows for the years 2020-2024 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations in accordance with NNIT business plans. The uncertainty associated with these expectations is reflected in the discount rate used amounting to 8.5%. The valuation method is based on annual revenue growth in the range of 5-20% from 2020-2024. Growth is expected to be 2% in the terminal period which is expected to be the long-term growth in the industry. The revenue growth is decreasing compared to historically growth and operating profit margin is slightly increasing.

The test did not result in any impairment of the carrying amounts related to the cash generating unit 'life science Europe outside Denmark excluding Valiance', which is part of the life sciences business unit.

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption that will result in impairment of goodwill, are considered unlikely to become a reality.

Valiance Partners

Goodwill for Valiance Partners has been tested for impairment at December 31, 2019 based on value in use. Net cash flows for the years 2020-2024 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations in accordance with NNIT business plans. The uncertainty associated with these expectations is reflected in the discount rate used amounting to 8.5% (2018: 11.4-12.3%). The valuation method is based on annual revenue growth in the range of 20-25% from 2020-2024 (2018: 5-49%). Growth is expected to be 2% (2018: 2%) in the terminal period which is expected to be the long-term growth in the industry. The revenue growth is decreasing compared to historically growth and operating profit margin is slightly increasing.

The test did not result in any impairment of the carrying amounts related to the cash generating unit 'Valiance Partners', which is part of the life sciences business unit.

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption that will result in impairment of goodwill, are considered unlikely to become a reality.

SCALES

Goodwill for SCALES has been tested for impairment at December 31, 2019 based on value in use. Net cash flows for the years 2020-2024 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations in accordance with NNIT business plans. The uncertainty associated with these expectations is reflected in the discount rate used amounting to 8.5% (2018: 8.5%). The valuation method is based on annual revenue growth in the range of 15-35% from 2020-2024 (2018: 0-22%). Growth is expected to be 2% (2018: 2%) in the terminal period which is expected to be the long-term growth in the industry. The revenue growth is decreasing compared to historically growth and operating profit margin is slightly increasing.

The test did not result in any impairment of the carrying amounts related to the cash generating unit 'SCALES' which is part of the Private & Public business unit.

A sensitivity analysis has not been carried out, as negative changes in the fundamental assumption that will result in impairment of goodwill, are considered unlikely to become a reality.

3.3 Tangible assets

DKK million	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2019
2019					
Cost at the beginning of the year	373	1,025	67	21	1,486
Adjustment	(2)	2	-	-	-
Additions	2	86	1	46	135
Disposals	-	(353)	(13)	-	(366)
Transfer	-	21	-	(21)	-
Cost at the end of the year	**373**	**781**	**55**	**46**	**1,255**
Depreciation and impairment losses at the beginning of the year	73	769	50	-	892
Depreciation	19	112	6	-	137
Depreciation reversed on disposals	-	(337)	(13)	-	(350)
Depreciation and impairment losses at the end of the year	**92**	**544**	**43**	**0**	**679**
Carrying amount at the end of the year	**281**	**237**	**12**	**46**	**576**
Depreciation period	10-50 years	3-10 years	5-10 years		

NNIT's fixed assets register is inspected on a regular basis to identify assets, which are no longer in use. Such assets are scrapped.

3.3 Tangible assets – continued

DKK million	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2018
2018					
Cost at the beginning of the year	163	876	66	230	1,335
Additions	25	117	1	21	164
Disposals	(5)	(7)	-	(1)	(13)
Transfer	190	39	-	(229)	-
Cost at the end of the year	**373**	**1,025**	**67**	**21**	**1,486**
Depreciation and impairment losses at the beginning of the year	56	660	44	-	760
Depreciation	20	115	6	-	141
Depreciation reversed on disposals	(3)	(6)	-	-	(9)
Depreciation and impairment losses at the end of the year	**73**	**769**	**50**	**-**	**892**
Carrying amount at the end of the year	**300**	**256**	**17**	**21**	**594**
Depreciation period	10-50 years	3-10 years	5-10 years		

NNIT's fixed assets register is inspected on a regular basis to identify assets, which are no longer in use. Such assets are scrapped.

3.4 Contract balances

Contract balances consist of customer-related assets and liabilities regarding service level agreements.

This note comprise contract assets which are capitalized cost incurred for preparatory projects in relation to transition or set-up activities required to enable delivery of the service. The cost will be amortized over the operation period which generally is between 3-6 years.

Work in progress and prepayments regarding projects are specified in note 3.7.

DKK million	Opening balance	New additions	Revenue recognized from liabilities opening balance	Amortized cost	Closing balance
2019					
Contract assets	163	27	-	(68)	122
Prepayments received, contract liabilities	(88)	(3)	49	-	(42)

Contract assets is recognized in the balance sheet as follows:

Contract assets, non-current	69
Contract assets, current	53
Total contract assets	**122**

DKK million	Opening balance	New additions	Revenue recognized from liabilities opening balance	Amortized cost	Closing balance
2018					
Contract assets	179	56	-	(72)	163
Prepayments received, contract liabilities	(135)	(19)	66	-	(88)

Contract assets is recognized in the balance sheet as follows:

Contract assets, non-current	111
Contract assets, current	52
Total contract assets	**163**

3.4 Contract balances – continued

Future contract obligations
Below table shows performance obligations resulting from contracts which will be satisfied in the future:

DKK million	**2019**	2018
Aggregated amount of transaction price allocated to contracts that will be satisfied in the future as at December 31	4,196	4,576

Management expects that DKK 2,039 million (2018: DKK 2,171 million) of the transaction price allocated to the future contract obligations as of December 31, 2019 will be recognized during 2020. The remaining part will be recognized as revenue within 2-3 years. The amount disclosed above includes both fixed and variable consideration.

3.5 Deposits

DKK million	**2019**	2018
Cost at the beginning of the year	33	33
Additions	1	1
Disposal	-	(1)
Carrying amount at the end of the year	**34**	**33**

3.6 Trade receivables

DKK million	**2019**	2018
Total trade receivables (gross)	627	548
Allowances for bad debt at the beginning of the year	-	(1)
Adjustment of allowances for bad debt in the year	-	1
Total trade receivables (net)	**627**	**548**

In 2019 NNIT has entered into a commercial use of factoring where a financial institution purchases outstanding invoices on two of NNIT's largest customers with a strong credit profile. The benefits of this program include improved liquidity, improved financial ratios, NNIT is less sensitive on long payment terms while the cost of factoring is less than the current revolving credit facility. The effect at December 31, 2019 is DKK 149 million. NNIT still carries an immaterial risk in relation to late payments as a result of performance.

3.6 Trade receivables – continued

NNIT applies the IFRS 9 simplified approach to measure expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. NNIT has assessed historical realized losses adjusted by a forward-looking estimate related to the probability of a significant change in the economic environment. Historically NNIT has not realized any losses on trade receivables due to the economic environment. Losses have been due to claim settlement with customers.

To minimize credit losses NNIT makes a credit evaluation before entering into a contract with a new customer. NNIT customer portfolio primarily consists of large national and international companies. The credit quality of trade receivables at December 31, 2019 is considered satisfactory.

Further NNIT continuously conduct individual assessments of bad debts. If this leads to an assessment that NNIT will not be able to collect all outstanding payments, an allowance for bad debt is made. Based on historical data, the allowance for bad debt at December 31, 2019 was DKK 0.2 million (2018: DKK 0.2 million).

DKK million	**2019**	2018
Aging of non-impaired trade receivables:		
Non-invoiced trade receivables	125	48
Not due at balance sheet date	397	424
Overdue between 1 and 30 days	76	55
Overdue between 31 and 60 days	9	8
Overdue by more than 60 days	20	13
Total trade receivables	**627**	**548**

Trade receivables include receivables from related parties amounting to DKK 146 million (2018: DKK 164 million).

Part of the non-invoiced trade receivables are regarding finished transformation projects and other long-term projects, where the amount will be invoiced to the customer over the operation period which is more than one year. The long-term project amount to DKK 81m as of December 31, 2019 (2018: DKK 0m), of these DKK 37m will be invoiced in 2020.

3.7 Work in progress

DKK million	**2019**	2018
Cost of work in progress	460	260
Gross profit	136	96
Work in progress at sales value	596	356
Received payments on account	(554)	(320)
Work in progress at the balance sheet date (net)	**42**	**36**
Recognized in the balance sheet as follows:		
Work in progress, current assets	140	151
Prepayments, liabilities	(98)	(115)
Work in progress at the balance sheet date (net)	**42**	**36**

3.8 Employee benefit obligations

Defined benefit pension obligations

DKK million	Pension liability	Plan asset	Net liability
2019			
At the beginning of the year	26	19	7
Addition from business combinations	48	30	18
Current service costs	4	-	4
Interest expenses	1	-	1
Interest income	-	1	(1)
Employer contributions	-	2	(2)
Benefits paid from plan asset	1	1	-
Remeasurement gains/(losses) recognized in other comprehensive income	(9)	-	(9)
Currency revaluation	1	-	1
Plan participant contribution etc.	1	1	-
At the end of the year	**73**	**54**	**19**

DKK million	Pension liability	Plan asset	Net liability
2018			
At the beginning of the year	31	21	10
Current service costs	3	-	3
Employer contributions	-	2	(2)
Benefits paid from plan asset	(6)	(6)	-
Remeasurement gains/(losses) recognized in other comprehensive income	(4)	-	(4)
Currency revaluation	1	1	-
Plan participant contribution etc.	1	1	-
At the end of the year	**26**	**19**	**7**

The defined benefit plans are usually funded by payments from Group companies and by employees to funds independent of NNIT. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet. NNIT does not expect the contributions over the next five years to differ significantly from current contributions. The weighted average duration of the defined benefit obligation is 14.0 years (2018: 19.6 years).

As part of the acquisition of the HGP Group in April 2019, NNIT acquired the Swiss company Halfmann Goetsch Partner AG. The employees previously employed in this company are covered by a "Multi employer plan". The status of this pension scheme has been evaluated by NNIT´s external actuaries. The status and impact of the "Multi employer plan" have been recognized in accordance with NNIT´s normal practice.

3.8 Employee benefit obligations – continued

	2019	2018
Assumptions used for valuation		
Discount rate	0.25%	0.75%
Price inflation	1.25%	1.25%
Projected future remuneration increases	1.75%	1.75%
Future increases in social security	1.50%	1.50%

Actuarial valuations are performed annually. The most recent actuarial valuation is dated November 26, 2019.

DKK million	2019	2018
Defined benefit pension obligations	19	7
Jubilee benefit obligations	2	5
Long-term bonus plan	20	3
Obligation to vacation foundation " Lønmodtagernes Feriemidler"	41	-
Total employee benefit obligations, non-current	**82**	**15**

3.9 Contingent consideration

DKK million	2019	2018
Contingent consideration		
At the beginning of the year	113	54
Additions from business combinations	19	60
Value adjustment	(10)	(1)
Exchange rate adjustment	2	-
At the end of the year	**124**	**113**

Contingent consideration relates to acquisition of subsidiaries.

Contingent consideration are recognized in the balance sheet as follows:		
Non-current liabilities	43	113
Current liabilities	81	-
Total liability	**124**	**113**

SCALES

The period for the earn-out target for SCALES ends 2019 and will be settled after approval of the annual report for 2019. Earn out target is DKK 52 million with an earn out range of 0 – 125/130% respectively of target depending on performance on three KPIs: EBITDA in SCALES business, total revenue derived from Microsoft Dynamics as well as unmanaged attrition in the SCALES business area. The KPI's are weighted with EBITDA having the highest weight.
At December 31, 2019 the carrying amount is DKK 55.8 million based on an expected earn-out payment of 120%.

3.9 Contingent consideration – continued

Valiance Partner

The period for the earn-out target for Valiance Partners ends 2021 and the yearly earn-out payments are settled annually after approval of the annual report. Earn out target is DKK 71.4 million with an earn-out range of 0 – 136% (DKK 0 – 97.5 million) depending on performance on five KPI's: EBITDA in Valiance Partners, additional revenue derived for NNIT, R&D investments, unmanaged attrition as well as successful integration with NNIT Group. The KPI's are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight.
At December 31, 2019 the carrying amount is DKK 54.6 million based on an expected earn-out payment of 85%. Based on a sensitivity range of +/- 10% of target earn-out payment will change within a range of DKK –10.7 million to DKK 6.7 million.

HGP Group

The period for the earn-out target for HGP ends 2022 and the yearly earn-out payments are settled after approval of profit during April/May. Earn-out target is DKK 19.6 million with an earn-out range of 0-135% (DKK 0 - 26.4 million) of target dependent upon one KPI based on gross profit for the European life sciences business as well as business from HGP units in Singapore and Indonesia.
At December 31, 2019 the carrying amount is DKK 13.1 million, based on an expected earn-out payment of 62%. Based on a sensitivity range of +/- 10% of target the earn-out payment will change within a range of DKK -6.9 million to DKK 2.1 million.

3.10 Provisions

DKK million	2019	2018
Provision for onerous contracts/projects		
At the beginning of the year	-	-
Additions	6	-
Transferred to work in progress	(2)	-
At the end of the year	**4**	**-**

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects. Provision for onerous projects amounting to DKK 1.9 million has been offset in work in progress (2018: DKK 1.6 million)

Provision for refurbishment obligation		
At the beginning of the year	25	25
Addition from business combinations	1	-
Exchange rate adjustment	(1)	-
At the end of the year	**25**	**25**

Provision for refurbishment obligation, included under non-current liabilities, relates to the leasehold agreements in the Group with a refurbishment obligation.

Provisions are recognized in the balance sheet as follows:		
Non-current liabilities	25	25
Current liabilities	4	-
Total liability	**29**	**25**

4. Capital structure and financing items

4.1 Financial income and expenses

DKK million	2019	2018
Financial income		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	21	9
Value adjustment contingent consideration	10	1
Realized/unrealized gain on currency	1	1
Total financial income	**32**	**11**
Financial expenses		
Interest related to tax	-	1
Guarantee commission	1	1
Interest expenses lease liability	9	9
Other financial expenses	6	2
Total financial expenses	**16**	**13**

4.2 Share capital, distribution to shareholder and earnings per share

DKK million	2019	2018
Net profit for the year	**183**	**236**
Number '000		
Average number of shares outstanding	24,591	24,536
Dilutive effect of share-based payments	211	219
Average number of shares outstanding, including dilutive effect of share-based payments	24,802	24,755
Earnings per share DKK	**7.43**	**9.60**
Diluted earnings per share DKK	**7.36**	**9.52**

4.2 Share capital, distribution to shareholder and earnings per share – continued

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33. Basic earnings per share are calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the Company and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Restricted Stock Units are only included when performance requirements have been met.

The share capital has a nominal value of DKK 250 million divided into 25 million shares with a nominal value of DKK 10 each. No shares carry special rights.

DKK	Nominal value	Market value (million)	As % of share capital	Number of shares (thousand)
2019				
Treasury shares				
Holding at the beginning of the year	10	85	2%	464
Value adjustment	-	(28)	0%	-
Purchase	10	5	1%	26
Disposal	(10)	(16)	2%	(81)
Holding at the end of the year	10	46	2%	409

Treasury shares held relates to the long-term incentive program.

Retained earnings are accumulated earnings.

Exchange rate adjustments are the difference between average exchange rates in the year and exchange rates at the balance sheet date when consolidating subsidiaries.

Proposed dividends are the dividends proposed by the Board of Directors for the financial year.

DKK million	2019	2018
Net cash distribution to shareholders		
Ordinary dividends	49	64
Interim dividends	49	49
Total	**98**	**113**

The proposed dividend at the end of 2018 was DKK 64 million (DKK 2.60 per share) and in addition in August 2019 an interim dividend of DKK 49 million (DKK 2.00 per share) was declared and paid out. At the end of 2019, proposed dividends (not yet declared) of DKK 49 million (DKK 2.0 per share) are recognized in retained earnings.

4.3 Leases

Lease assets

DKK million	Rental of premises	IT-equipment	Company cars	2019
2019				
Costs at the beginning of the year	683	40	20	743
Additions from Business Combinations	2	-	-	2
Additions	33	-	5	38
Disposals	(9)	-	(5)	(14)
Exchange rate adjustment	2	-	-	2
Costs at the end of the year	**711**	**40**	**20**	**771**
Depreciation and impairment loss at the beginning of the year	336	28	7	371
Depreciation	83	7	6	96
Depreciation reversed on disposals	(9)	-	(4)	(13)
Exchange rate adjustment	1	-	-	1
Depreciation and impairment loss at the end of the year	**411**	**35**	**9**	**455**
Carrying amount at the end of the year	**300**	**5**	**11**	**316**
2018				
Costs at the beginning of the year	609	29	21	659
Additions from Business Combinations	3	-	-	3
Additions	72	11	8	91
Disposals	-	-	(9)	(9)
Exchange rate adjustment	(1)	-	-	(1)
Costs at the end of the year	**683**	**40**	**20**	**743**
Depreciation and impairment loss at the beginning of the year	259	20	10	289
Depreciation	78	8	6	92
Depreciation reversed on disposals	-	-	(9)	(9)
Exchange rate adjustment	(1)	-	-	(1)
Depreciation and impairment loss at the end of the year	**336**	**28**	**7**	**371**
Carrying amount at the end of the year	**347**	**12**	**13**	**372**

4.3 Leases – continued

Lease liabilities

Lease liabilities expiring within the following periods from the balance sheet date:

DKK million	**2019**	2018
Within 1 year	97	83
Between 1 and 5 years	249	255
After 5 years	1	55
Total lease liability, non-discounted	**347**	**393**
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	239	299
Current liabilities	90	84
Total lease liabilities	**329**	**383**
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	9	9
Expense relating to short term leases, not capitalized	1	1
Expense relating to leases of low-value assets, not capitalized	1	1
	11	**11**

In 2019 the Group has paid DKK 102 million (2018: DKK 99 million) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 9 million (2018: DKK 9 million) and repayment of lease liability amount to DKK 93 million (2018: DKK 90 million)

4.4 Financial assets and liabilities

Depending on the purpose of each asset and liability, NNIT classifies these into the following categories:
- Cash and cash equivalents
- Cash flow hedging instruments at fair value
- Financial assets at fair value through the income statement
- Financial assets at amortized cost
- Financial liabilities at fair value through comprehensive income
- Financial liabilities measured at amortized cost

DKK million	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at amortized cost	Total
2019				
Financial assets by category				
Deposits	-	-	34	34
Trade receivables	-	-	627	627
Work in progress	-	-	140	140
Other receivables	-	-	11	11
Pre-payments	-	-	84	84
Derivative financial instruments	-	12	-	12
Cash and cash equivalents	122	-	-	122
Total financial assets at the end of the year	**122**	**12**	**896**	**1,030**

DKK million	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at amortized cost	Total
2018				
Financial assets by category				
Deposits	-	-	33	33
Trade receivables	-	-	548	548
Work in progress	-	-	151	151
Other receivables	-	-	5	5
Pre-payments	-	-	88	88
Derivative financial instruments	-	10	-	10
Cash and cash equivalents	108	-	-	108
Total financial assets at the end of the year	**108**	**10**	**825**	**943**

[1] It is designated that fair value adjustment of shares is through the income statement.

4.4 Financial assets and liabilities – continued

DKK million	Financial liabilities at fair value through Profit and loss	Financial liabilities measured at amortized cost	Total
2019			
Financial liabilities by category			
Lease liability	-	329	329
Bank overdraft	-	231	231
Trade payables	-	88	88
Derivative financial instruments	1	-	1
Other current liabilities	-	155	155
Contingent consideration	124	-	124
Total financial liabilities at the end of the year	**125**	**803**	**928**

DKK million	Financial liabilities at fair value through Profit and loss	Financial liabilities measured at amortized cost	Total
2018			
Financial liabilities by category			
Lease liability	-	383	383
Bank overdraft	-	243	243
Trade payables	-	97	97
Derivative financial instruments	1	-	1
Other current liabilities	-	118	118
Contingent consideration	113	-	113
Total financial liabilities at the end of the year	**114**	**841**	**955**

4.4 Financial assets and liabilities – continued

DKK million	Bank over-draft[1]	Lease liability	Contingent consideration	Total
2019				
Financial liabilities included in finance activities				
Financing liabilities included in finance activities at the beginning of the year	243	383	113	739
Additions from business consideration	-	3	19	22
Instalments on lease	-	(93)	-	(93)
Ingoing/outgoing payments during the year	(12)	-	-	(12)
Addition	-	35	-	35
Value adjustment	-	-	(10)	(10)
Exchange rate adjustment	-	1	2	3
Total financial liabilities included in finance activities at the end of the year	**231**	**329**	**124**	**684**

[1] Bank overdraft is the drawn amount on the credit facility of DKK 900m. The facility matures January 31, 2023.

DKK million	Bank over-draft	Lease liability	Contingent consideration	Total
2018				
Financial liabilities included in finance activities				
Financing liabilities included in finance activities at the beginning of the year	93	379	54	526
Additions from business consideration	-	-	60	60
Instalments on lease	-	(90)	-	(90)
Ingoing/outgoing payments during the year	150	-	-	150
Addition	-	94	-	94
Value adjustment	-	-	(1)	(1)
Total financial liabilities included in finance activities at the end of the year	**243**	**383**	**113**	**739**

Fair value measurement hierarchy

Financial assets at fair value through the income statement are categorized in the fair value hierarchy as level 1 (active market data).

Financial assets and liabilities at fair value through comprehensive income are categorized in the fair value hierarchy as level 2 (directly or indirectly observable market data). The fair value is measured according to generally accepted valuation techniques. Market-based parameters are used to measure the fair value.

The remaining categories of financial assets and liabilities are measured at amortized cost.

4.4 Financial assets and liabilities – continued

Financial risks

NNIT's objective at all times is to limit the Company's financial risks.

The interest-bearing liabilities relate to overdrafts made on NNIT's DKK 900 million revolving credit facility, which bears interest according to movements in the CIBOR rate, and cash balances which bear negative interest due to the current environment of low interest rates. The bank overdraft is expected to be reduced through future cash inflow from operating activities.

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

Most of the foreign exchange risk in the Chinese yuan and all of the foreign exchange risk in the Czech koruna and the Philippine peso are due to intercompany transactions.

Foreign exchange sensitivity analysis

NNIT estimates that, all other variables being constant, a 10% depreciation of the average 2019 exchange rate of the Danish kroner against the following currencies would have had the indicated impact (in Danish kroner) on our operating profit (EBIT) for 2019. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only:

DKK million	**2019**	2018
CNY	(19)	(19)
CZK	(11)	(11)
USD	6	(2)
CHF	(1)	-
PHP	(7)	(6)

A corresponding appreciation of the Danish kroner against the above currencies would have had the opposite impact.

At present NNIT's sales in Chinese yuan, Czech koruna and Philippine peso are not sufficiently to balance these currency risks. To manage foreign exchange rate risks, NNIT has entered into hedging contracts to hedge major foreign currency balances in Chinese yuan, Czech koruna and the Philippine peso 14 months ahead. Due to the size of the exposure US dollar and Swiss franc is not hedged.

The isolated currency effect on profit before tax and other comprehensive income (equity), taking hedging contracts into consideration, of a 10% depreciation of the exchange rate of the Danish kroner is summarized below.

At December 31, 2019 NNIT A/S' net balance position (trade receivables minus trade payables) divided on currency amounted to a short term outflow primarily in Chinese yuan, Czech koruna, Swiss franc, British pound and US dollars and a short term inflow in the Euro. A 10% depreciation of the exchange rate of the Danish kroner against NNIT A/S' transaction exposures (net balance position less hedging contracts) will have the below illustrated impact (in Danish kroner) on the net profit before tax for the year ended December 31, 2019.

4.4 Financial assets and liabilities – continued

DKK million	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity [2]
December 31, 2019					
CNY	-	15.4	(15.4)	(0.6)	(0,1)
CZK	-	15.0	(15.0)	0.4	-
CHF	-	3.2	(3.2)	(3.2)	(0,3)
GBP	-	-	-	-	-
USD	2.9	2.0	0.9	0,9	0,1
EUR [3]	11.7	2.1	9.6	15.6	1,6

[1] Including hedge contracts to be settled in January 2020
[2] The sensitivity for EUR is based on 2.25% due to the EMR2 agreement stating that DKK cannot deviate more than +/- 2.25% from the EUR/DKK central rate.
[3] PHP is hedged with EUR denominated contracts

DKK million	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity [2]
December 31, 2018					
CNY	-	14.4	(14.4)	(0.3)	-
CZK	-	7.6	(7.6)	2.7	0.3
CHF	-	(6.0)	(6.0)	(6.0)	(0.6)
GBP	0.3	0.5	(0.2)	(0.2)	-
USD	10.3	16.6	(6.3)	(6.3)	(0.6)
EUR [3]	73.6	12.3	61.3	65.6	6.6

[1] Including hedge contracts to be settled in January 2019
[2] The sensitivity for EUR is based on 2.25% due to the EMR2 agreement stating that DKK cannot deviate more than +/- 2.25% from the EUR/DKK central rate.
[3] PHP is hedged with EUR denominated contracts

4.4 Financial assets and liabilities – continued

At December 31, 2019 NNIT A/S' hedge contracts covered the period from January 2020 to February 2021. Taking into account contracts affecting other comprehensive income (equity) (contracts expiring between February 2020 and February 2021), a 10% depreciation of the exchange rate of the Danish kroner, will result in an unrealized hedge gain as illustrated below.

DKK million	Contract amount [1]	Of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2019				
CNY	160	15	145	15
CZK	103	8	95	9
PHP	86	6	80	8

[1] Only purchase of foreign currencies

DKK million	Contract amount [1]	Of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2018				
CNY	216	14	202	20
CZK	146	10	136	14
PHP	55	4	51	5

[1] Only purchase of foreign currencies

Credit risk

NNIT's credit risk principally arises from trade receivables, which amounted to DKK 627 million as at December 31, 2019 (December 31, 2018: DKK 548 million). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. At December 31, 2019, our trade receivables from the Novo Nordisk Group amounted to DKK 135 million (December 31, 2018: DKK 153 million). The classification of trade receivables according to maturity date is set out in note 3.6.

Cash management

NNIT is committed to maintaining a flexible capital structure. At December 31, 2019, NNIT had undrawn committed credit facilities in the amount of DKK 669 million (2018: DKK 297 million). The credit facility includes financial covenants with reference to the ratio between net debt and EBITDA. The facility matures on January 31, 2023 with an option, at lenders discretion, to extend the maturity one additional year. The debt is classified as long-term debt, as the maturity of the debt is beyond one year from reporting date. At December 31, 2019, NNIT had 'cash and cash equivalents' and 'bank overdraft', net of DKK -224 million in Denmark and DKK 115 million outside Denmark.

4.4 Financial assets and liabilities – continued

Capital management

NNIT monitors capital on the basis of the solvency ratio, which is calculated on the basis of total equity as a percentage of total equity and liabilities. At the end of the year, the solvency ratio was 44.8% (2018: 42.6%).

4.5 Derivative financial instruments

DKK million	Contract amount, net [3]	Average price	Positive fair value at year-end [4]	Negative fair value at year-end [4]	Current hedge duration (month)
2019					
Cash flow hedges					
CNH [1]	166	0.92	2.9	(0.5)	14
CZK	107	0.28	2.5	(0.2)	14
PHP [2]	93	61.78	6.3	(0.4)	14
	366		**11.7**	**(1.1)**	

[1] CNY is hedged via CNH.
[2] PHP is hedged with EUR denominated contracts.
[3] Only purchase of foreign currencies.
[4] Of the net fair value December 31, 2019 DKK 2 million has been transferred to the P/L and DKK 8 million to equity.

DKK million	Contract amount, net [3]	Average price	Positive fair value at year-end [4]	Negative fair value at year-end [4]	Current hedge duration (month)
2018					
Cash flow hedges					
CNH [1]	216	0.91	6.0	(0.4)	14
CZK	147	0.29	0.2	(0.9)	14
PHP [2]	55	66.53	3.6	-	14
	418		**9.8**	**(1.3)**	

[1] CNY is hedged via CNH.
[2] PHP has been hedged since January 31, 2018. PHP is hedged with EUR denominated contracts.
[3] Only purchase of foreign currencies.
[4] Of the net fair value December 31, 2018 DKK 1 million has been transferred to income statement and DKK 7 million to equity.

5. Other disclosures

5.1 Long-term incentives

Long-term share-based incentive program
Group Management and the Vice Presidents are included in a long-term share-based incentive program.
For more information regarding the long-term share-based incentive program, please refer to note 2.2 'Employee costs'

Share-based payments are recognized at the following amounts:

DKK million	2019	2018
Long-term incentive program (LTIP) in NNIT shares - share based	6	9
Retention Program (RP) in NNIT shares - shares based	7	7
Launch incentive program (ELI) - share based (Employees not part of LIP)	-	(1)
Incentive program charged to income statement	**13**	**15**
Recognized in the income statement:		
Cost of goods sold	5	5
Sales and marketing costs	-	2
Administrative expenses	8	8
Total	**13**	**15**

Shares are recognized over the four-year vesting period at the market value at the grant date. Value adjustments are recognized as financial items.

Outstanding restricted stock units (in NNIT shares):

Number '000	2019	2018
Outstanding at the beginning of the year	388	679
Long-term incentive program (LTIP)	13	74
Retention Program (RP)	9	112
Forfeiture during the year	(114)	(477)
Outstanding at the end of the year (in NNIT shares)	**296**	**388**

5.1 Long-term incentives - continued

Outstanding restricted stock units (in NNIT shares)

Number '000	At the beginning of the year	Issued	Forfeiture/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
2019						
Shares allocated to Group Management						
2015 Shares allocated (LTIP)	36	-	(36)	-	-	2019
2016 Shares allocated (LTIP)	26	1	-	27	4,576	2020
2017 Shares allocated (LTIP)	26	1	-	27	5,027	2021
2018 Shares allocated (LTIP)	33	1	-	34	6,194	2022
2019 Shares allocated (LTIP)	-	5	-	5	869	2023
2018 Shares allocated (RP)	112	9	(13)	108	19,655	2021
Total shares for Group Management	**233**	**17**	**(49)**	**201**	**36,321**	
Shares allocated to Vice Presidents						
2015 Shares allocated (LTIP)	19	-	(19)	-	-	2019
2016 Shares allocated (LTIP)	26	-	(9)	17	2,973	2020
2017 Shares allocated (LTIP)	29	-	(6)	23	4,207	2021
2018 Shares allocated (LTIP)	37	-	(6)	31	5,487	2022
2019 Shares allocated (LTIP)	-	4	-	4	807	2023
Total shares for Vice Presidents	**111**	**4**	**(40)**	**75**	**13,474**	
Shares allocated to terminated employees	**44**	**1**	**(25)**	**20**		

5.1 Long-term incentives - continued

Outstanding restricted stock units (in NNIT shares)

Number '000	At the beginning of the year	Issued	Cancelled/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
2018						
Outstanding restricted stock units to employees						
2015 restricted stock units (ELI)	207	-	(207)	-	-	2018
Total restricted stock units to employees						
Shares allocated to Group Management						
2015 Shares allocated (LTIP)	36	-	-	36	5,614	2019
2016 Shares allocated (LTIP)	26	-	-	26	4,353	2020
2017 Shares allocated (LTIP)	25	1	-	26	4,941	2021
2018 Shares allocated (LTIP)	-	33	-	33	5,924	2022
2018 Shares allocated (RP)	-	112	-	112	20,346	2021
2015 Shares allocated (LIP)	127	-	(127)	-	-	2018
Total shares for Group Management	**214**	**146**	**(127)**	**233**	**41,178**	
Shares allocated to Vice Presidents						
2015 Shares allocated (LTIP)	17	2	-	19	2,912	2019
2016 Shares allocated (LTIP)	27	-	(1)	26	4,312	2020
2017 Shares allocated (LTIP)	31	1	(3)	29	5,279	2021
2018 Shares allocated (LTIP)	-	37	-	37	6,667	2022
2015 Shares allocated (LIP)	71	-	(71)	-	-	2018
Total shares for Vice Presidents	**146**	**40**	**(75)**	**111**	**19,170**	
Shares allocated to terminated employees	**112**	**-**	**(68)**	**44**	**7,192**	

5.2 The Board of Directors and Group Management's holdings of NNIT shares

Number	At the beginning of the year [1]	Additions during the year	Sold/ transferred during the year	**At the end of the year**	Market value (DKK'000)
2019					
Carsten Dilling	2,740	-	-	**2,740**	306
Peter H.J. Haahr	-	-	-	**-**	-
Anne Broeng	2,516	-	-	**2,516**	281
Eivind Kolding	2,400	-	-	**2,400**	268
Christian Kanstrup	-	-	-	**-**	-
Caroline Serfass	-	-	-	**-**	-
Anders Vidstrup	-	-	-	**-**	-
Brankica Markovic	144	-	-	**144**	16
Trine Io Bjerregaard	192	-	-	**192**	21
Total Board of Directors	**7,992**	**-**	**-**	**7,992**	**892**
Per Kogut	32,664	19,226	(19,000)	**32,890**	3,671
Carsten Krogsgaard Thomsen	11,971	9,063	(9,000)	**12,034**	1,343
Total Executive Management	**44,635**	**28,289**	**(28,000)**	**44,924**	**5,014**
Other members of Group Management [2]	27,004	12,207	(4,546)	**34,665**	3,869
Total	**79,631**	**40,496**	**(32,546)**	**87,581**	**9,775**

[1] Following the changes in the Board of Directors and Group Management, the holding of shares at the beginning of the year has been updated compared with the Annual Report 2018.
[2] Other members of Group Management are Brit Kannegaard Johannessen, Jacob Hahn Michelsen, Claus Middelboe Andersen, Ricco Larsen and Søren Østergaard.

5.3 Fee to statutory auditors

DKK million	2019	2018
Statutory audit	2.0	1.8
Audit-related services	0.2	0.3
Tax advisory services	0.1	-
Other services	0.6	-
Total fee to statutory auditors	**2.9**	**2.1**

Fees for services other than statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to the Group consists of accounting services in connection with the acquisition of subsidiaries, review of interim balance and other accounting services, services related to IT and other tax services.

5.4 Reversal of non-cash items

DKK million	2019	2018
Income taxes	48	69
Amortization and depreciation	259	247
Scrapping of tangible assets	16	2
Increase/(decrease) in provisions and employee benefits	51	(2)
Value adjustment contingent consideration	(10)	(1)
Provision share-based payments NNIT shares	13	15
Third party financing agreement	41	-
Interest paid/reeived	16	13
Other adjustments for non-cash items	5	(3)
Total	**439**	**340**

5.5 Statement of cash flows - specifications

DKK million	2019	2018
Changes in working capital		
Increase/(decrease) in current receivables less tax receivables	(12)	33
Increase/(decrease) in current liabilities less provisions and tax payables	(78)	(77)
- hereof change in trade payables related to investments	(1)	(18)
Total	**(91)**	**(62)**
Purchase of tangible assets		
Purchase of tangible assets	(135)	(164)
Change in trade payables related to purchase of tangible assets	1	18
Total	**(134)**	**(146)**
Additional cash flow information [1]		
Cash and equivalents, assets	122	108
Bank overdraft	(231)	(243)
Undrawn committed credit facilities	900	540
Financial resources at the end of the year	**791**	**405**
Cash flow from operating activities	465	438
Cash flow from investing activities	(223)	(322)
Free cash flow	**242**	**116**

[1] Additional non-IFRS measures. 'Financial resources at the end of the year' is defined as the sum of cash and cash equivalents at the end of the year (net) and undrawn committed credit facilities. Free cash flow is defined as 'cash flow from operating activities' less 'cash flow from investing activities'.

NNIT has a revolving credit facility of DKK 900 million with Danske Bank A/S (commitment of DKK 600m) and SEB (commitment of DKK 300m). (2018: DKK 540 million with Danske Bank A/S).

5.6 Acquisition of subsidiaries

The fair value of net assets acquired and goodwill at the date of acquisition is summarized below:

DKK million	2019	2018
Acquisition cost		
Cash paid	68	166
Contingent consideration (earn out)	19	60
Total acquisition cost	**87**	**226**
Fair value of net assets acquired		
Intangible assets	4	21
Lease assets	2	3
Other non-current assets	1	-
Trade receivables and work in progress [1]	17	14
Other receivables and pre-payments	1	-
Cash and cash equivalents	10	4
Non-current liabilities	(1)	(5)
Prepayments received	-	(2)
Lease liability	(3)	(3)
Defined benefit pension obligation	(18)	-
Employee costs payable	(3)	(4)
Other current liabilities	(8)	(2)
Net assets acquired	**2**	**26**
Goodwill	85	200
Acquisition cost	**87**	**226**
Of which cash and cash equivalents	(10)	(4)
Contingent consideration (earn out)	(19)	(60)
Paid acquisition cost, net	**58**	**162**

[1] All contractual receivables are expected to be collected.

Acquisitions during 2019

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

Goodwill relates to expected synergies regarding additional revenue in NNIT and know-how accumulated by the workforce in the HGP Group.

Transaction cost related to the acquisition of HGP amounts to DKK 3.1 million where DKK 0.8 million has been recognized in 2018. Transaction costs have been recognized in the income statement.

Earn out target is DKK 17.3 million with an earn out range of DKK 0-26.4 million depending on growth in gross profit of the combined HGP business and NNIT's European life sciences business. The earn-out period ends in March 2022 and the yearly earn-out payments are settled annually after the end of the first quarter of the financial year. The earn-out weights are highest at the end of the period.

Earnings impact

Revenue and EBIT comprise DKK 38.0 million and DKK 3.1 million, respectively, reported by HGP since the date of acquisition. On a pro forma basis, if the acquisition had been effective from January 1, 2019 HGP would have contributed DKK 50.7 million to revenue and DKK 4.1 million to EBIT.

Acquisitions during 2018

On November 1, 2018, NNIT acquired full ownership and control of Valiance Partners, a computer software and services data migration company primarily in the life sciences industry, which supplements NNIT´s services in this industry. Valiance Partners will be recognized as part of the business area 'life sciences international'.

5.7 Contingent liabilities, other contractual obligations and legal proceedings

DKK million	2019	2018
Lease agreements of short-term and low-value assets expiring within the following periods from balance sheet date		
Within 1 year	1	1
Between 1 and 5 years	1	2
After 5 years	-	-
Total lease agreements of low-value assets	**2**	**3**
Total lease payments in the income statement for the year	1	2

Lease agreements of short-term and low-value assets include printers, coffee makers, watercoolers and storage.

DKK million	2019	2018
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	22	22
Between 1 and 5 years	9	30
Total	**31**	**52**
Other contractual obligations recognized as an expense	23	22

Other contractual obligations include service and construction agreements.

NNIT and its Danish subsidiary SCALES A/S are jointly taxed with the Danish companies in the Novo Group. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

5.8 Related party transactions and ownership

Ownership

NNIT A/S is controlled by Novo Holdings A/S, of which the Novo Nordisk Foundation is the ultimate owner.

The consolidated financial statements of the parent company, Novo Holdings A/S, and the ultimate parent company, the Novo Nordisk Foundation, may be obtained from the Novo Nordisk Foundation, Tuborg Havnevej 19, DK-2900 Hellerup, Denmark.

Related party transactions

NNIT has engaged in related party transactions with Novo Holdings A/S, the Novo Nordisk Group, the Novozymes Group and Xellia Pharmaceuticals Group. All agreements, of which most are for one year, have been negotiated on arm's length basis.

There have been no transactions other than the payment of remuneration with the Group Management of NNIT A/S and the NNIT Board of Directors. For information on remuneration to the Group Management of NNIT, please refer to note 2.2 'Employee costs'.

DKK million	2019	2018
Net sales		
Novo Nordisk Group	934	1,103
Novo Holdings A/S	18	16
Novo Nordisk Foundation	3	5
Total Nordisk Group	**955**	**1,124**
Novozymes Group	27	32
Total Novo Group	**982**	**1,156**
Net purchases		
Novo Nordisk Group	1	5
Total	**1**	**5**
Trade receivables		
Novo Nordisk Group	135	153
Novozymes Group	11	5
Novo Holding A/S	-	5
Novo Nordisk Foundation	-	1
Total	**146**	**164**
Work in progress		
Novo Nordisk Group	54	91
Total	**54**	**91**

5.8 Related party transactions and ownership – continued

DKK million	2019	2018
Liabilities to related parties		
Novo Nordisk Group	-	3
Total	**-**	**3**
Prepayments from related parties		
Novo Nordisk Group	20	24
Total	**20**	**24**

Companies in the NNIT Group:

	Country	Year of incorporation/ acquisition	Share capital	Percentage of shares owned
NNIT (Tianjin) Technology Co.Ltd.	China	2007	CNY 10,804,229	100
NNIT Philippines Inc.	Philippines	2009	PHP 24,000,002	100
NNIT Switzerland AG [1]	Switzerland	2010	CHF 500,000	100
NNIT Germany GmbH [2]	Germany	2011	EUR 25,000	100
NNIT Inc.	USA	2011	USD 250,000	100
NNIT Czech Republic s.r.o.	Czech Republic	2014	CZK 2,000,000	100
NNIT UK Ltd.[3]	UK	2015	GBP 50,000	100
SCALES A/S	Denmark	2017	DKK 600,000	100
SCALES AS	Norway	2017	NOK 500,000	100
SCALES AB	Sweden	2017	SEK 500,000	100
NNIT IT-Services (Thailand) Limited	Thailand	2017	THB 3,000,000	100
Valiance Partners LLC	USA	2018	USD 1,000	100
Valiance Partners Ltd	Ireland	2018	EUR 100	100
HGP Holding AG	Switzerland	2019	CHF 100,000	100
NNIT Poland Sp. Z o.o.	Poland	2019	PLN 5,000	100
HGP Asia Holding Pte. Ltd.	Singapore	2019	SGD 531,120	100
HGP Asia Pte. Ltd.	Singapore	2019	SGD 66,700	100
PT. Halfmann Goetsch Partner	Indonesia	2019	IDR 10,500,000,000	100

[1] In connection with the acquisition of the Halfmann Goetsch Partner Group, NNIT Switzerland AG has been merged with Halfmann Goetsch Partner AG as of October 1, 2019
[2] In connection with the acquisition of the Halfmann Goetsch Partner Group, NNIT Germany GmbH has been merged with HGP Deutschland GmbH as of November 12, 2019
[3] NNIT UK Limited, registration number 09399926, is exempt from the UK requirements relating to the audit of financial statements under section 479A of the Companies Act 2006.

5.9 Events after the balance sheet date

There have been no other events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2019.

Parent company financial statements

Income statement

for the year ended December 31

DKK million	Note	2019	2018
Revenue		**2,521**	**2,661**
Cost of goods sold	2.1	2,218	2,237
Gross profit		**303**	**424**
Sales and marketing costs	2.1	113	108
Administrative expenses	2.1	90	85
Operating profit before special items		**100**	**231**
Special items		15	-
Operating profit		**85**	**231**
Financial income	4.1	69	33
Financial expenses	4.2	13	12
Profit before income taxes		**141**	**252**
Income taxes		18	54
Net profit for the year		**123**	**198**
Proposed allocation:			
Interim dividends		49	49
Ordinary dividends		49	64
Reserve IT-development projects		20	8
Retained earnings		5	77
		123	**198**

Balance sheet

at December 31

ASSETS

DKK million	Note	2019	2018
Intangible assets	3.1	63	42
Tangible assets	3.2	571	587
Lease assets	4.3	247	289
Contract assets		69	111
Deferred taxes		30	38
Financial assets	3.3	390	298
Financial assets - related parties		127	127
Total fixed assets		**1,497**	**1,492**
Inventories		2	2
Trade receivables		363	320
Trade receivables - related parties		136	160
Work in progress		69	48
Work in progress - related parties		54	91
Contract assets		53	52
Other receivables		9	2
Pre-payments		73	78
Tax receivables		15	-
Derivative financial instruments	4.4	12	10
Total current assets		**786**	**763**
Total assets		**2,283**	**2,255**

EQUITY AND LIABILITIES

DKK million	Note	2019	2018
Share capital		250	250
Retained earnings		678	668
Reserve IT-development projects		46	26
Proposed dividends		49	64
Total equity		**1,023**	**1,008**
Lease liabilities	4.3	187	233
Employee benefit obligations		57	7
Contingent consideration		20	67
Provisions	3.4	23	23
Loan external party		28	-
Bank overdraft		280	243
Total non-current liabilities		**595**	**573**
Prepayments received		102	151
Prepayments received - related parties		12	24
Lease liabilities	4.3	70	66
Trade payables		68	77
Trade payables - related parties		37	44
Employee costs payable		180	203
Tax payables		-	3
Other current liabilities		129	105
Derivative financial instruments	4.4	1	1
Contingent consideration		62	-
Provisions		4	-
Total current liabilities		**665**	**674**
Total equity and liabilities		**2,283**	**2,255**

Statement of changes in equity

at December 31

DKK million

2019		Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
Balance at the beginning of the year		**250**	**(5)**	**668**	**26**	**5**	**64**	**1,008**
Net profit for the year		-	-	123	-	-	-	123
Capitalized IT development projects		-	-	(20)	20	-	-	-
Purchase of treasury shares		-	-	(5)	-	-	-	(5)
Transfer of treasury shares		-	1	(1)	-	-	-	-
Share-based payments		-	-	13	-	-	-	13
Deferred tax on share-based payments [1]		-	-	(5)	-	-	-	(5)
Cash flow hedges		-	-	-	-	1	-	1
Tax on cash flow hedges		-	-	-	-	1	-	1
Dividends paid		-	-	-	-	-	(113)	(113)
Interim dividend		-	-	(49)	-	-	49	-
Proposed dividends for 2019		-	-	(49)	-	-	49	-
Total dividends for 2019		**-**	**-**	**(98)**	**-**	**-**	**98**	**-**
Balance at the end of the year	4.3	**250**	**(4)**	**675**	**46**	**7**	**49**	**1,023**

[1] Deferred tax on increased value on NNIT shares in relation to share-based payments.

Statement of changes in equity

at December 31

DKK million

2018	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
Balance at the beginning of the year	**250**	**(7)**	**619**	**18**	**2**	**56**	**938**
Net profit for the year	-	-	198	-	-	-	198
Capitalized IT development projects	-	-	(8)	8	-	-	-
Purchase of treasury shares	-	4	(5)	-	-	-	(1)
Transfer of treasury shares	-	(2)	(35)	-	-	-	(37)
Share-based payments	-	-	16	-	-	-	16
Deferred tax on share-based payments [1]	-	-	(4)	-	-	-	(4)
Cash flow hedges	-	-	-	-	4	-	4
Tax on cash flow hedges	-	-	-	-	(1)	-	(1)
Dividends paid	-	-	-	-	-	(105)	(105)
Interim dividend	-	-	(49)	-	-	49	-
Proposed dividends for 2018	-	-	(64)	-	-	64	-
Total dividends for 2018	**-**	**-**	**(113)**	**-**	**-**	**113**	**-**
Balance at the end of the year	**250**	**(5)**	**668**	**26**	**5**	**64**	**1,008**

[1] Deferred tax on increased value on NNIT shares in relation to share-based payments.

Notes to the parent company financial statements

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1. Basis of preparation

1.1 Accounting policies

The parent company financial statements are presented in accordance with The Danish Financial Statements Act (class D) and other accounting regulations for companies listed on NASDAQ Copenhagen.

The parent company financial statements are continuously presented according to the same practice as the consolidated financial statements, except for the following deviations.

Supplementary accounting policies for the parent company
Special items
Special items comprise costs or income that cannot be attributed directly to the Group's ordinary activities and are non-recurring of nature. Such costs and income include the cost related to significant restructuring of the cost base and processes as well as restructuring costs related to resignation of employees due to lost contracts. Further special items include significant cost related to acquisition of subsidiaries or activities, retirement of members of Executive Management, impairment of goodwill and gains and losses regarding disposal of activities or subsidiaries.

Special items are shown separately from the Group's ordinary operations to facilitate a better understanding of the Group's financial performance.

Financial assets
Dividends from investments in subsidiaries.
Dividends from investments in subsidiaries are recognized as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

Investments in subsidiaries
Investments in subsidiaries are measured at cost. If there is any indication of impairment, investments are tested for impairment as described in the accounting policies applied by the Group. If the cost exceeds the recoverable amount, the investment is written down to this lower value.

Cash flow statement
A separate cash flow statement regarding the parent company is not prepared.
For the group cash flow statement, please refer to page 53.

2. Results for the year

2.1 Employee cost

DKK million	**2019**	2018
Wages and salaries	1,120	1,056
Pensions	104	105
Other employee costs	20	30
Total employee costs	**1,244**	**1,191**
Included in the income statement:		
Cost of goods sold	1,083	1,052
Sales and marketing costs	90	86
Administrative expenses	57	53
Restructuring expenses	14	-
Total employee costs	**1,244**	**1,191**
Average number of full-time employees	1,497	1,521

For further information about fees to Board of Directors and salary to Group Management, please refer to note 2.2 'Employee costs' and 5.1 'Long-term incentives', in the consolidated financial statements.

3. Operating assets and liabilities

3.1 Intangible assets

DKK million	IT development projects	IT development projects under construction	**2019**	2018
Cost at the beginning of the year	85	15	100	86
Additions	6	27	33	14
Transfer	14	(14)	-	-
Cost at the end of the year	**105**	**28**	**133**	**100**
Amortization and impairment losses at the beginning of the year	58	-	58	49
Amortization	12	-	12	9
Amortization and impairment losses at the end of the year	**70**	**-**	**70**	**58**
Carrying amount at the end of the year	**35**	**28**	**63**	**42**

Amortization period	5-10 years

3.2 Tangible assets

DKK million	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	**2019**	2018
Cost at the beginning of the year	373	1,019	51	21	1,464	1,314
Adjustment	(2)	2	-	-	-	-
Additions	2	85	1	46	134	164
Disposals	-	(352)	(13)	-	(365)	(14)
Transfer	-	21	-	(21)	-	-
Cost at the end of the year	**373**	**775**	**39**	**46**	**1,233**	**1,464**
Depreciation and impairment losses at the beginning of the year	73	766	38	-	877	749
Adjustment	-	-	-	-	-	
Depreciation	19	111	4	-	134	138
Depreciation reversed on disposals during the year	-	(336)	(13)	-	(349)	(10)
Depreciation and impairment losses at the end of the year	**92**	**541**	**29**	**-**	**662**	**877**
Carrying amount at the end of the year	**281**	**234**	**10**	**46**	**571**	**587**
Depreciation period	10-50 years*	3-10 years	5-10 years			

*Land is not depreciated

3.3 Financial assets

DKK million	Deposits	Investment in subsidiaries	**2019**	2018
Cost				
Cost at the beginning of the year	26	272	298	243
Additions	-	92	92	55
Cost at the end of the year	**26**	**364**	**390**	**298**
Carrying amount at the end of the year	**26**	**364**	**390**	**298**

Please refer to note 5.8 in the consolidated financial statements for a listing of subsidiaries in the NNIT Group.

3.4 Provisions

DKK million	**2019**	2018
Provision for refurbishment obligation (non-current liabilities)		
At the beginning of the year	23	23
Additions	-	-
At the end of the year	**23**	**23**

Provision for refurbishment obligation relates to the leasehold agreement regarding Oestmarken 3A, DK-2860 Soeborg, Denmark.

Provision for onerous contracts/projects (current liabilities)		
At the beginning of the year	-	-
Additions	6	-
Transferred to 'work in progress'	(2)	-
At the end of the year	**4**	**-**

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects. Provision for onerous projects amounting to DKK 1.9 million has been offset in work in progress (2018: DKK 1.6 million).

4. Capital structure and financing items

4.1 Financial income

DKK million	2019	2018
Interest income from related parties	5	1
Fair value adjustments of financial instruments (net)	21	9
Value adjustment contingent consideration	5	1
Dividends from subsidiaries	34	20
Realized/unrealized loss on currency	4	1
Interest related to tax	-	1
Total financial income	**69**	**33**

4.2 Financial expenses

DKK million	2019	2018
Interest related to tax	-	2
Guarantee commission	1	1
Interest related to lease	6	6
Other financial expenses	6	3
Total financial expenses	**13**	**12**

4.3 Leases

Lease assets

DKK million	Rental of premises	IT-equipment	Company cars	2019
2019				
Costs at the beginning of the year	559	40	16	615
Additions	29	-	4	33
Disposals	(9)	-	(4)	(13)
Costs at the end of the year	**579**	**40**	**16**	**635**
Depreciation and impairment loss at the beginning of the year	293	28	5	326
Depreciation	62	7	5	74
Depreciation reversed on disposals	(9)	-	(3)	(12)
Depreciation and impairment loss at the end of the year	**346**	**35**	**7**	**388**
Carrying amount at the end of the year	**233**	**5**	**9**	**247**

DKK million	Rental of premises	IT-equipment	Company cars	2018
2018				
Costs at the beginning of the year	530	29	17	576
Additions	29	11	7	47
Disposals	-	-	(8)	(8)
Costs at the end of the year	**559**	**40**	**16**	**615**
Depreciation and impairment loss at the beginning of the year	233	20	8	261
Depreciation	60	8	5	73
Depreciation reversed on disposals	-	-	(8)	(8)
Depreciation and impairment loss at the end of the year	**293**	**28**	**5**	**326**
Carrying amount at the end of the year	**266**	**12**	**11**	**289**

4.3 Leases – continued

Lease liabilities

Lease liabilities expiring within the following periods from the balance sheet date:

DKK million	2019	2018
Within 1 year	74	65
Between 1 and 5 years	194	196
After 5 years	1	47
Total lease liability, non-discounted	**269**	**308**
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	187	233
Current liabilities	70	66
Total lease liabilities	**257**	**299**
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	6	6
Expense relating to short term leases, not capitalized	-	-
Expense relating to leases of low-value assets, not capitalized	1	1
	7	**7**

In 2019, NNIT has paid DKK 80 million (2018: DKK 78 million) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 6 million (2018: DKK 6 million) and repayment of lease liability amount to DKK 74 million (2018: DKK 72 million)

4.4 Derivative financial instruments

For information regarding derivative financial instruments, please refer to note 4.5 in the consolidated financial statements.

5. Other disclosures

5.1 Fee to statutory auditors

DKK million	**2019**	2018
Statutory audit	1.4	1.3
Other assurance engagements	0.2	0.3
Tax advisory services	0.1	-
Oher services	0.4	-
Total fee to statutory auditors	**2.1**	**1.6**

Fees for services other than statutory audit of the financial statements provided by Pricewaterhouse-Coopers Statsautoriseret Revisionspartnerselskab to the Company consists of accounting services in connection with the acquisition of subsidiaries, review of interim balance and other accounting services, services related to IT and other tax services.

5.2 Contingent liabilities, other contractual obligations and legal proceedings

DKK million	**2019**	2018
Lease agreements of low-value assets expiring within the following periods from balance sheet date		
Within 1 year	1	1
Between 1 and 5 years	1	1
After 5 years	-	-
Total lease agreements of low-value assets	**2**	**2**
Total lease payments in the income statement for the year	**1**	**1**

Lease agreements of low-value assets include printers and coffee makers.

For information regarding contingent liabilities and legal proceedings, please refer to note 5.6 'Contingent liabilities, other contractual obligations and legal proceedings', in the consolidated financial statements.

5.2 Contingent liabilities, other contractual obligations and legal proceedings – continued

DKK million	**2019**	2018
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	22	22
Between 1 and 5 years	9	30
Total	**31**	**52**
Other contractual obligations in the income statement for the year	23	22

Other contractual obligations include service and construction agreements.

NNIT and its Danish subsidiary SCALES A/S are jointly taxed with the Danish companies in the Novo Group. The Danish companies are jointly and individually liable for the joint taxation. Any subsequent adjustments to income taxes and withholding taxes may lead to a larger liability. The tax for the individual companies is allocated in full on the basis of the expected taxable income.

5.3 Related party transactions and ownership

In accordance with the Danish Financial Statement act section 98c (7) related party transactions are not disclosed as they are carried out at an arm's length basis.

For information on remuneration to Group Management of NNIT, please refer to note 2.2 'Employee costs', in the consolidated financial statements.

Headquarters

NNIT A/S
Oestmarken 3A
DK-2860 Soeborg
Denmark

CVR: 21 09 31 06
Tel: +45 7024 4242
Fax: +45 4437 1001
www.nnit.com

Denmark

NNIT A/S
Hedeager 1, 2. sal
DK-8200 Aarhus N
Denmark

NNIT A/S
Oerstedsvej 3
DK-8600 Silkeborg
Denmark

SCALES A/S
Automatikvej 1
DK-2860 Soeborg
Denmark
Tel: +45 3271 3622

International

NNIT Switzerland AG
St. Alban-Vorstadt 94
CH-4052 Basel
Tel: +41 44 405 9090
Fax: +41 44 405 9099

NNIT Germany GmbH
Thurn-und-Taxis-Platz 6
DE-60313 Frankfurt am Main
Tel: +49 69 66 36 98 73

NNIT UK Ltd.
c/o MoFo Notices Limited
CityPoint
One Ropemaker Street
London EC2Y 9AW
Tel: +45 7024 4242

NNIT Inc.
4 Research Way, 3rd Floor
Princeton, New Jersey 08540
USA
Tel: +1 (609) 955 5650
Fax: +1 (609) 945 5651

NNIT Czech Republic s.r.o
Explora Jupiter
Bucharova 2641/14 2.NP
CZ-158 00 Prague 5
Tel: +420 277 010 010

Lazecka 568/53A
CZ-77900 Olomouc
Tel: +420 585 204 821

NNIT (Tianjin) Technology Co. Ltd.
20th floor, Building A,
Jin Wan Mansion
Nanjing Road 358
CN-300100 Tianjin
Tel: +86 (22) 5885 6666

Shanghai Branch
42th Floor, No.1717
Wheelock Square,
Nanjing West Road,
CN-200040 Shanghai
Tel: +86 (21) 8028 6288

NNIT Philippines Inc.
10/F, 2251 IT Hub
2251 Chino Roces Avenue
PH-1233 Makati City
Tel: +63 2 889 0999
Fax: +63 2 889 0998

NNIT IT-Services (Thailand) Ltd.
Gemopolis Industrial Estate
I.G.S. Building 3 Fl.
38 Soi Sukapibhan 2 Soi 31
Dokmai, Pravet, Bangkok
10250 Thailand

Valiance Partners LLC
c/o Cogency Global Inc.
850 New Burton Road, Suite 201,
Dover, DE 19904, Kent County
Tel: 800 880 4540
Fax: 908 845 0423

Valiance Partners Europe, Ltd.
22, Northumberland Road
Ballsbridge,
IE-Dublin 4, D04 ED73
Tel: +353 1 4693722

Scales AS
Gladengvejen 2
NO-0661 Oslo

NNIT Poland sp. z o.o.
Józefa Sarego Street 18/5,
PO-31-047 Kraków

HGP Asia Pte. Ltd.
110A Telok Ayer Street,
SG-Singapore 068579

PT. Halfmann Goetsch Partners
Pondok Indah Office Tower 3,
17th Floor, Suite M15,
Kel. Pondok Pinang,
Kec. Kebayoran Lama,
Administrative City of South Jakarta,
ID-DKI Jakarta

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