ANNUAL REPORT 2016

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

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Den 8. marts 2017

Tomas Haagen
Dirigent

81.044.716

Conscience driven. Value adding

CONTENTS

OUR EQUITY STORY

Life Science IT leader

We serve the life sciences market in Western Europe, North America and China, with the aim of being a leading international IT partner for life sciences worldwide.

Danish IT market leader

We continue to gain market share, and NNIT is currently the third-largest IT services vendor in the Danish market.

Market share winner

based on historical organic growth

Global delivery model

41%

of full-time employees based in low-cost countries

>10%

Industry-leading margins

Last 10 years' operating margins

40%

High payout ratio

dividends paid on net profit

Healthy backlog and high visibility

>70%

of revenue contracted at beginning of year

A REMARKABLE JOURNEY

NNIT has undergone impressive development since 1994. From being an internal IT division of Novo Nordisk to becoming a leading IT services provider in Denmark and internationally. Today, NNIT is recognized as an independent, publicly listed company, generating value to its clients, employees and shareholders alike.

Closing the books on 2016, NNIT ended the year on a satisfactory note, delivering an overall revenue growth of 6.3% and an EBIT margin of 10.6%. The results are in line with guidance and above the industry average, indicating that NNIT continues to gain market share. The achievements demonstrate the strength of the company's long-term strategy, which is well-executed throughout the organization.

Even so, the market for IT services remains very competitive, and the business environment is influenced by macroeconomic circumstances presenting new challenges. As chairman of the Board of Directors, I am therefore pleased to see that NNIT continues to adjust its business accordingly, and by being on top of industry trends, including cloud and digitization, provides support to its clients navigating disruptive challenges.

Changes during 2016

NNIT continued to develop new services throughout 2016, and diversified its portfolio of clients by signing new customers and extending collaborations with already established partnerships. Further, measures were taken to optimize operations, while at the same time the group management team has been strengthened with new capabilities during 2016.

Also, in 2016 the Board of Directors and Group Management reviewed the strategy to ensure that our priorities remain well-founded, while also allowing for new perspectives and insights to be considered. For NNIT, this means that we have slightly adjusted our strategic objectives to even better reflect our pursuit of the international life sciences market, while still supporting Danish customers either locally or through support of their internationalization. NNIT's exceptional experience with regulated industries, enables the company to pursue its ambition of becoming a leading international IT partner dedicated to life sciences – while at the same time taking advantage of its full portfolio of capabilities to become the preferred outsourcing partner for companies of Danish origin.

Shareholders

For shareholders of NNIT, the Board of Directors aims to provide a competitive return on their investment through dividend payouts. In August 2016, the Board of Directors decided to pay an interim dividend of DKK 2.00 per share to the shareholders. In addition, the Board of Directors has considered NNIT's cash position and liquidity forecast, and on this basis, we intend to recommend to the shareholders at the annual general meeting that a further dividend of DKK 2.20 per share be distributed, bringing the total dividend for the fiscal year 2016 to DKK 4.20 per share. This corresponds to a combined dividend payout ratio of 47%, well above the company's dividend target of 40%.

Moving on

Following 15 years as chairman of NNIT's Board of Directors, my tenure has come to an end. According to NNIT's Corporate Governance guidelines, a new chairman is to be elected at the Annual General Meeting in 2017.

The Board of Directors intends to propose that current deputy chairman, Carsten Dilling, be elected new chairman of NNIT's Board of Directors. Considering Mr. Dilling's vast experience, I am confident he possesses all the right qualifications to oversee NNIT's progress towards the company's ambitious goals.

For me, it has been 15 exciting years supervising a remarkable journey for the company. Along with the whole of the IT industry, NNIT continues to face increasing competition, disruptive changes and macroeconomic realities, I believe that NNIT's competitive edge is based on a robust organization capable of meeting the challenges. A strong management team supported by skilled employees and deeply-rooted company culture and values reinforce my belief in the company, and I look forward to following NNIT in the years to come.

I wish to take this opportunity to thank all of NNIT's employees for their dedicated efforts throughout the years, and all of our customers and shareholders for their continued support.

Jesper Brandgaard
Chairman of the Board of Directors

ROBUST GROWTH BASED ON A SOLID BUSINESS MODEL

NNIT continued to deliver according to expectations in 2016, providing an overall revenue growth of 6.3%, and an EBIT margin of 10.6%. The results demonstrate our company's robustness not least in light of the fierce competition and pressure on margin.

Our 2016 numbers speak for themselves; NNIT has continued its track record of delivering stable, organic growth. However, market uncertainties, in particular circumstances regarding our largest customer, Novo Nordisk, demand extra attention. In 2016, we experienced our first ever decline in revenue from our Novo Nordisk activities. This decline, however, was mitigated by double-digit growth in customer segments outside Novo Nordisk, including in particular growth rates of 42% and 24% in the enterprise and finance segments, respectively.

We recognize that we must maintain and enhance our ability to provide a broad range of IT services and solutions combined with an unbroken track record as a viable supplier and advisor. Our exceptional experience with regulated industries allows us to continue pursuing our ambitions, but we must constantly keep pace and be on our toes to protect and improve our market position.

Strengthening the organization

It is a well-known fact that today's IT market is characterized by strong competition from skilled contenders. Clients look for stable, high-quality IT services and solutions; always at a reasonable cost that can be justified. Adding to that, we see a growing tendency among our customers to spread their IT business between several vendors, rather than 'putting all their eggs in one basket', which means that deals become smaller. Conversely it implies more opportunities from customers who are otherwise engaged with a single large vendor. Regardless, to meet our customers' requirements, we must continuously optimize on all parameters to stay ahead of the game.

During the past year, we have initiated an operational excellence program aimed at further optimizing our business processes. Rather than outsourcing parts of our value chain, we optimize internally to maintain control and continue to meet our clients' expectations. A recent restructuring of our operations division, including a reorgnization and automation of processes is but one of a series of very tangible results of the program.

We belive that the operational excellence program and the new organizational setup will position us well in the competitive IT market, significantly contribute to our effectiveness and strengthen our strategic ambition to be recognized as the leading, innovative provider of IT services.

Impressive client portfolio of strong brands

During 2016, NNIT entered into agreements with a number of new clients – ranging from new, international life science businesses, to finance industry heavyweights to a globally-recognized jewelry brand. In addition to that, we have extended several of the existing customer contracts, and added additional business to already established partnerships.

Our clients constitute the core of our commercial activities, and we are privileged that they have entrusted us the with the responsibility of taking care of their business foundation; their IT. It is a responsibility we take seriously. We acknowledge that people buy from people they trust. Hence, building and maintaining sustainable relationships with our customers is a prerequisite for our continued success, and we work hard every day to earn and uphold the trust our customers place in us.

Brain-power is still a strategic asset

As a knowledge-based organization, our ability to attract, retain and develop the most talented employees is of course key to our continuing success. The competition for talent is fierce and at the same time, the available resources are scarce. However, attracting, retaining and developing employees who are capable of meeting the challenges in today's IT world is a strategic asset in its own right, and we are truly impressed with all of our competent colleagues, who meet the requirements and help us continue to achieve good results, day after day. Moreover, NNIT's core values – open and honest, conscience driven and value-adding – constitute a strong, positive and differentiating factor that makes our teams stand out from the competition. This is noted by everyone, our clients in particular.

Going forward

In 2017, NNIT will focus on further consolidating and growing the business. We intend to continue streamlining our activities and enhancing efficiency in order to establish an even stronger platform for future growth. Our direction is clear. While being observant of market conditions, in particular the situation affecting our largest customer, we remain confident in our strategy and long-term targets, and in 2017 we will build on our momentum,while constantly staying focused on executing our strategy. Winning new clients and extending current business relations are important elements of this. Remaining at the forefront of new technologies and trends, we understand that our clients need to be able to run their business non-stop, and we will continue to provide IT services that meet their requirements.

As always, I am sincerely grateful to all of our loyal stakeholders: clients, shareholders, partners, and employees alike – who continue to support and trust NNIT. I wish to thank you all for your sustained commitment, and I look forward to our continued collaboration.

Per Kogut
President and CEO

PERFORMANCE HIGHLIGHTS

DKK '000	2016	2015	2014	2013	2012	2015-2016
Financial performance						
Revenue:						Change
Life sciences	1,597,022	1,649,740	1,546,824	1,409,647	1,372,526	-3.2%
Hereof Novo Nordisk Group	1,238,395	1,315,766	1,260,270	1,170,042	1,153,622	-5.9%
Hereof other life sciences	358,627	333,974	286,554	239,605	218,904	7.4%
Enterprise	545,620	384,669	371,253	291,478	133,675	41.8%
Public	385,288	375,113	326,065	344,844	357,030	2.7%
Finance	236,662	190,765	166,254	158,563	164,326	24.1%
Total revenue by customer group	**2,764,592**	**2,600,287**	**2,410,396**	**2,204,532**	**2,027,557**	**6.3%**
IT Operation Services	1,823,682	1,740,403	1,667,104	1,495,686	1,359,852	4.8%
IT Solution Services	940,910	859,884	743,292	708,846	667,705	9.4%
Total revenue by business area	**2,764,592**	**2,600,287**	**2,410,396**	**2,204,532**	**2,027,557**	**6.3%**
EBITDA	437,265	410,322	354,269	354,269	306,696	6.6%
Depreciation and amortization	144,362	141,217	107,808	107,808	89,948	2.2%
Operating profit (EBIT)	292,903	269,105	265,347	246,461	216,748	8.8%
Net financials	-12,628	3,128	2.377	-11,317	-22,189	n/a
Net profit for the year	**215,700**	**212,441**	**209,283**	**185,566**	**143,999**	**1.5%**
Investment in tangible and intangible assets	167,695	136,041	155,226	104,249	174,811	23.3%
Total assets	1,590,516	1,335,781	1,282,410	1,276,319	1,228,534	19.1%
Equity	846,468	740,818	684,252	765,344	682,232	14.3%
Dividends paid[1]	145,500	83,713	290,000	108,000	68,000	73.8%
Free cash flow	188,386	210,841	152,658	199,704	-65,473	-10.7%
Earnings per share[2]						
Earnings per share (DKK)	8.89	8.76	8.37	7.42	5.76	1.5%
Diluted earnings per share (DKK)	8.67	8.54	8.37	7.42	5.76	1.5%
Employees						
Average number of full-time employees	2,677	2,494	2,276	2,047	1,813	7.3%
Financial ratios[3]						
Gross profit margin	19.6%	19.9%	19.9%	20.4%	20.5%	
EBITDA margin	15.8%	15.8%	16.2%	16.1%	15.1%	
Operating profit margin	10.6%	10.3%	11.0%	11.2%	10.7%	
Effective tax rate	23.0%	22.0%	21.8%	21.1%	26.0%	
Return on equity	27.2%	29.8%	28.9%	25.6%	22.2%	
Solvency ratio	53.2%	55.5%	53.4%	60.0%	55.5%	
Long-term financial targets						Target
Revenue growth	6.3%	7.9%	9.3%	8.7%	12.9%	≥ 5%
Operating profit margin	10.6%	10.3%	11.0%	11.2%	10.7%	≥ 10%
Return on invested capital (ROIC)[3]	37.6%	38.3%	40.9%	39.6%	38.9%	30%
Cash to earnings[3]	87.3%	99.2%	72.9%	107.6%	-45.5%	
Cash to earnings (three-year average)[4]	86.6%	93.2%	45.0%	26.1%	-0.6%	80%
Additional numbers						
Order entry backlog for the following year[5]	2,092,879	2,019,819	1,915,796	1,803,400	1,643,200	3.6%
Order entry backlog for the following year 2+3[6]	1,964,483	2,166,814	2,532,842	2,233,200	1,962,600	-9.3%

1) Includes payment of an interim dividend of DKK 49 million in August 2016 and DKK 150 million prior to the IPO in September 2014.
2) In 2014 NNIT expanded its capital from DKK 1m to DKK 250m. The number of shares was increased from 1,000 to 25,000,000 shares. Additionally, a stock split was carried out in which the nominal value of the NNIT shares was changed from DKK 1,000 to DKK 10. Comparison figures are recalculated.
3) Please see page 61 for definitions.
4) Cash to earnings (three-year average) is a simple average of the past three years.
5) 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 a future financial year.
6) Year 2+3 represents 2018 and 2019 in the 2016 column and 2017 and 2018 in the 2015 column, etc.

MAIN HIGHLIGHTS 2016

FINANCIAL

REVENUE GROWTH

6.3%

Driven by customers in the enterprise and finance segments

OPERATING PROFIT MARGIN

10.6%

Driven by a strong performance in IT Operation Services

188m

NNIT's free cash flow in 2016 representing a cash-to-earnings ratio of 87.3%

18.8%

Growth in revenue from customers outside the Novo Nordisk Group

55%

Share of revenue coming from customers outside the Novo Nordisk Group, 5.8pp improvement on 2015

OPERATIONAL

DKK

2,093m

NNIT's order backlog of signed contracts for delivery in 2017

3.6%

Growth in backlog for 2017 compared to backlog for 2016 at the same time last year partly driven by 2016 contract wins with PANDORA and Danske Bank

41%

The share of employees in NNIT's three delivery centers in China, the Czech Republic and the Philippines

47%

Total dividend pay-out ratio; sum of 2016 interim dividend and proposed year-end dividend

2,677

Average number of full-time employees in 2016, 7.3% more than in 2015

2016 FINANCIAL PERFORMANCE AND OUTLOOK

NNIT delivered organic revenue growth of 6.3% and an operating profit margin of 10.6%. Despite a competitive market and declining revenue from the Novo Nordisk Group, NNIT has delivered strong growth due to double-digit growth from non-Novo Nordisk Group customers.

NNIT's revenue growth was in line with the latest guidance provided in October 2016 of 5%-8% and meets the guidance of 'at least 5%' provided at the release of the Annual Report 2015 in January 2016. The operating profit margin was at the low end of the latest guidance provided in October 2016 and the guidance range provided in January 2016. Investments were slightly below the most recent guidance.[1]

Revenue performance

Organic revenue growth in 2016 was 6.3%, while the Danish IT services market experienced growth of around 3% (Gartner). NNIT remains competitive and continues to take market share in all business areas.

Customer groups

In 2016, revenue from the life sciences customer group decreased by DKK 52.7m, corresponding to 3.2% due to a decline in revenue from the Novo Nordisk Group. The growth from non-Novo Nordisk life sciences customers of 7.4% derived mainly from Danish non-Novo Nordisk life sciences customers, primarily Association of Danish Pharmacies, Leo Pharma and Statens Serum Institut (SSI). Revenue decline from the Novo Nordisk Group was 5.9% mainly due to a reduction of project activity not included in the core service contracts.

The share of NNIT's revenue from customers outside the Novo Nordisk Group in 2016 amounted to 55.2% compared to 49.4% in 2015.

Revenue from the enterprise customer group increased by DKK 161.0m corresponding to an increase of 41.8% compared to 2015. Revenue growth was driven by increased revenue from existing customers such as Vestas and Arla as well as from new, significant customers, which included PANDORA and Widex.

Revenue from the public customer group increased by DKK 10.2m corresponding to an increase of 2.7% compared to 2015. The growth was impacted by a reversal of revenue related to a settlement with a customer in the public customer group within IT Operation Services and price reductions in certain outsourcing contracts, which were offset by an increase in project activity.

Revenue from the finance customer group increased by DKK 45.9m corresponding to an increase of 24.1% relative to 2015. The increase was primarily due to the expansion of several existing customer contracts such as PFA Pension and Ikano Bank as well as contract wins with new

CUSTOMER GROUP

DKK '000

	2016	2015	2015-2016
Life Sciences	1,597,022	1,649,740	-3.2%
hereof Novo Nordisk Group	1,238,395	1,315,766	-5.9%
hereof non-Novo Nordisk Group	358,627	333,974	7.4%
Enterprise	545,620	384,669	41.8%
Public	385,288	375,113	2.7%
Finance	236,662	190,765	24.1%

1 Please refer to the company announcement of January 25, 2017 for a presentation of results compared to the latest expectations.

customers including e-nettet and the insurance companies Købstædernes Forsikring and Popermo Forsikring.

Order entry backlog

At the beginning of 2017, NNIT's order entry backlog for 2017 amounted to DKK 2,093m, which is an increase of 3.6% compared to the backlog of contracts for 2016 at the beginning of 2016. The increase is primarily due to the expansion of several existing customer contracts and contract wins with new customers including PANDORA, Danske Bank and Widex. The order entry backlog for 2018 and 2019 at the beginning of 2017 was 9.3% lower than the corresponding backlog for 2017 and 2018 at the beginning of 2016. The decline in the order entry backlog is due to the expiry of several large infrastructure agreements in 2018 and 2019 in all customer groups for which renegotiations or retendering have not yet been initiated. All renewals or replacements of these contracts will increase the order backlog.

Gross profit, costs and operating profit

Gross profit increased by 4.7%, which is slightly lower than the revenue growth rate would indicate due to a provision for loss on a project in the public customer group (IT Solution Services), a settlement with another customer in the public customer group (IT Operation Services), severance payments and an increase in the costs of hardware for infrastructure projects. The impact is partly offset by cost savings related to full-year effect of the efficiency measures introduced in IT Operation Services in 2015. The gross profit margin was 19.6% compared to 19.9% in 2015.

Sales and marketing costs increased by 4.0% in 2016 compared to 2015. This is primarily attributable to severance payment in 2016 in connection with the organizational changes announced in the Q4 2015 report and the strengthening of the sales force especially within international life sciences, to support future growth.

Administrative expenses decreased by 3.9% due to cost saving initiatives taken during 2015 and vacancies.

Operating profit increased by 8.8% to DKK 292.9m, corresponding to an operating profit margin of 10.6%, which was 0.3pp higher than in 2015. Savings on administrative expenses, cost savings related to the efficiency measures introduced in IT Operation Services last year and currency tailwind all contributed to the operating profit improvement. This impact is partly countered by a provision for loss on a project in the public customer group (IT Solution Services) and a reversal of revenue and a provision related to a settlement with another customer in the public customer group (IT Operation Services) as well as severance payments.

REVENUE GROWTH

6.3%

OPERATING PROFIT MARGIN

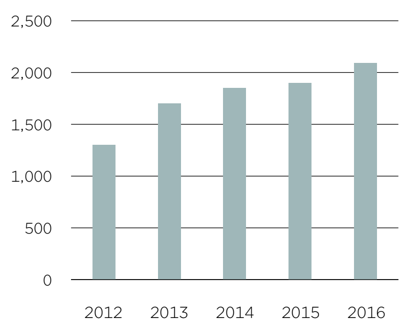
10.6%

REVENUE, DKK MILLION

2,765

ORDER ENTRY BACKLOG

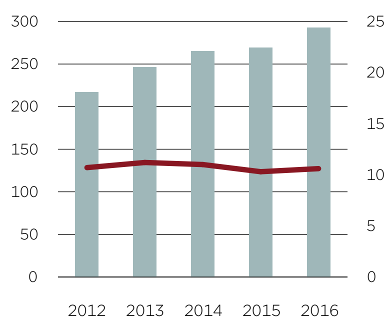
DKK million



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

OPERATING PROFIT AND MARGIN

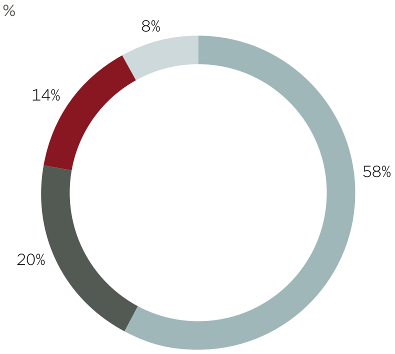
DKK million %



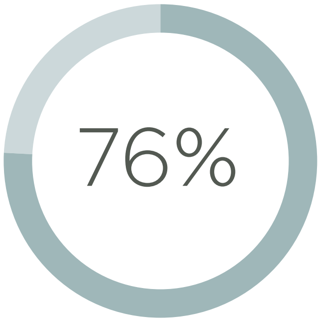
■ Operating profit margin
■ Operating profit

REVENUE BY CUSTOMER GROUP

%



■ Enterprise
■ Finance
■ Public
■ Life sciences (incl. Novo Nordisk Group)



The ten largest customers account for 76% (2015: 82%) of NNIT's total revenue. The largest customer, Novo Nordisk represents 45% (2015: 51%) of total revenue.

Business areas – revenue and profitability
IT Operation Services revenue increased by 4.8%, primarily driven by large outsourcing customers outside the Novo Nordisk Group. Revenue from the Novo Nordisk Group fell by 5.4% in 2016 relative to 2015 due to a reduction in project activities in 2016.

Operating profit in IT Operation Services showed strong growth of 20.1% to DKK 206.8m leading to an operating profit margin of 11.3%. The increase was driven by a positive effect on cost savings and efficiency-improving measures introduced last year combined with stable operations that were partly offset by a reversal of revenue and a settlement with a customer in the public customer group and severance payments.

IT Solution Services' revenue was up by 9.4%, primarily driven by a 25.3% increase in revenue from new customers outside the Novo Nordisk Group in 2016, whereas revenue from the Novo Nordisk Group fell by 6.8% in 2016 compared to 2015, which was partly due to a decline in project activities in 2016.

Operating profit in IT Solution Services was down by 11.2% to DKK 86.1m leading to an operating profit margin of 9.1%. The decrease was primarily due to a provision for loss on a project in the public customer group.

Net financials and tax
Net financials decreased by DKK 15.7m to DKK -12.6m in 2016. Net financials were adversely affected by a negative net value adjustment of the Novo Nordisk shareholdings used to hedge the long-term incentive program and corresponding liability from prior years of DKK 5.4m compared to a gain of DKK 4.1m in 2015. This is equivalent to a net negative impact of DKK 9.5m. Furthermore, net financials were adversely impacted by a loss on cash flow hedges of DKK 3.4m in 2016 compared to a gain of DKK 6.8m in 2015, for a net negative impact of DKK 10.2m. The impact was partly offset by reduced foreign exchange losses and lower bank charges.

Income tax amounted to DKK 64.6m in 2016, which was an increase of DKK 4.8m compared to 2015. The effective tax rate for 2016 was 23.0%, an increase of 1.0pp compared to

BUSINESS AREAS

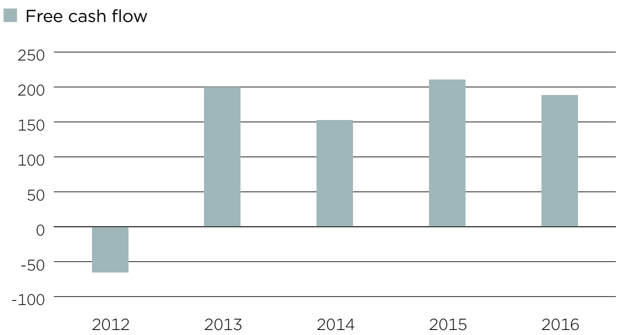
DKK '000

IT Operation Services	2016	2015	2015-2016
Revenue	1,823,682	1,740,403	4.8%
Operating profit	206,831	172,231	20.1%
Operating profit margin	11.3%	9.9%	1.4pp

IT Solution Services	2016	2015	2015-2016
Revenue	940,910	859,884	9.4%
Operating profit	86,072	96,874	-11.2%
Operating profit margin	9.1%	11.3%	-2.2pp

FREE CASH FLOW

DKK million



2015 primarily due to changes in the level of non-taxable adjustments from unrealized losses on Novo Nordisk shares in 2016 compared to gains on this item in 2015.

Capital expenses and free cash flow
Investments amounted to DKK 167.7m in 2016 compared to DKK 136.0m in 2015. The increase in investments was mainly related to hardware resulting from new large outsourcing contracts. Investments related to building an additional data center only impacted 2016 to a limited extent as the bulk of the investment is expected to be recognized in 2017.

The free cash flow for 2016 amounted to DKK 188.4m, a 10.7% drop compared to 2015 resulting primarily from an increase in outstanding customer invoices under trade receivables. The drop in the free cash flow reduced the cash-to-earnings ratio from 99% in 2015 to 87% in 2016. NNIT paid dividends of DKK 97.0m in April 2015, and interim dividends of DKK 48.5m in August 2016. Total 2016 cash flow amounted to DKK 43m compared to DKK 33m in 2015.

Balance sheet
Cash and cash equivalents amounted to DKK 174m at December 31, 2016, an increase of DKK 42.9m relative to December 31, 2015. Equity at December 31, 2016 amounted to DKK 846m, an increase of DKK 106m compared to December 31, 2015. The improvement was due to net profits offset by the payment of ordinary dividend for 2015 (DKK 97.0m) and interim dividend for 2016 (DKK 48.5m).

Development in long-term financial targets
NNIT operates with four long-term financial targets as an integral part of its strategic planning.

Both individually and in combination, these four targets guide NNIT to a competitive performance compared to the IT services industry in general.

The target level for the operating profit margin is at least 10%. This target positions NNIT among the most profitable companies in the European IT services industry while still allowing for deviations to meet business opportunities. In 2016, NNIT's operating profit margin was 10.6%, an increase from 10.3% in 2015.

The target level for revenue growth is at least 5% and reflects the expectation that NNIT will continue to outgrow the market by attracting new customers and continuing to deliver additional value to existing customer relationships. In 2016, NNIT realized revenue growth of 6.3%.

The target level for the return on invested capital of at least 30% mirrors NNIT's expected increase in investments in operational capacity to accommodate new and existing customers going forward. In 2016, NNIT realized a return on invested capital of 37.6%. The investment in a new data center will temporarily reduce the return on invested capital.

The target level for the three-year average cash-to-earnings ratio is 80% or higher. In 2016, NNIT reached a cash-to-earnings ratio of 87.3% bringing the three-year average (2014-2016) to 86.6%. The investment in a new data center will temporarily reduce the three-year average cash-to-earnings ratio.

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, 2016.

OUTLOOK

The order backlog for 2017 at the beginning of Q1 2017 increased by DKK 73m, or by 3.6%, to DKK 2,093m compared to the order backlog for 2016 at the beginning of Q1 2016. Order backlog from the Novo Nordisk Group was 1.4% lower while the order backlog from other customers was 8.4% higher.

The guidance for the 2017 revenue growth is 1-5% in constant currencies due to lower expected revenue from the Novo Nordisk Group. Due to the expected drop in revenue from higher margin projects in the Novo Nordisk Group and price reductions on existing customer contracts, the operating profit margin in constant currencies is expected to be around 10% compared to 10.6% in 2016. The long-term target for revenue growth of at least 5% is maintained as lower revenue from the Novo Nordisk Group is expected to be offset by revenue growth from other customer groups.

Further, the long-term operating profit margin target of at least 10% is maintained as a positive impact from the operational excellence program in IT Operation Services is expected from 2018 and onwards.

The present outlook is based on a number of key assumptions, including that relevant macroeconomic trends will not significantly change business conditions for NNIT during 2017, that business performance, customer and competitor actions will remain stable and that currency exchange rates, especially the Chinese yuan, Euro, Czech koruna, Philippine peso, US dollar and the Swiss franc, will remain at current levels versus Danish kroner (as of January 18, 2017). To mitigate volatility in exchange rates NNIT has entered into hedge contracts as illustrated below.

SUMMARY OF CURRENT EXPECTATIONS

	Current guidance	Long-term targets*
Revenue growth		
In constant currencies**	1-5%	> 5%
Operating profit margin		
In constant currencies**	Around 10%	> 10%
Investments / revenue***	12-14%	

* Long-term targets are in reported currencies.

** Constant currencies measured using average 2016 exchange rates.

*** Investments including new customer and data center investments are in 2017 expected to be between 12-14% of total revenue of which around 7 percentage-points relates to the data center investment of around DKK 200m in 2017. The total data center investment is expected to be around DKK 250m in the period 2016 to 2018.

CURRENCY SENSITIVITIES

	Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK*	Hedging period (months)
EUR	DKK 23 million	-
CNY	DKK -18 million	14
CZK	DKK -8 million	14
PHP	DKK -4 million	-
CHF	DKK -2 million	-
USD	DKK -0 million	-

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

* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume our business develops consistently with our current 2017 business plan.

KEY CURRENCY ASSUMPTIONS

DKK per 100	2015 average exchange rates	2016 average exchange rates	YTD 2017 average exchange rates at January 18, 2017	Current exchange rates at January 18, 2017
EUR	745.86	744.52	743.47	743.61
CNY	107.04	101.29	101.92	101.96
CZK	27.35	27.54	27.51	27.52
PHP	14.77	14.17	14.18	13.97
CHF	698.88	683.13	693.71	694.57
USD	672.69	673.27	704.28	697.31

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' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Please also refer to the overview of risk factors in the 'risk management' section on page 29-31.

FUTURE GROWTH THROUGH HIGH QUALITY SERVICES

Running a global jewelry business requires an IT platform and 24/7 support that sustains the company's growth strategy and global activities. NNIT supports not only technological demands but more importantly future growth through delivery of high-quality IT services.

PANDORA

PANDORA is a global jewelry brand, currently sold in more than 100 countries across the globe from more than 9,000 points of sale including around 2,000 PANDORA concept stores.

PANDORA

KEEPING MOMENTUM IN A VOLATILE SETTING

As the global IT industry finds itself navigating in a constantly evolving and transforming sea of disruption, new technologies and regulation, NNIT maintains focus on its strategy while generating solid business growth in a changing market environment.

NNIT is committed to being the preferred IT outsourcing partner for customers of Danish origin as well as a trusted provider of regulated IT for life science companies, globally. Based on quality and value-adding IT services, our main objective is to grow our revenue and market share, while maintaining or improving our operating profit margins.

Dedicated to its strategic ambition, and strongly founded in our three business cornerstones; loyal clients, compelling services, and highly skilled employees, NNIT is determined to continue to grow.

NNIT CORE STRENGTHS

- Stable business model based on a focused strategy
- Strong track record combined with profound experience
- Integrated global delivery model
- Prestigious customer base
- Skilled and dedicated employees

STRATEGIC OBJECTIVES

Our main objective is to grow our revenue and market share in the IT services market in Denmark and the life sciences IT services market internationally, while maintaining or improving our operating profit margins.

We intend to accomplish the principal objective by continuing to focus on the following key elements of the strategy:

- Continue to improve customer satisfaction
- Continue to expand our market share in Denmark and support Danish customers' internationalization
- Leverage our strong expertise in life sciences internationally
- Continue to enhance and deepen our expertise and service offerings through specialization and standardization
- Maintain focus on operational excellence
- Maintain our culture and enhance our human capital

Our business model combined with our global delivery centers and scale-driven operating leverage has secured robust operating profit margins over the past decade. At the same time, the increasing diversification of our customer base and the long-term nature of many of our major contracts add to business transparency, mitigate operational risk and warrant long-lasting customer relationships.

A trusted provider of regulated IT for life sciences
As a highly specialized IT services provider to life sciences, NNIT is dedicated to supporting international life science companies in optimizing their businesses, reducing cost

2020 Strategy

Support customers of Danish origin with internationalization

Advise on regulated IT for life sciences world wide

Win profitable market share

Increase our share of existing customers' IT spending

Win new customers

Supporting pillars

Continue our cost efficiency efforts

Continue to pursue the highest possible customer satisfaction

Enhance our brand and commercial profile

Maintain our vision/culture and enhance our human capital

and complying with regulatory requirements. Currently serving the life sciences market in Western Europe, North America and China, NNIT's main activities are advisory services and projects, with an increasing focus on application and infrastructure outsourcing.

Based on NNIT's profound insights and industry experience within life sciences, we are able to create value through IT solutions and expertise while operating IT according to GxP (Good x Practice) pharma industry standards. Regulation remains a key concern and business driver in life sciences, and NNIT continually monitors the regulatory environment in order to offer the necessary IT support. This includes clinical data warehouse, serialization requirements and ISO IDMP (International Organization for Standardization (ISO) for the identification of medicinal products (IDMP)), and changes to existing requirements from the FDA, the US Food and Drug Administration, and the EMA, the European Medicines Agency.

The preferred IT outsourcing partner for customers of Danish origin

As a preferred IT outsourcing partner for customers of Danish origin, we are able to support our clients during their internationalization. Essentially, we follow our clients wherever they go. NNIT is currently the third-largest IT services vendor in the Danish market, with a 2016 total market share of 7% according to IDC. According to Gartner, the market is forecasted to grow at a compound annual growth rate (CAGR) of 3.4% in the period 2015-2020. In the past decade NNIT has continuously demonstrated organic revenue growth rates above the market average, and will continue to pursue profitable growth and increased market share going forward.

MARKETS & CLIENTS

NNIT operates in the IT services market. IT services account for approximately half of the total IT market, in Denmark as well as in the global market, the other areas being hardware and software. In recent years, the market has undergone extensive change – and it continues to be impacted by transformations that are also likely to affect NNIT's business. Key trends include cloud based solutions, digitalization, security, regulation and compliance.


nnit.com

Digitalization
Digitalization remains a comprehensive and hot topic on the business agendas of most companies across all sectors and industries. Technology has always shaped and changed industries – everything from the printing press to the first steam engines – but today digitalization changes the entire industry value chains as it transforms the nature of business.

An increasing need for speed, agility and availability of resources and technology places high demands on infrastructure services and increases spend in cloud services. In addition, we experience a growing trend toward so-called eco-systems, where customers expand their business portfolio into other businesses and hence require a shared infrastructure to accommodate this.

For NNIT, this means more focus on how we deliver the agile environments and IT outsourcing that enable our clients to succeed in their new digital business model. Traditional outsourcing services will convert into services also covering master data management, data strategy, as well as integration and interfacing between systems – either in the cloud or as colocation; a data center facility in which businesses can rent space for servers and other computing hardware.

The overall ambition for NNIT is to support its clients focusing on their core business by making sure their IT platforms are running non-stop.

Security
Protecting systems, networks and data in cyberspace is a critical issue for any business.

As more devices become connected online through the internet of things, cyber security will only grow in importance, as will the pressure to protect data assets. Over the years, experience has shown that cyber threats become increasingly sophisticated intensifying the need for even more advanced responses. NNIT has developed a series of security services and will continue to advance its capabilities in this field to keep pace with the ever-evolving cyber landscape.

Regulation and compliance
In today's world, IT is increasingly driven by regulation and compliance, hence the need to have the necessary IT to support the legal requirements. This is especially relevant in the finance and life sciences industries, and more and more in other industries as well. Compliance with customer and vendor contracts also drives significant IT investments, for example upgrading solutions that depend on unsupported software. To continue supporting clients complying with ever-growing demands, NNIT will continue building on its comprehensive knowledge of regulation and legislation and offer IT services to meet those requirements.

Further, in addition to the above trends, NNIT experiences a growing tendency for companies to divide outsourcing contracts into smaller contracts, focusing on individual

NNIT customer groups

NNIT offers a broad range of IT services to four select customer groups, in Denmark and internationally:

LIFE SCIENCES
Customers include:

Ambu, AstraZeneca, Gilead, LEO Pharma, Lundbeck, Novo Nordisk, among others

PUBLIC (DK ONLY)
Customers include:

Digitaliseringsstyrelsen, DSB, Kriminalforsorgen, SKAT, among others

ENTERPRISE (DK ONLY)
Customers include:

Arla, Danish Crown, PANDORA, Vestas, among others

FINANCE (DK ONLY)
Customers include:

Alka, Danske Bank, PFA, Saxo Bank, among others functions, for example network, backup or specific applications. Applying a multi-vendor strategy enables them to select between different vendors or even to insource parts of their IT operations, resulting in fewer large deals in the market. However, for NNIT, it also implies more opportunities from customers who are otherwise engaged with a single, large vendor.

Competitive market situation

In general, the IT services market is considered highly competitive. Customers' need for agility, speed and breadth of services and solutions, as well as their demands for margin and bottom line improvements, continues to pressure the IT market and intensify competition.

As a high-quality IT services provider, NNIT competes in a global market with international competitors. NNIT's main competitors can be divided into five categories:

- Global players, including Accenture, IBM, CSC, Atos and CGI
- Offshore players, including Tata Consultancy Services, HCL and Cognizant
- Local Danish players including KMD, Atea, TDC Hosting, EG and Netcompany
- Other competitors such as cloud vendors (like Amazon and Microsoft), specialized life sciences providers (such as Veeva and EMC), business process outsourcers (such as Visma in the Danish market, or Quintiles in the international life sciences market)
- In-house IT departments that choose to handle parts or the entirety of their IT operations themselves.

Clients

NNIT's clients encompass some of the largest and most prestigious brands – including international life science companies, Denmark's largest bank and large enterprise companies – who all share the same requirements and aspirations; robust IT operations that comply with regulation and enable the company to focus on innovation and growth.

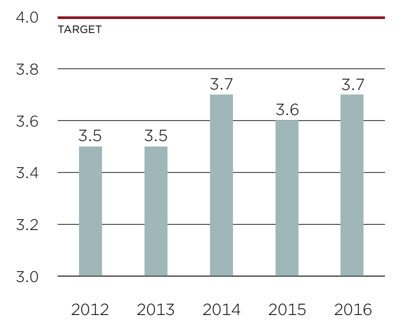
At NNIT, we have made it a habit to treat our clients' IT as if it were our own. Our most important job is to keep our clients' business running non-stop – so they can focus on their core business, which usually does not include IT operations.

Our clients rightfully rely on NNIT's ability to remain at the forefront of technology developments, which is why a trusting and loyal partnership is paramount. To fully

CUSTOMER SATISFACTION

(Scale 1-5)

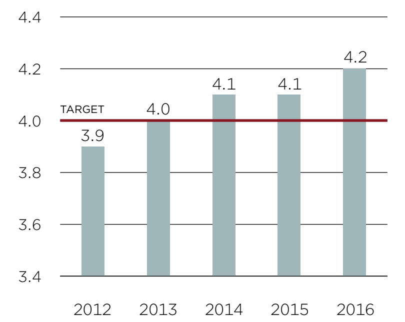
3.7



EVALGO

(Scale 1-5)

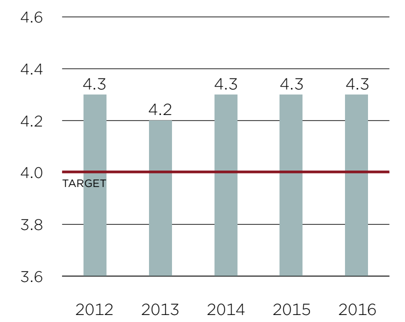
4.2



END-USER SURVEY

(Scale 1-5)

4.3



understand and know the challenges our clients face, NNIT makes customer proximity a top priority. In addition to the ongoing personal interaction with the clients, NNIT further runs an extensive customer feedback program aimed at collecting input from clients in order to improve collaborations where possible.

The customer feedback program is divided into three formal feedback channels; all based on web surveys that measure satisfaction levels on an ascending scale from 1 to 5. The three feedback channels include an annual customer satisfaction survey that measures each customer's overall satisfaction with NNIT, a quarterly survey ('Evalgo') that gauges satisfaction with specific deliveries, and end-user surveys that continuously measure customers' satisfaction with NNIT's service desk.

In 2016, the three feedback channels received ratings of respectively 3.7, 4.2 and 4.3. Equivalent ratios in 2015 were 3.6, 4.1 and 4.3.

To further ensure that cooperation and business with clients is conducted in a proper and diligent matter, NNIT undergoes several audits with customers throughout the year. Audits, which also include third-party audits, independent service auditor reports, and internal audits, seek to verify that deliveries meet customer expectations and regulatory requirements. The number of customer audits and independent service auditor reports were at approximately the same level in 2016 as in 2015. In 2016, 11 customer audits (10 in 2015) and 25 independent service auditor reports were requested by customers (19 in 2015). NNIT also conducted several internal audits in line with ISO 9001 and ISO 27001 certification requirements.

NNIT is highly focused on addressing and closing possible customer complaints including thorough root cause analysis to mitigate reoccurrence. Agreements between NNIT and each customer are made to align expectations. Key performance indicators on operations and maintenance are set, and in 2016, NNIT met 98.0% of the KPIs compared with 98.2% in 2015.

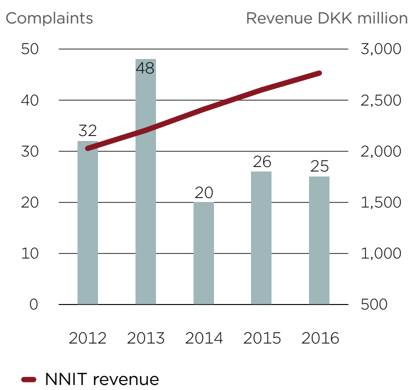
IT SERVICE OFFERINGS

As a professional IT services provider, NNIT advises, builds, implements, manages and supports IT solutions and operates IT systems for its customers. A major part of our business is founded on IT outsourcing services. In addition, NNIT is also recognized as a leading provider of SAP services in Denmark with approximately 250 consultants directly involved in building, maintaining and operating SAP solutions for customers.

QUALITY

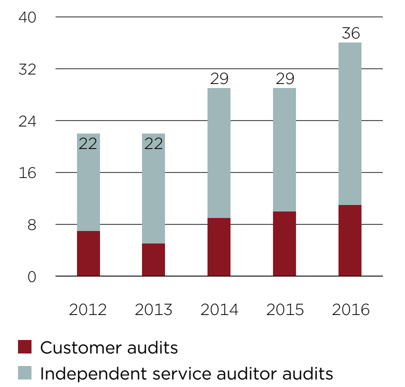
(Customer complaints)

25



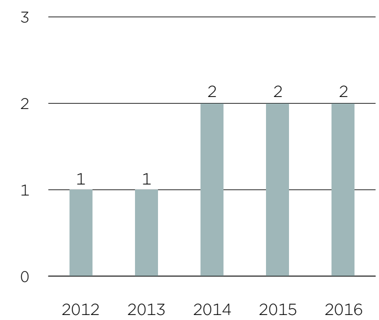
CUSTOMER AUDITS AND INDEPENDENT SERVICE AUDITORS AUDITS

36



CERTIFICATIONS (ISO)

2



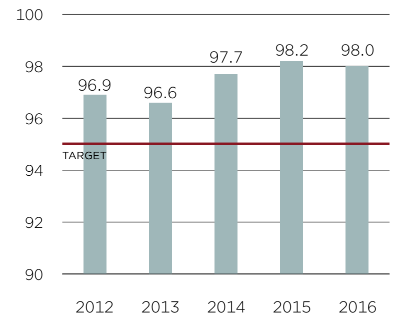
New services in 2016
In 2016, NNIT launched a number of new services while further developing its position in existing business areas. New services include:

- **GxP Cloud** NNIT's second-generation enterprise hybrid cloud solution that supports GxP operations. The solution is specifically aimed at life science clients that benefit from all the advantages of a cloud solution while still operating in compliance with the industry's regulatory requirements
- **ISO IDMP phase II** The reporting standards for medicine information to regulatory authorities (International Organization for Standardization (ISO) for the identification of medicinal products (IDMP)) place new requirements on life science companies. NNIT has developed a market-leading program that comprises training, data analysis and reporting to comply with legislation
- **SRS** The SRS (substance registration system) is related to ISO IDMP, requiring life science organization to officially report on medicinal ingredients following a standardized method. In 2017, NNIT expects to offer a secure GxP cloud-based solution including technical and functional support
- **Affiliate-in-a-box** A Cisco-based 'all-in-one' box solution aimed at organizations that need a simple and cost-efficient infrastructure service to a decentral, organizational unit, such as a sales office
- **Windows-as-a-service** In collaboration with Microsoft, NNIT has developed a service based on best practices allowing clients to safely upgrade to Windows' latest version – Windows 10 – including all new functionality
- **SAP HANA TDI** As one of Denmark's strongest SAP experts, NNIT has developed a SAP HANA Cloud TDI (Tailored Data Center) build on the SAP HANA database. Using this cloud-based solution, clients can choose the size and model that fits their workloads in a safe, cost-efficient environment
- **TMLS** Test Management for Life Sciences is NNIT's upgraded software-as-a- service solution based on HP QC using electronic signature in accordance with GAMP5 (Good Automated Manufacturing Practice)
- **Compliance-as-a-service** NNIT's integrated service for life science companies providing support for fast and correct validation of IT systems according to industry legislation
- **GDPR** With the introduction of the EU General Data Protection Regulation clients face increasing requirements and threats related to data privacy. NNIT provides advisory services to clients on how to master the requirements
- **Data center** NNIT has commenced the building of a new tier 3 data center to further accommodate client needs for server and data storage operations. The new data center is expected to be operational at the end of 2017.

SERVICE PERFORMANCE INDICATORS

(key performance indicators (KPI) met) %

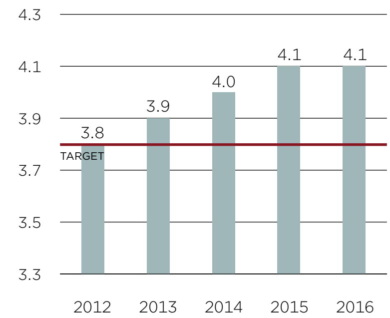
98.0%



PROJECT PERFORMANCE

(ability to meet deadlines - scale 1-5)

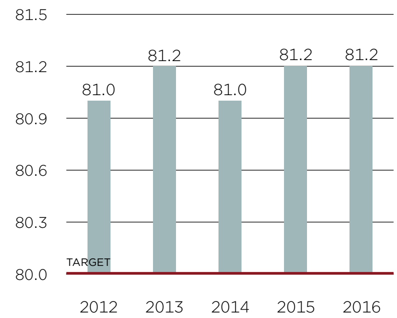
4.1



SERVICE DESK PERFORMANCE

(agreed response time met) %

81.2%



EMPLOYEES

NNIT's business results continue to rely on highly-skilled, passionate and loyal employees, who are able to transform their IT knowledge into value-adding solutions for our clients. In 2016, to further support new growth, NNIT increased the staff by 327, employing a total of 2,865 people at December 31, 2016, of which approximately 75% hold an academic degree, primarily within IT technologies.

Human Resource Management is a key priority for NNIT, and focus on employee job satisfaction through learning, teambuilding, health and overall employer attractiveness is essential. To ensure continuous learning and development, all individual development agreements made between employees and managers are documented in an annual performance improvement system. In 2016, NNIT employees held a total of 4,481 technology certifications within SAP, Microsoft, Oracle, ITIL, PRINCE2, among others.

NNIT continually measures and analyzes employee satisfaction based on annual employee satisfaction survey. In 2016, the overall employee satisfaction rating was 4.3 on a scale of 1 to 5 (4.2 in 2015). Although NNIT enjoys a high general employee satisfaction, this remains an area of attention as employee satisfaction is a key parameter for absence and turnover, among others.

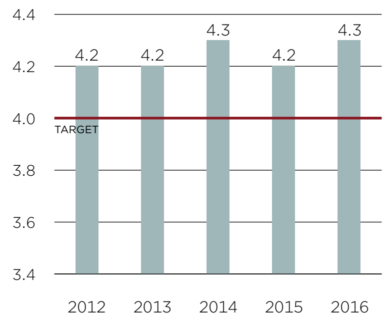
The turnover rate in 2016, adjusted for managed turnover, was 13.2% (11.8% in 2015), which is above NNIT's target of less than 12% but consistent with the international IT industry average. The overall turnover rate was 16.2% (14.7% in 2015).

Finally, NNIT believes that a dedicated effort towards better leadership will help attract and retain highly qualified employees and enhance the overall condition and success of the company. Therefore, the company also operates a comprehensive leadership training program to ensure that NNIT always has management resources that are among the best in the industry with the ability to develop, challenge and strengthen both employee competences and our corporate culture.

EMPLOYEE SATISFACTION

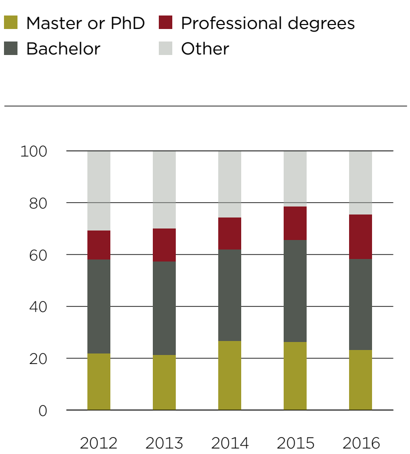
(Scale 1-5)

4.3



BREAKDOWN OF EMPLOYEES' EDUCATION

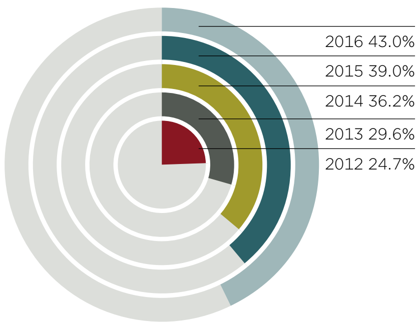
%



INTERNATIONALIZATION RATIO

%

43.0%



ONE WORLD, ONE NNIT

Growth in employees

10.7%

Number of employees, end of year

2,865

Nationalities

55+

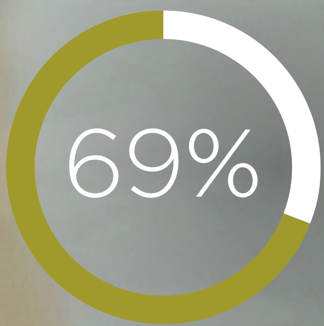
Job rotations & promotions

13.0%

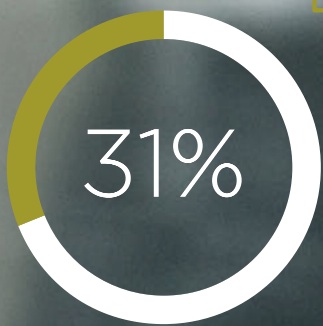
Number of certificates held by employees

4,481

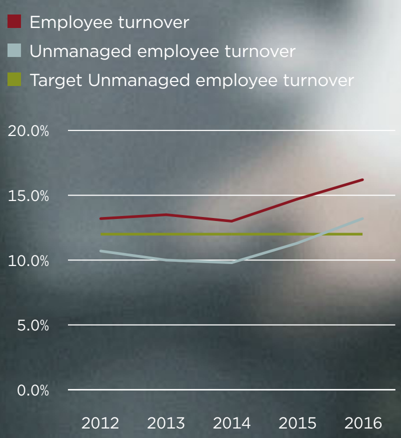
Men



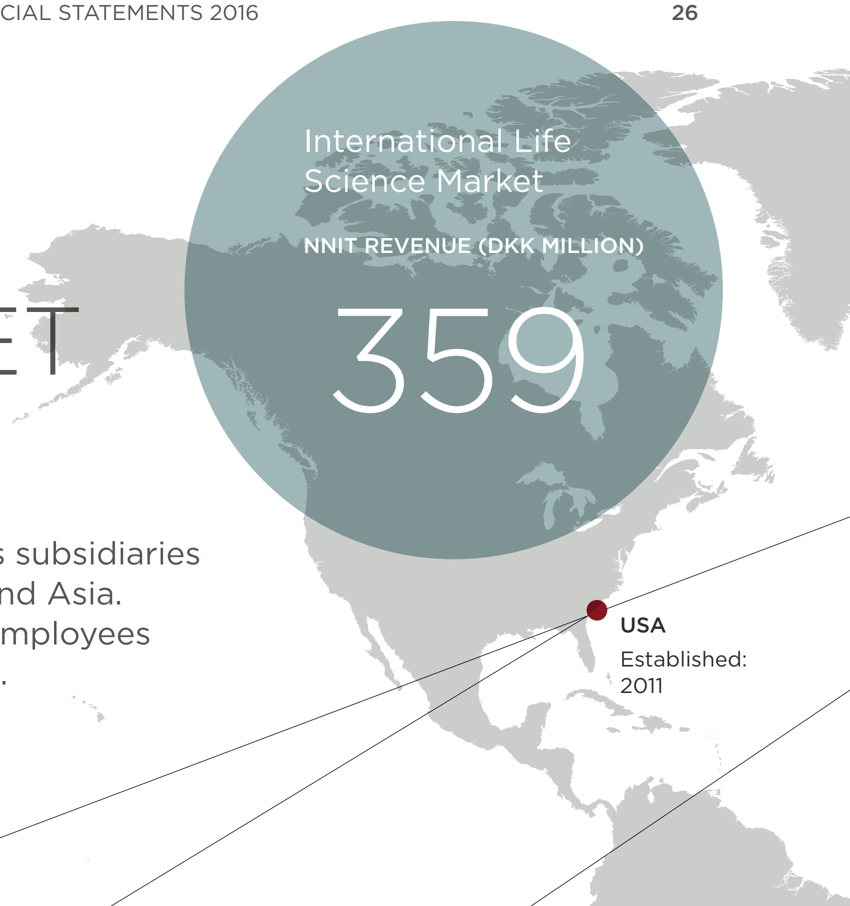
Women



Employee turnover



BUSINESS AND MARKET OVERVIEW



Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia. In 2016, total staff comprised 2,865 employees (2,809 FTE) across 11 office locations.

Delivery Sales Life Science Sales

DENMARK

Born out of Novo Nordisk in 1998 as Novo Nordisk IT, NNIT's history dates back almost 20 years. However, as part of Novo Nordisk, the roots go back much further. Employing more than 1,590 people in Denmark, NNIT's Danish headquarters is responsible for delivery and sales as well as administrative staff functions.

2016 Estimated market size (DKK million)[1]	37,315
Estimated market CARG 2016-2020[1]	3.5%
NNIT Employees, FTE in 2016 (2015)	1,591 (1,547)

NORTH AMERICA

Established in 2011, NNIT's Princeton office is situated in the so-called pharmaceutical corridor, which is located between Boston and Philadelphia. A total of 18 employees are currently based at the office, which primarily serves NNIT's international pharmaceutical clients. Additionally, the US office is responsible for sales to new pharma clients in North America.

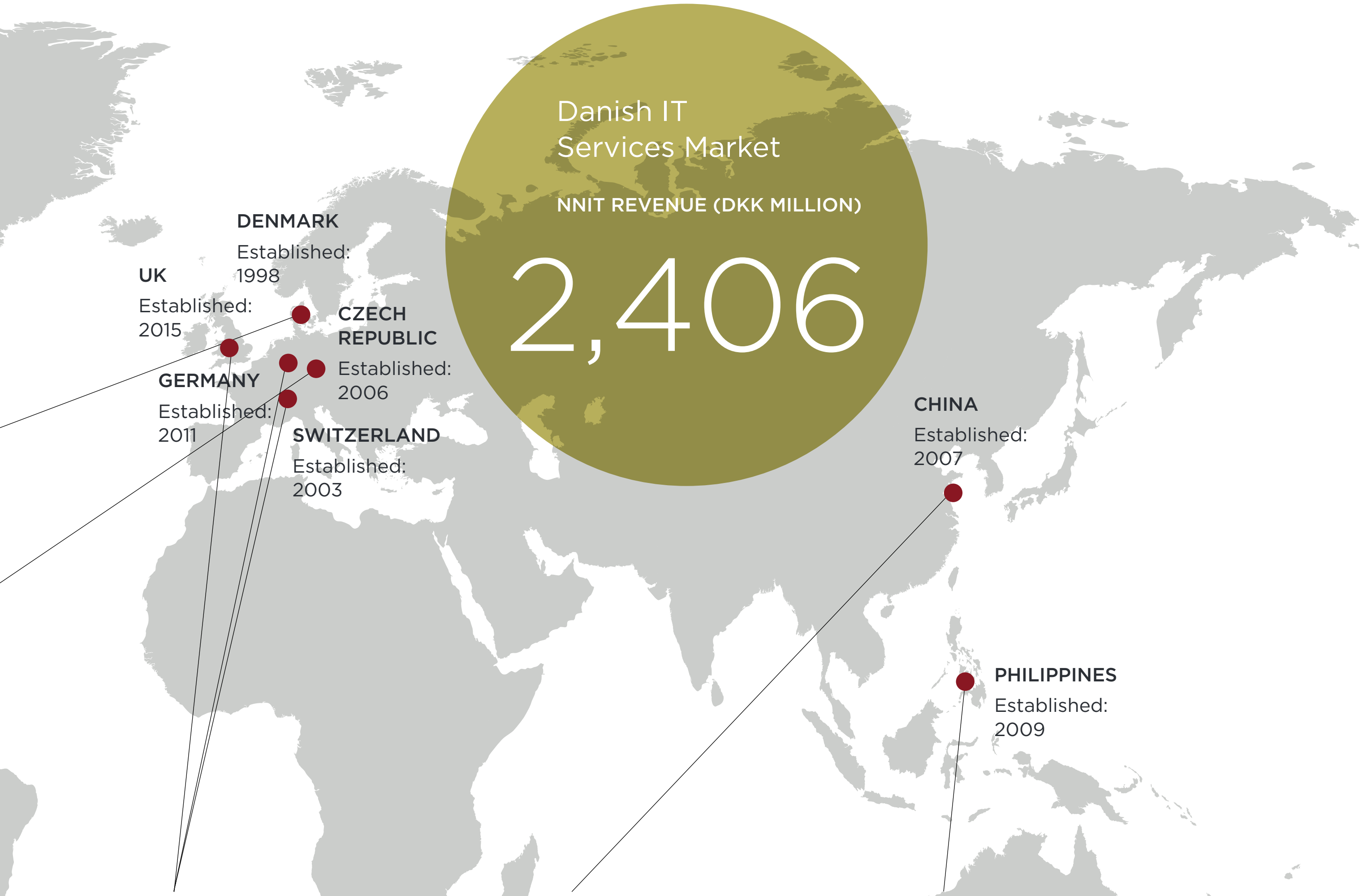
2016 Estimated market size (DKK million)[1]	33,693
Estimated market CARG 2016-2020[1]	6.2%
NNIT Employees, FTE in 2016 (2015)	18 (18)

CZECH REPUBLIC

NNIT's more than 240 employees in the Czech Republic are responsible for IT infrastructure operations such as SAP, network and server operations, storage services and back-up operations for customers based mainly in the European region. The office is part of NNIT's 24/7 Global Operations Center setup and as such delivers services in close cooperation with the delivery centers in Denmark, China and the Philippines. From Prague, NNIT also delivers multilingual service desk support in 10 different languages.

n/a	
n/a	
NNIT Employees, FTE in 2016 (2015)	241 (122)

[1] Gartner Q3 2016 (Denmark, including the total IT services market. North America, Western Europe and China including IT services for life sciences excl. BPO)



SWITZERLAND, UK AND GERMANY

The Zurich office, which is located in one of Europe's largest pharma hubs, is the spearhead of our services to international pharmaceutical companies. From our branch office in Zürich, NNIT supplies IT and consulting services to international life sciences companies demanding high levels of quality and security. NNIT further operates small offices out of the UK and Germany, primarily servicing our local clients in these regions.

2016 Estimated market size (DKK million)[1]	29,474
Estimated market CARG 2016-2020[1]	5.9%
NNIT Employees, FTE in 2016 (2015)	40 (37)

CHINA

NNIT's China office is the company's largest delivery center outside Denmark. Established in 2007, the office currently has almost 800 employees. NNIT China delivers services within a large range of technologies covering development as well as operations projects, and forms an important part of NNIT's deliveries to our European clients. NNIT also has local customers in China.

2016 Estimated market size (DKK million)[1]	2,400
Estimated market CARG 2016-2020[1]	8.7%
NNIT Employees, FTE in 2016 (2015)	775 (698)

PHILIPPINES

NNIT Philippines is an integrated part of NNIT's global IT service delivery, specializing in the development and maintenance of enterprise and eGovernment software solutions as well as IT infrastructure operations such as network and server operations for NNIT's customers around the world. A part of NNIT's 24/7 Global Operations Center setup, the Manila-based delivery center, provides services in close cooperation with NNIT's other centers in Denmark, China and the Czech Republic.

n/a	
n/a	
NNIT Employees, FTE in 2016 (2015)	146 (116)

[1] Gartner Q3 2016 (Denmark, including the total IT services market. North America, Western Europe and China including IT services for life sciences excl. BPO)

MAINTAINING SECURITY AND STABILITY

NNIT handles IT operations and data in its high-end datacenter. For a financial institution like Danske Bank, trust is mandatory – trust in NNIT's ability to keep the bank business running non-stop with secure and stable IT.

DANSKE BANK

Headquartered in Copenhagen, Danske Bank is the largest bank in Denmark and a major retail bank in the northern European region with over 3.5 million retail customers.

RISK MANAGEMENT

NNIT operates in a highly competitive and rapidly changing global marketplace. Risk management is essential for profitable growth, and NNIT has adopted a structured approach to address this area.

NNIT believes that efficient risk management requires a structured method applied consistently across the organization. At NNIT, risk management consists of four elements: risk identification, risk assessment, identification of mitigating actions and risk reporting.

NNIT identifies risk applying a combination of a bottom-up and a top-down approach. Key risks are initially identified within each divisional area and reported to Group Management together with information on what has been done and what is intended to be done.

High risks are aggregated and a broad list presented in an annual risk report and challenged by Group Management and finally by the Audit Committee of the Board as well as the Board of Directors. Group Management continuously follows up and reports monthly on risk development and mitigating actions to the Board of Directors.

Below is an overview in random order of the key risks important to NNIT's business including root causes and the mitigating actions undertaken by the company.

A more detailed description can be found on the following two pages.

RISK MANAGEMENT

RISK \ ROOT CAUSE	Customer strategy	Competitors	Market changes	Failure to grow international life sciences	Complex contract regimes	Unauthorized access	Regulations	MITIGATING ACTIONS
Loss of existing business	●	●	●					• Stay close to customers • Pursue early contract extensions • Be price competitive through delivery model and operational excellence • Develop new offerings
Ability to generate new business	●	●	●	●				• Be price competitive through delivery model and operational excellence • Ensure flexible delivery model • Develop new offerings • Have focused go-to-market strategy within international life sciences
Operation and delivery			●		●	●	●	• Improve contract management • Develop security roadmap • Continue to monitor legal framework • Adapt service offerings to General Data Protection Regulation • Ensure that relevant procedures, audits and training are in place
Not attracting/retaining sufficient talent		●	●					• Use employer branding and ensure an attractive working environment • Ensure market-conform compensation packages and long-term incentive programs • Use non-Danish delivery centers to mitigate shortage of qualified IT professionals • Run graduate programs
Currency exposure			●					• Hedge main currencies 14 months ahead • Aim to create natural hedges

RISK | **ROOT CAUSES OF THE RISK** | **MITIGATING ACTIONS**

Loss of existing business

In 2016, NNIT's revenue of DKK 2,675m was generated from 199 customers.

NNIT's single largest customer is the Novo Nordisk Group, which accounted for DKK 1,238m or 44.8%of NNIT's 2016 revenue.

NNIT's top five customers accounted for 65% of NNIT's revenue in 2016 and the top ten customers accounted for 76%.

NNIT relies on the IT spend of these customers, including the renewal and non-termination of existing contracts.

Failure to renew contracts with existing customers, particularly the large outsourcing contracts, or renewals at notably different prices and terms will affect NNIT's business significantly.

Specifically changes in buying behavior from Novo Nordisk will impact NNIT's business.

Customers
Change in customer behavior impacts the risk of losing existing business. Such changes may be related, but are not limited, to: customer cost reductions, adoption of multivendor strategies, splitting up contracts into towers and insourcing strategies, which may remove existing business.

Embedded price reductions built into contracts and benchmark standards increase the risk of price erosion on existing business.

Change of decision-making power from IT to line of business and procurement involvement introduce new stakeholders, which increases the risk of changes to existing business.

Competition
A more aggressive behavior from existing competitors and/or entrance of new competitors increase the risk of losing existing contracts.

Market changes
Technology and market disruption change customers' preferences and needs, which could cause existing business to shrink or disappear.

Changes in market technology could also introduce new competitors who have previously been technology partners or have previously operated in other industries.

NNIT maintains focus on staying competitive by offering high-quality solutions that match customer needs and requirements at market-conform prices.

NNIT maintains close relationships with customers in order to gain continuous feedback and understanding of their business needs and NNIT is focused on extending or renegotiating existing contracts prior to expiry.

In order to offer market-conform prices, NNIT is constantly focused on process optimization and automation as well as leverage the global delivery model. NNIT is currently conducting an operational excellence program within the IT operations area in order to design, optimize and lean delivery processes, accelerate automation and offshore usage and automate and standardize reporting

NNIT continues to develop and strengthen offerings that match its customers' needs and requirements as well as building partnerships with some of the industry's leading technology providers.

NNIT has a dedicated business development and technology unit focused on investigating and gathering the newest market trends while developing and managing offering initiatives and partnerships.

Ability to generate new business

NNIT has a long-term strategic target of at least 5% revenue growth per year. Based on the projected growth rates in the Danish IT services market, NNIT must continue to win market share in the Danish market to meet its long-term strategic targets.

The Danish IT services market is characterized by intense competition, from domestic and international players. Therefore, NNIT must continuously improve productivity and efficiency in order to meet the market price and maintain margins.

Outside Denmark, NNIT strategically pursues the life sciences market. NNIT has strong domain knowledge and primarily delivers relatively small projects. To grow further NNIT needs to win larger projects and outsourcing agreements.

Potential customers
Customer behavior impacts the amount of contracts in the market. This behavior can relate to the willingness to outsource or shifting to insourcing strategies or to change buying patterns, thereby shifting buying power from IT to line of business and procurement.

Competition
More aggressive behavior from existing competitors and/or entry of new competitors could make the market more competitive.

Market changes
Technology and market disruption change customer preferences and needs, which could influence buying behavior.

Failure to grow internationally
While NNIT is a major player in the Danish IT service market, internationally NNIT is a niche player. Thus size, relations and presence are more challenging factors internationally than they are in Denmark.

In order to attract and win new business, NNIT continues to develop and strengthen its offerings matching customer needs and requirements as well as building partnerships with some of the industry's leading technology providers.

In order to offer market-conform prices, NNIT is persistently focused on process optimization and automation and on leveraging the global delivery model.

The company's presence in countries within the EU (Denmark and the Czech Republic), as well as in non-EU locations (China and the Philippines), allows NNIT to offer a delivery setup that matches customer preferences.

In order to be a leading IT partner to the life sciences industry, NNIT must persistently be at the forefront of regulatory development within selected areas of the life sciences value chain.

NNIT is focused on proximity to international life sciences customers matching NNIT's size within selected geographies. NNIT continues to use partnerships with leading software providers in the life sciences industry to gain access to new life sciences customers.

Operation and delivery

NNIT's ability to deliver the agreed quality of services is crucial. This includes operational stability, backup and fast restoring of data, keeping agreed security levels and delivering projects on time and according to scope.

Complex contract regimes
Increased use of complex contract schemes dictated by customers' legal advisors increase the risk of disputes that could lead to arbitration with negative cost impact and reputational damage.

NNIT has initiated a contract management improvement program in order to ensure a structured governance model for contract management. This will include training of relevant employees and assigning contract managers to major accounts.

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS

Operation and delivery (continued)

Inadequate operational stability, quality or security controls involve the risk of reduced client satisfaction and loyalty as well as the risk of damaging NNIT's market reputation. Changes to applicable laws and regulations, particularly regulations on data protection and anti-offshoring legislation, might increase costs or threaten NNIT's ability to continue to serve customers from certain global locations. NNIT's business involves a significant amount of estimation and planning e.g. when bidding for fixed price projects and when estimating transition projects as part of outsourcing agreements. Estimating scope and efforts correctly as well as forecasting the required capabilities is crucial. Failure to estimate correctly could have significant negative cost impact. NNIT's growth strategy enhances business conducted inside and outside of Denmark. This increases the use of sub-contractors and partnerships thereby increasing the risk of business ethics misconduct.	**Unauthorized access** Cybercrime, including unauthorized access, is a growing risk. This may impact confidentiality, integrity and availability of critical systems and/or data resulting in breach of regulatory requirements as well as reputational damage. **Regulations** Changes in regulation, such as General Data Protection Regulation, which significantly increases the level of fines, imposes a potential risk that customers will be reluctant to accept processing of personal data in certain countries, leading to a weaker competitive position in the market	NNIT is implementing a security roadmap with 12 identified initiatives. This includes monitoring the ongoing threats, mapping security requirements to the services delivered as well as access management. NNIT has an established bid process for all bids above DKK 2m. This includes a critical assessment on cost estimates, contract terms and whether to bid at all and involves relevant finance, legal, sales and line of business functions. NNIT constantly monitors the legal frameworks and any changes to these. NNIT's presence in countries within the EU (Denmark and the Czech Republic) as well as non-EU locations (China and the Philippines), allows the company to offer a flexible delivery setup. NNIT is currently implementing General Data Protection Regulation in order to adapt NNIT's services to meet the regulatory requirements. NNIT has established business ethics procedures, spending policies, responsible sourcing standards and are rigidly imposing segregation of duties. All NNIT employees are trained and NNIT conducts internal audits as well as compliance reviews at HQ and affiliates.

Not attracting/retaining sufficient talent

NNIT's business is founded on the expertise and innovation of IT specialists. NNIT's ability to maintain and renew existing customer contracts and win new business depends on NNIT's ability to attract, retain and develop qualified IT professionals whose skills keep pace with the continuing changes in information technology, evolving industry standards and changing customer preferences. The shortage of, and significant competition for, qualified IT professionals with the advanced technology skills necessary to provide the services and solutions that NNIT offers constitute a risk for the company.	**Market** The number of university graduates with IT backgrounds impacts the supply of IT professionals. Technology and market disruption changes alter the need for skills. **Competition** More aggressive behavior by existing competitors and/or the entry of new competitors could increase demand and competition for the same qualified IT professionals.	NNIT has a good track record of attracting talented employees. Employer branding and an attractive working environment are tools used to ensure that we can continue to attract high-potential individuals. NNIT strives to maintain market-conform compensation packages and has established a long-term incentive program for senior executives and other key employees. NNIT actively uses delivery centers outside of Denmark as a means of mitigating any shortage of qualified IT professionals in the Danish IT services market. NNIT runs graduate programs for talented young IT professionals at corporate level and at affiliate level at the main delivery centers. The number of NNIT graduates has increased in 2016.

Currency exposure

NNIT reports its operating results in Danish kroner. However, a proportion of revenue and costs are incurred in other currencies. Exchange rate fluctuations in the currencies in which NNIT earns revenue and incurs costs will influence reported results. The main net currency exposures are in Chinese yuan and in Euro. NNIT is also exposed to changes in the Philippine peso, the Czech koruna and the Swiss franc.	**Market changes** Changes in macro and political environments outside of NNIT's control will impact currencies, which could significantly increase the cost of operations at NNIT's operations centers in China, Czech Republic and Philippines as well as the cost level at the sales and delivery offices in Switzerland, United States, Germany and United Kingdom. Further, NNIT's revenue from currencies other than Danish kroner could be adversely affected.	To reduce the currency impact on the company's results, NNIT engages in currency hedging. NNIT currently hedges around 90% of the major foreign currency net exposure in Chinese yuan (hedged via the offshore Chinese yuan CNH) and the Czech koruna 14 months ahead. NNIT also aims to create natural hedges by balancing revenue and costs in the main exposed currencies. For a more detailed description of NNIT's currency risks, see note 4.3 to the Group consolidated financial statements.

SHAREHOLDER INFORMATION

NNIT had approximately 24,000 registered shareholders at December 31, 2016, representing 98% of the company's share capital.

NNIT shares were priced at DKK 204 per share at December 31, 2016, for a market capitalization of DKK 5,100m. The share price appreciated by 8% during 2016. In comparison, the Nasdaq Copenhagen A/S blue chip index (OMXC20 CAP) fell by 2%, while the Nasdaq Copenhagen MidCap index, of which NNIT is a component, decreased by 1% in the same period. Peer stocks in the Nordic and European IT services markets increased by 30% and 12% respectively in the same period.

Share capital and ownership

NNIT's share capital is 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 approximately 24,000 registered shareholders at December 31, 2016. The four largest shareholders held at least two-thirds of the share capital, with 51 percent being directly or indirectly controlled by Novo A/S.

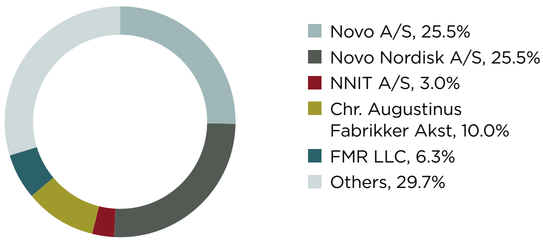
The following investors have reported holding more than 5% of NNIT's share capital in pursuance of section 55 of the Danish Companies Act:

- Novo A/S, Gentofte, Denmark 25.50% directly and 51.00% through its holding in Novo Nordisk A/S
- Novo Nordisk A/S, Gladsaxe, Denmark 25.50%
- Chr. Augustinus Fabrikker Akst., Copenhagen, Denmark 10.00%[1]
- FMR Co. Inc, Boston, Massachusetts, United States 5.30% directly and 6.31% indirect ownership through its holding in FMR Co. Inc. as well as other subsidiaries[2].

SHARE DATA

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):	204.00
Treasury shares:	750,000 (3.0%)

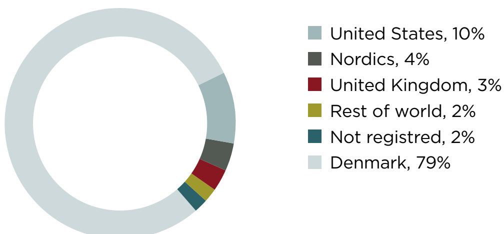
SHAREHOLDER OVERVIEW



FINANCIAL CALENDAR FOR 2017

Deadline for shareholders submitting proposals for matters to be considered at the Annual General Meeting	January 24, 2017
Full year report for the year ending December 31, 2016 and Annual Report	January 25, 2017
Annual General Meeting	March 8, 2017
Interim report for the first 3 months of 2017	May 18, 2017
Interim report for the first 6 months of 2017	August 16, 2017
Interim report for the first 9 months of 2017	October 26, 2017

SHAREHOLDERS BY GEOGRAPHY



1 Chr. Augustinus Fabrikker Akst.'s holding as per the major shareholder announcement 12/2016 dated October 28, 2016.
2 FMR Co Inc. holding as per the major shareholder announcement 21/2015 dated December 15, 2015.

At December 31, 2016, about 79% of NNIT's shares were held by investors based in Denmark, while 4% were held by investors based in other Nordic countries. Outside of the Nordic region, US and UK investors held 10% and 3% of the shares, respectively. The remaining proportion of 2% percent of the registered shares was held by investors in other countries, while the outstanding 2% is not registered by name.

Dividend policy and capital structure

NNIT intends 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 has decided to abolish its formal dividend policy. However, the intent remains to pay interim and ordinary dividends corresponding to a total of 40% of the annual net profit, while remaining cash and debt neutral.

For 2016, the Board of Directors intends to propose to the shareholders at the annual general meeting that a dividend of DKK 2.20 per share be distributed for the financial year 2016. Including the interim dividend of DKK 2.00 per share in August 2016 this brings the total dividend for the financial year 2016 to DKK 4.20 per share, equal to a dividend payout of 47% of the 2016 net profits. NNIT does not pay dividend on its holding of treasury shares.

Annual General Meeting

The Annual General Meeting of NNIT A/S will be held on Wednesday March 8, 2017 at 2 pm at the NNIT head office, Oestmarken 3A, 2860 Soeborg, Denmark.

The Chairman of the Board of Directors Jesper Brandgaard has informed he is not seeking reelection. The Board of Directors intends to propose re-election of John Beck, Anne Broeng, Carsten Dilling, Eivind Kolding and René Stockner and election of Novo A/S' CFO Peter Haahr as new member of the Board of Directors. The Board of Directors further intends to propose election of Carsten Dilling as new Chairman and election of Peter Haahr as new Deputy Chairman.

The Board of Directors intends to propose re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab as the Company's accountant.

Furthermore the Board of Directors intends to propose that the shareholders authorize the company to acquire treasury shares of up to 10% of the company's share capital. Further, the Board of Directors intends to propose to amend the remuneration principles, and that general meetings can be conducted in English and/or Danish while documents prepared for general meetings going forward shall be in English only.

Communication with shareholders

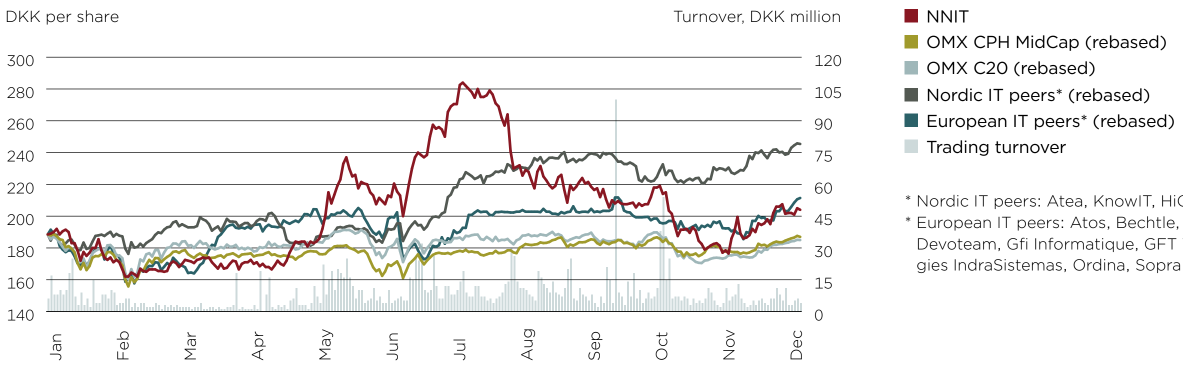
NNIT aims to give investors the best possible insight into the company to ensure fair and efficient pricing of NNIT shares. This is done by pursuing an open dialog with investors and analysts. NNIT's Executive Management hosts conference calls following the release of quarterly financial results. Executive Management and Investor Relations 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 potential shareholders access to Executive Management and Investor Relations.

NNIT is currently covered by six financial analysts, who regularly issue research reports on NNIT. A full list of the analysts covering NNIT can be found at http://www.nnit.com/Pages/investor.aspx together with an overview of all company announcements, press releases, historical financial figures 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 shares in the name of the shareholder by contacting their depository bank.

NNIT Investor Relations contact information:
Jesper Wagener, Head of IR, telephone +45 3075 5392, jvwa@nnit.com, nnit.com/investor

NNIT SHARE PRICE PERFORMANCE RELATIVE TO PEERS



* Nordic IT peers: Atea, KnowIT, HiQ, Tieto

* European IT peers: Atos, Bechtle, CapGemini, Devoteam, Gfi Informatique, GFT Technologies IndraSistemas, Ordina, Sopra Steria

CORPORATE GOVERNANCE

NNIT's corporate governance guidelines provide the overall direction for NNIT's Board of Directors and Executive Management in their definition of working procedures and principles.

Corporate governance refers to the way a company is governed as well as the interaction between a company's managerial bodies, its shareholders and other stakeholders.

NNIT's corporate governance guidelines are intended to ensure efficient and adequate management of NNIT within the framework defined by applicable legislation, rules and recommendations for listed companies in Denmark and by NNIT's articles of association, vision, mission and values.

As a publicly listed company, NNIT is subject to the Danish recommendations on corporate governance. Accordingly, NNIT's Board of Directors has reviewed and discussed each of the recommendations and concluded that, with a few exceptions, the company is in full compliance with those recommendations.

In all material respects, NNIT complies with the recommendations on corporate governance. However, due to the limited size of the company and its current ownership structure, the Board of Directors believes that full compliance is not fully warranted. Consequently, NNIT is not in full compliance on the matters of separate nomination and remuneration committees as well as the adoption of a takeover response manual.

CORPORATE GOVERNANCE AT NNIT

- Determine strategic direction
- Execute strategy
- Manage risk
- Ensure compliance

THE BASIS FOR THE CORPORATE GOVERNANCE STRUCTURE OF NNIT INCLUDES:

- Articles of Association
- Rules of Procedure of the Board of Directors as well as the Executive Management
- Competence Profile of the Board of Directors
- Remuneration Principles, including Overall Guidelines on Incentive Pay
- Corporate Social Responsibility Policy
- Diversity Policy for Management Levels

First, regarding the nomination and remuneration committees, the Board of Directors has found that committees other than the Audit Committee are not required as they would add unnecessary cost and complexity to the current business model. The tasks of a nomination committee and a remuneration committee are handled by the Chairmanship in accordance with the Chairmanship Charter. Moreover, the principles for remuneration of the Board of Directors and Executive Management are approved by the shareholders in general meeting.

Second, given the current ownership structure of NNIT, under which two shareholders jointly hold a controlling stake of the company, the Board of Directors has not found it necessary or appropriate to adopt a takeover response manual with formalized contingency procedures.

Management and Board committees
NNIT's overall management objective is, in all respects, to promote the long-term interests of the company and of all stakeholders.

NNIT has a two-tier management structure in which 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 Audit Committee is responsible for assisting the Board with the oversight of the financial reporting process and the effectiveness of the internal control and risk management systems.

NNIT's Board of Directors currently consists of six shareholder-elected members and two employee-elected members. Four of the six members elected by the shareholders in general meeting are considered to be independent. 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 in general meeting are elected for terms of one year, whereas members elected by NNIT's employees are elected for four-year terms. Pursuant to the articles of association, no candidate for Board membership may have reached the age of 70 at the date of the general meeting.

In 2016, the Board of Directors held six ordinary meetings.

Self-assessment
The Board of Directors annually performs both a self-assessment and a review of Group Management's performance and succession preparedness. The 2016 self-assessment included an assessment of the Board of Directors and Group Management's contribution to finance, operation, company strategy, organization and management. It also included an assessment of the CEO's and the Chairmanship's contribution to the cooperation between the Board of Directors and Group Management and the Board of Director's supervision of the Executive Management.

The self-assessment resulted in a list of recommendations for improvements within the areas of finance, operation, strategy, organization and cooperation between the Board of Directors and Group Management.

Remuneration
NNIT has adopted overall principles for remuneration and incentive-based remuneration. The overall objective is to offer a competitive remuneration and promote awareness of profitable growth in line with NNIT's vision.

The shareholders approve the remuneration of the Board of Directors for both the previous and the coming year at the annual general meeting. The level of the total remuneration for the Board of Directors proposed to the annual general meeting is in line with conventional 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. In addition, members of the Executive Management receive a pension contribution and other benefits.

Further, all NNIT employees participate in a cash-based bonus scheme or a short-term incentive program linked to the achievement of pre-defined personal and/or financial performance targets. Managers from VP level and up also participate in a share-based long-term incentive program linked to the overall financial performance of the company.

NNIT's Remuneration Principles, which are available at the company's website were adopted by the Board of Directors and approved by the shareholders in general meeting on February 17, 2015. In addition to the principles for fixed fees or salary and incentive-based remuneration described above, the Remuneration Principles include principles for pension, other benefits, termination of employment and severance payment.

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.

NNIT's statutory Corporate Governance Statement pursuant to section 107 B of the Danish Financial statements Act for the financial year 2016 is available on the company's website at **http://www.nnit.com/about-us/Pages/corporate-governance.aspx**

NNIT's Remuneration Principles are available from the company's website at **http://www.nnit.com/about-us/Pages/remuneration-principles.aspx**

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]

As part of its risk management, the company has also set up a whistle-blower function which, in addition to the usual control functions, is intended to provide access to report on suspected irregularities in the business.

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. Further, our ownership structure entails that we are a company within the Novo Group.[7]

Our Corporate Social Responsibility Policy integrates and reflects our business objectives and our core business values: open and honest, conscience-driven, and value adding – while keeping in mind that corporate responsibility must be carried out through the mutual commitment of management and employees as an integrated part of our daily work.

Diversity

NNIT recognizes the value of diversity and hence the importance of promoting diversity at management levels, including gender-related diversity.

It is NNIT's ambition to increase diversity at all management levels by providing equal opportunities for men and women, promoting international experience, and maintaining the management's capability to effectively undertake its managerial responsibilities considering the company's international profile.

NNIT aims to employ the best candidates, and the candidate's qualifications must therefore always be the decisive factor in external and internal recruitment processes.

NNIT's statutory statement pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2016 is available from the company's website at http:/media.nnit.com/Governance/COP16.pdf

NNIT's Diversity Policy for Management Level is available from the company's website at http:/media.nnit.com/Governance/Diversity-Policy-for-Management-Levels.pdf

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

1 https://www.unglobalcompact.org/
2 http://www.un.org/Overview/rights.html
3 https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf
4 http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---declaration/documents/publication/wcms_095895.pdf
5 http://www.unep.org/documents.multilingual/default.asp?documentid=78&articleid=1163
6 http://www.ilo.org/declaration/lang--en/index.htm
7 http://www.novo.dk/novo/about-novo

GOVERNANCE ON HIGH SECURITY SUPPLY

NNIT handles application outsourcing of mission critical applications for the Danish Prison and Probation Service. The contract was awarded following a public tender, in which NNIT stood out on processes and governance on high security supply.

DANISH PRISON AND PROBATION SERVICES

The primary task of the Danish Prison and Probation Service ('Kriminalforsorgen') is to enforce (implement) sanctions. As such it handles case management, including exchange of information with other public authorities.

KRIMINAL FORSORGEN

BOARD OF DIRECTORS

December 31, 2016

Alex Steninge Jacobsen
Member of the Audit Committee

Personal background: Born 1978. Danish citizen. MSc in Planning and Management from the Technical University of Denmark.

Directorships: Employee-elected member of the Board of Directors since 2011. Owner of Numb Frog. Delivery Executive at NNIT.

Employee-elected representative.

John Beck
Member of the Audit committee

Personal background: Born 1962. British citizen. BA in Economics and Fellow of the Institute of Chartered Accountants in England and Wales.

Directorships: Member of the Board of Directors since March 2015. Independent Consultant and Business Advisor. Previously held management position at IBM's global life sciences unit.

Regarded as independent.

Anne Broeng
Chairman of the Audit committee

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

Directorships: Member of the Board of Directors since 2014. Member of the boards of NASDAQ OMX Nordic Ltd., VKR Holding A/S, Velux A/S, Købmand Hermand Sallings Fond, Købmand Ferdinand Sallings Mindefond, F. Salling Holding A/S, F. Salling Invest A/S, ATP, Lønmodtagernes Garantifond, PensionDanmark, Bikubenfonden and Deputy Chairman of Bruhn Holding ApS.

Regarded as independent.

Jesper Brandgaard
Chairman

Personal background: Born 1963. Danish citizen. MSc in Economics and Auditing and holds an MBA from Copenhagen Business School.

Directorships: Chairman of the Board of Directors since 2002. Member of the Board of Directors since 1999, except from April 19, 2001 to April 24, 2002. Chairman of SimCorp A/S' Board of Directors. Executive Vice President and CFO of Novo Nordisk A/S.

Not regarded as independent.

Carsten Dilling
Deputy Chairman

Personal background: Born 1962. Danish citizen. Bachelor of Science and Bachelor of Commerce, Int. Marketing from Copenhagen Business School. Deputy Chairman of the Board of Directors since 2016. Member of the Board of Directors of SAS AB and Maj Invest Investment Committee.

Regarded as independent.

Eivind Kolding

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

Directorships: Member of the Board of Directors since 2015. Chairman of the Board of Directors of Danmarks Skibskredit A/S and CC Oscar Holding A/S (CASA A/S' gruppen).

Not regarded as independent.

René Stockner

Personal background: Born 1957. Danish citizen. MSc in Engineering and PhD in Systems Science and Database Applications from the Technical University of Denmark.

Directorships: Member of the Board of Directors since 2009.

Regarded as independent.

Anders Vidstrup

Personal background: Born 1962. Danish citizen. Graduate Diploma in Business Administration from Copenhagen Business School.

Directorships: Employee-elected member of the Board of Directors since 2015. Chairman of the Board of Directors of Residence Massena Nice A/S.

Senior IT Quality SME at NNIT A/S.

Employee-elected representative.

GROUP MANAGEMENT

December 31, 2016

Jacob Hahn Michelsen
Senior Vice President
Client Management

Jacob Hahn Michelsen joined NNIT in July 2009, present position since 2016. Jacob Hahn Michelsen holds a MSc in Manufacturing Management and Computer Science from the Technical University of Denmark.

Brit Kannegaard Johannessen
Senior Vice President, People, Communication, Quality, IT and Strategy

Brit Kannegaard Johannessen joined NNIT in May 2010. She is a member of the Board of Directors of Mediehuset Ingeniøren 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

Carsten Krogsgaard Thomsen joined NNIT in January 2014.He is a member of the boards of GN Audio A/S, GN Hearing A/S and GN Store Nord A/S. He previously served as Deputy Chairman (2011-2014) and member (2004-2014) of the Board of NNIT. Carsten Krogsgaard Thomsen holds an MSc in Economics from the University of Copenhagen.

Per Kogut
President and CEO,
Member of the Executive Management

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

Mette Steffensen
Senior Vice President
IT Solution Services

Mette Steffensen joined NNIT in November 2005, present position since 2016. Mette Steffensen holds a MSc in Mathematics from the University of Aalborg.

Ricco Larsen
Senior Vice President,
IT Operation Services

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.

FINANCIAL STATEMENTS 2016

Statements

Consolidated financial statements

Parent company financial statements

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 2016.

The consolidated financial statements are 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, are 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, 2016 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 2016.

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.

Soeborg, January 24, 2017

NNIT A/S

EXECUTIVE MANAGEMENT

Per Kogut
President and CEO

Carsten Krogsgaard Thomsen
Executive Vice President and CFO

BOARD OF DIRECTORS

Jesper Brandgaard
Chairman

Carsten Dilling
Deputy Chairman

Anne Broeng

Eivind Kolding

John Beck

René Stockner

Anders Vidstrup
Employee-elected representative

Alex Steninge Jacobsen
Employee-elected representative

INDEPENDENT AUDITORS' 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 December 31, 2016 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2016 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 Company's financial position at December 31, 2016 and of the results of the Company's operations for the financial year January 1 to December 31, 2016 in accordance with the Danish Financial Statements Act.

What we have audited
NNIT's consolidated financial statements for the financial year January 1 to December 31, 2016 comprise income statement and statement of comprehensive income, balance sheet, cash flow statements, statement of changes in equity and the notes to the financial statements, including summary of significant accounting policies.

NNIT's parent company financial statements for the financial year January 1 to December 31, 2016 comprise the income statement, the balance sheet, the statement of changes in equity and the notes to the financial statements, 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 to 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in Denmark. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2016. 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	***How our audit addressed the Key Audit Matter***
Revenue recognition The Group has a number of revenue streams reflecting the diversity of services offered to its customers. Although the recognition of revenue for Solution and Operation services is relatively straightforward, certain income streams, particularly construction contracts and contracts with multiple elements, can be more complex. We focused on revenue recognition related to construction contracts, because accounting treatment of contracts are dependent on complex and subjective judgments 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	Our audit procedures in regard of revenue recognition included testing of relevant application controls. This included testing the setup in relevant applications including Management's review controls. We assessed the appropriateness of the Group's revenue recognition policies, with reference to relevant accounting standards, and considered whether revenue on the contracts selected, including amendments, change orders, etc. was recognized in accordance with these policies. We also challenged the revenue amounts assigned to each deliverable by assessing the Group's delivery of its performance obligations with respect to contractual terms, particularly where the Group made estimates or applied judgment relating to the timing and value of revenue recognized. We

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 application of the Group's accounting for arrangements involving multiple elements, which include both transition and transformation projects, because the accounting treatment is complex, as the total contract value is allocated to each identified component on a relative fair value basis and recognized as revenue as the related goods or services are delivered. With regard to these contracts the identification of components and allocation and recognition of revenue is a key area of judgment. Refer to Note 1.1, 1.2 and 3.5.	considered the adequacy of the disclosures in the financial statements. We also 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.
Legal proceedings and claims In previous years, there have been a few potential significant legal proceedings and claims. We focused on this area because complex and significant judgment are involved in determining the provisions for legal proceedings and claims. Refer to Note 5.5.	We considered legal proceedings and claims raised against the Group by third parties, inspected relevant legal advice received by the Group in connection with such claims and obtained formal confirmation from the Group's external legal counselors on the status of any legal proceedings and claims with which the Group is dealing. We also considered the Group's disclosures relating to provisions and/or contingent liabilities for legal proceedings and claims. We inquired both legal and financial staff in respect of ongoing investigations or claims and proceedings, inspected relevant correspondence, attended the meetings of the Audit Committee and inspected the minutes of the Audit Committee meetings, Board of Directors meetings and Group Management meetings, and obtained a legal representation letter from the Company's general counsel.

Statement on Management Review
Management is responsible for Management Review.
Our opinion on the financial statements does not cover Management 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 Review and, in doing so, consider whether Management 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 Review includes the disclosures required by the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management 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 Statement Act. We did not identify any material misstatement in Management 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 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 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 additional requirements under Danish audit regulation 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 additional requirements under Danish audit regulation, we exercise professional judgment and maintain professional skepticism 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 the Audit Committee and the Board of Directors 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 the Audit Committee and the Board of Directors 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 the Audit Committee and the Board of Directors, 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 24, 2017

PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR No. 33 77 12 31

Mogens Nørgaard Mogensen	Rasmus Friis Jørgensen
State Authorised Public Accountant	State Authorised Public Accountant

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31

DKK '000	Note	2016	2015
INCOME STATEMENT			
Revenue	2.1	**2,764,592**	**2,600,287**
Cost of goods sold	2.2, 2.3, 2.4, 5.1	2,223,006	2,083,027
Gross profit		**541,586**	**517,260**
Sales and marketing costs	2.2, 2.3, 2.4, 5.1	134,794	129,604
Administrative expenses	2.2, 2.3, 2.4, 5.1	113,889	118,551
Operating profit		**292,903**	**269,105**
Financial income	4.1	6,922	28,756
Financial expenses	4.1	19,550	25,628
Profit before income taxes		**280,275**	**272,233**
Income taxes	2.5	64,575	59,792
Net profit for the year		**215,700**	**212,441**
Earnings per share			
Earnings per share (DKK)	4.2	**8.89**	**8.76**
Diluted earnings per share (DKK)	4.2	**8.67**	**8.54**
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**215,700**	**212,441**
Other comprehensive income:			
Items that will not be reclassified subsequently to the income statement:			
Remeasurement related to post employment benefit obligations	3.6	(1,015)	(293)
Tax on other comprehensive income	2.5	(338)	343
Items that may be reclassified to the income statement, when specific conditions are met:			
Exchange rate adjustment related to subsidiaries (net)		820	2,168
Recycled to financial items		*(3,362)*	*3,754*
Unrealized value adjustments		*5,942*	*(7,655)*
Cash flow hedges		2,580	(3,901)
Tax on other comprehensive income related to cash flow hedges	2.5	(626)	916
Other comprehensive income, net of tax		**1,421**	**(767)**
Total comprehensive income		**217,121**	**211,674**

BALANCE SHEET at December 31

ASSETS

DKK '000	Note	2016	2015
Intangible assets	3.1	33,307	27,571
Tangible assets	3.2	412,920	402,186
Deferred taxes	2.5	52,390	43,939
Deposits	3.3	28,730	28,313
Total non-current assets		**527,347**	**502,009**
Inventories		2,797	1,730
Trade receivables	3.4, 5.6	604,567	489,465
Work in progress	3.5	136,370	84,443
Other receivables and pre-payments		126,183	76,771
Shares	4.3	18,200	49,315
Derivative financial instruments	4.4	1,140	1,022
Cash and cash equivalents	4.3	173,912	131,026
Total current assets		**1,063,169**	**833,772**
Total assets		**1,590,516**	**1,335,781**

BALANCE SHEET at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2016	2015
Share capital	4.2	250,000	250,000
Treasury shares	4.2	(7,500)	(7,500)
Retained earnings		542,833	395,969
Other reserves		7,785	5,349
Proposed dividends	4.2	53,350	97,000
Total equity		**846,468**	**740,818**
Deferred taxes	2.5	-	46
Employee benefit obligations	3.6	34,251	39,054
Provisions	3.7	11,395	8,339
Total non-current liabilities		**45,646**	**47,439**
Prepayments received	3.5, 5.6	186,507	60,499
Trade payables	5.6	59,282	72,978
Employee costs payable		258,386	267,518
Tax payables	2.5	29,913	11,338
Other current liabilities		140,946	105,738
Derivative financial instruments	4.4	2,098	5,330
Employee benefit obligations	3.6	7,577	18,629
Provisions	3.7	13,693	5,494
Total current liabilities		**698,402**	**547,524**
Total equity and liabilities		**1,590,516**	**1,335,781**

STATEMENT OF CASH FLOWS

for the year ended December 31

DKK '000	Note	2016	2015
Net profit for the year		**215,700**	**212,441**
Reversal of non-cash items	5.3	270,666	235,180
Interest received	4.1	102	1,015
Interest paid	4.1	(3,569)	(5,711)
Income taxes paid	2.5	(51,415)	(75,767)
Cash flow before changes in working capital		**431,484**	**367,158**
Changes in working capital	5.4	(68,667)	(14,018)
Cash flow from operating activities		**362,817**	**353,140**
Capitalization of intangible assets	3.1	(13,575)	-
Purchase of tangible assets	3.2, 5.4	(164,574)	(140,692)
Sale of tangible assets		2,236	-
Dividends received	4.1	721	671
Sale/(purchase) of shares (net)		1,236	3,573
Payment of deposits	3.3	(475)	(5,851)
Cash flow from investing activities		**(174,431)**	**(142,299)**
Dividends paid		(145,500)	(83,713)
Sale/(purchase) of treasury shares (net)		-	(93,750)
Cash flow from financing activities		**(145,500)**	**(177,463)**
Net cash flow		**42,886**	**33,378**
Cash and cash equivalents at the beginning of the year		131,026	97,648
Cash and cash equivalents at the end of the year	5.4	**173,912**	**131,026**

STATEMENT OF CHANGES IN EQUITY

at December 31

DKK '000

2016	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		**250,000**	**(7,500)**	**395,969**	**5,964**	**(3,901)**	**3,286**	**5,349**	**97,000**	**740,818**
Net profit for the year		-	-	215,700	-	-	-	-	-	215,700
Other comprehensive income for the year		-	-	(1,015)	820	2,580	(964)	2,436	-	1,421
Total comprehensive income for the year		-	-	214,685	820	2,580	(964)	2,436	-	217,121
Transactions with owners:										
Share-based payments	5.1	-	-	30,212	-	-	-	-	-	30,212
Deferred tax on share-based payments [1]		-	-	3,817	-	-	-	-	-	3,817
Dividends paid		-	-	-	-	-	-	-	(145,500)	(145,500)
Interim dividend for 2016		-	-	(48,500)	-	-	-	-	48,500	-
Proposed dividend for 2016		-	-	(53,350)	-	-	-	-	53,350	-
Total dividends for 2016		**-**	**-**	**(101,850)**	**-**	**-**	**-**	**-**	**101,850**	**-**
Balance at the end of the year	4.2	**250,000**	**(7,500)**	**542,833**	**6,784**	**(1,321)**	**2,322**	**7,785**	**53,350**	**846,468**

2015	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		**250,000**	**-**	**344,716**	**3,796**	**-**	**2,027**	**5,823**	**83,713**	**684,252**
Net profit for the year		-	-	212,441		-	-		-	212,441
Other comprehensive income for the year		-	-	(293)	2,168	(3,901)	1,259	(474)	-	(767)
Total comprehensive income for the year		-	-	212,148	2,168	(3,901)	1,259	(474)	-	211,674
Transactions with owners:										
Purchase of treasury shares		-	(7,500)	(86,250)	-	-	-	-	-	(93,750)
Share-based payments	5.1	-	-	20,290	-	-	-	-	-	20,290
Deferred tax on share-based payments [1]		-	-	2,065	-	-	-	-	-	2,065
Dividend paid		-	-	-	-	-	-	-	(83,713)	(83,713)
Proposed dividend for 2015		-	-	(97,000)	-	-	-	-	97,000	-
Balance at the end of the year	4.2	**250,000**	**(7,500)**	**395,969**	**5,964**	**(3,901)**	**3,286**	**5,349**	**97,000**	**740,818**

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

NOTES

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 in the Danish Financial Statements Act. The consolidated financial statements are prepared in accordance with IFRS standards and interpretations applicable to the 2016 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 shares 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.

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 the consideration received or receivable from the sale of our services and solutions and is the gross sales price less VAT and any price reductions in the form of discounts and rebates. Revenue is recognized as performance takes place.

Revenue from the sale of services is recognized when all the following conditions have been met:
- the amount of revenue can be reliably measured;
- it is probable that economic benefits associated with the transactions will accrue to NNIT;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- costs incurred or to be incurred in connection with the transaction can be reliably measured.

These conditions are normally met when the services have been performed by NNIT.

Solutions business area
Advisory services, business solutions and application outsourcing are principally provided by the Solutions business area. Negotiated contracts to design or develop IT applications for customers (part of application outsourcing) are treated as construction contracts in accordance with IAS 11 and the recognition of revenue in respect of these types of contracts is described below under "*Construction contracts and the percentage of completion method*". Revenue from contracts not treated as construction contracts are recognized as performance takes place in accordance with IAS 18 based on the criteria listed above.

Operations business area
Infrastructure outsourcing and support services are principally provided by the Operations business area. Typically, an outsourcing contract will require the performance of certain preparatory projects (such as transition projects) and the operation of the IT system. As described below under "*Outsourcing contracts*", the revenue under an outsourcing contract is allocated to these two components in proportion to the costs that are expected to be incurred to perform the contract as a whole. This estimate is made at inception of the contract and the revenue allocation remains fixed for the duration of the contract. Revenue in respect of both the preparatory project and the operation of the IT system is recognized as performance takes place in accordance with IAS 18.

Construction contracts and the percentage of completion method
The percentage of completion method is used to determine the proportion of a construction contract's sales value that is to be recognized as revenue in a particular period, whether the basis for charging under the contract is fixed price, time-and-material, or a mix of both. The proportion of revenue to be recognized in a particular period is calculated according to the stage 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. The sales value agreed in the contract is recognized over the contract period using this method. Some of our contracts provide for incentives payments and these are only recognized as revenue if it is probable that certain specified performance targets or standards will be met and that the amount of the incentive can be reliably measured.

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

Construction contracts for which the recognized revenue from the work performed exceeds progress billings are recognized in the balance sheet under receivables.

Construction 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.

Outsourcing contracts
Revenue from major outsourcing contracts is separated into two components, preparatory projects (such as transition projects) and operation of the IT systems. These separate identifiable components of revenue are accounted for separately to reflect the substance of the transaction.

Revenue from preparatory projects is recognized as performance takes place by reference to the stage of completion and, accordingly, we recognize revenue using the percentage of completion method as described above in relation to costs of transition or set-up activities required to enable delivery of the service or solution.

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) less any amounts allocated to any preparatory projects.

Hedge accounting
All currency derivative instruments are initially recognized at fair value and subsequently remeasured 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 within 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 judgments, 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 judgments and estimates under the following items as significant to these consolidated financial statements:

- Construction contracts (note 3.5)
- Onerous contracts/projects (note 3.7)
- Legal proceedings/claims (note 5.5)
- Deferred tax (note 2.5)

Construction contract
The determination of the stage of completion of construction contracts is based on estimates of future costs, hours and materials. Management makes judgments on individual assessments of specific projects 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.

Provision for onerous contracts/projects
Provisions for onerous contracts/project relates to projects that NNIT is obliged to complete, for which the total project costs exceed the total project income. Such estimates are inherently uncertain on an individual basis, being based on the situation known at the balance sheet date and historical experience.

Provisions for legal proceedings/claims
Provisions for legal disputes consist of various types of provisions linked to ongoing legal disputes. Management makes judgments about provisions and contingencies, including the probability of pending and potential future litigation outcomes which, by their very nature, are dependent on inherently uncertain future events. When determining likely outcomes of litigations, etc., Management considers the input of external counsel on each case. Although Management believes that the total provisions for legal proceedings are adequate based upon currently available information, there can be no assurance that there will not be any changes in facts or matters or that any future lawsuits, claims, proceedings or investigations will not be material.

Deferred tax
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. NNIT recognizes deferred tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences can be utilized. Management estimates the amount of deferred tax assets to be recognized in the financial statements on the basis of deferred tax liabilities and approved budgets and other information. Management considers future taxable income and assesses the possibility of recognizing the deferred tax assets.

1.3 Changes in accounting policies and disclosures

Adoption of new or amended IFRSs
No new or amended and revised accounting standards and interpretations (IFRSs) issued by IASB and IFRSs endorsed by the European Union have any effect on the consolidated financial statements for 2016.

New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted
In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in generally expected to cause the most significant changes to current accounting regulation:

IASB has issued IFRS 15 “Revenue from Contracts with Customers” to take effect as from January 1, 2018. The standard will establish a single, comprehensive framework for revenue recognition.

Revenue is recognized 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 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 expects the standard to impact outsourcing contracts. Revenue and operating profit on some phases in outsourcing contracts will be postponed to later periods other than the period during which the activities are performed.

This postponement arises from the fact that some of the activities performed in the transition and transformation phases do not transfer services to the customer under IFRS 15. In this case, the costs incurred to perform those activities would be considered start-up costs, which are capitalized and amortized over the contract period. Revenue will decrease or increase if the level of such start up activities, compared to the beginning of the reporting period is higher or lower at the end of the reporting period. Operating profit will decrease or increase if the cumulative profit margin on startup activitities, compared to the beginning of the reporting period, is higher or lower at the end of the reporting period. Equity will be impacted negatively by deferral of profit from such start up activities.

Based on the current level of profit margins on outsourcing contracts in 2016 and prior periods, it is assed that the standard will not have a significant impact on the consolidated financial statements.

We have not yet decided whether to apply the standard fully retro prospectively.

IASB has issued IFRS 9 “Financial Instruments” to take effect as from January 1, 2018.

In relation to hedge accounting, the standard provides more opportunities for applying proxy hedges and repeals the requirement for retrospective effectiveness testing.

NNIT has assessed the impact of the standard and concluded that the implementation of IFRS 9 will not result in a different recognition for accounting purposes in relation to hedge accounting.

Based on current level of financial instruments as of December 31, 2016, it is assed that the standard will not have a significant impact on operating profit.

IASB has issued IFRS 16 “Leasing” to take effect as from January 1, 2019. NNIT expects to adopt the standard already as at January 1, 2018. All leases must be recognized in the balance sheet with a corresponding lease debt except for short-term assets and minor assets. Leased assets are amortized over the lease term, and payments are allocated between installments on the lease obligation and interest expense, classified as financial expenses.

Based on current level of operating leases as of December 31, 2016, is it assed that balance sheet recognition of such leases will impact a number of financial ratios, including EBITDA, and the solvency ratio. Refer to note 5.5 for detail about operating lease commitments.

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

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.

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 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.

Financial items
Financial income and expenses comprise interest, realized and unrealized gains and losses from exchange rate adjustments, realized and unrealized capital gains and losses on shares, foreign exchange gain/losses on forward contracts and the cumulative value adjustment of these instruments transferred from the hedging reserve within equity, and fair value adjustment of cash settled share-based payments liabilities.

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

Dividend income is recognized when the right to receive payment is established.

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

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 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
IT development projects
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 during 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 lives of similar assets or the relationship with other intangible assets or tangible assets.

If the carrying amount of intangible assets exceeds the recoverable amount based upon the existence of 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 plant, equipment and fittings: 3-10 years
- Leasehold improvements: 5-10 years
- Buildings: 50 years

Land is not depreciated.

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 fixed assets are recognized in the income statement under cost of goods sold, sale and marketing costs and administrative expenses respectively.

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.

The allowance is deducted from the carrying amount of trade receivables and the amount of the loss is recognized in the income statement under sales and distribution costs.

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.

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

Shares
Shares include Novo Nordisk B shares purchased under the former share-based incentive program for key employees. The shares are measured and revaluated at fair value through profit and loss because the related liability is measured at fair value through profit and loss.

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.

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 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 an actuarial calculation using the projected unit credit method.

Long-term incentive and launch incentive programs
NNIT has three different share-based incentive programs long-term incentive program (LTIP), launch incentive program (LIP) and Employee launch incentive program (ELI).

Long-term incentive program (LTIP)
Group Management and the Vice President Group are part of a long-term share-based incentive program (LTIP). For 2015 and subsequent periods, LTIP allocations will be made in NNIT shares, whereas allocations for performance in 2014 and previous years have been made in Novo Nordisk shares. The last program in Novo Nordisk shares will be relased after approval of the annual report for 2017.

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

LTIP Novo Nordisk B shares
The participants receive Novo Nordisk B shares. NNIT has the obligation to deliver Novo Nordisk shares and accordingly, the arrangement is classified as a cash settled arrangement.

The value of the shares allocated under the LTIP is charged to the income statement over the vesting period.

The total amount recognized in operating profit during the vesting period is based on the market value of the shares which are finally granted to the participants. Costs are recognized as cost of goods sold, sales and marketing costs and administrative expenses as applicable, and are recognized in the balance sheet as employee costs payable. Subsequently, the liability is adjusted to the market value of the listed shares. Adjustment of the liability due to share price changes is recognized in the income statement under financial items.

LTIP NNIT shares
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.

Launch incentive program (LIP)
Group Management and Vice Presidents have acquired shares at the offer price. For each share they have been granted two Restricted Shares Units (RSU). The shares are subject to a lock up period of three years following which they are released if certain KPI's are met and the employee is still employed with NNIT.

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.

Employee launch incentive program (ELI)
Employees who are not part of LIP are offered participation in ELI.

Employees in Denmark have been granted a number of RSUs based on the offer price representing a value at grant the date of DKK 18,000. The RSUs are subject to a three-year lock-up period from the grant date following which the units will be converted into shares if certain KPIs are met.

NNIT has the obligation to deliver treasury shares for participants in Denmark 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.

Employees outside Denmark have received a conditional cash bonus of an amount equivalent to the value of an applicable number of shares of DKK 9,000 which the participant would otherwise have been entitled to upon vesting of the RSUs. The bonus will become payable after the three-year lock-up period.

NNIT has the obligation to deliver cash for participants outside Denmark, and accordingly, the arrangement is classified as a cash settled arrangement. The liability for the cash bonus is adjusted to the market value of the listed shares. Adjustment of the liability due to price changes is recognized in the income statement under financial items.

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 on the part of NNIT under lease contracts on office 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, the purchase and sale of securities and dividends received.

Cash flow from financing activities
Cash flows from financing activities comprise cash flows from raising and repaying long-term debt and dividend payments to shareholders.

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

[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:
- Backlog
- Cash to earnings
- Financial resources at the end of the year
- Free cash flow
- Organic growth

Backlog
The backlog represents anticipated revenue from orders not yet completed or performed under signed 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 areas, each responsible for delivering a number of services to customers. Both business areas share sales and support functions and are promoted and marketed as part of the unified NNIT business offering. Depending on the services and solutions the customer retains us to deliver, NNIT may deliver the services and solutions through one or the other business area or jointly with both business areas contributing to an integrated delivery.

The Operations business area, or IT Operation Services, delivers infrastructure outsourcing and related consulting, as well as support services usually sold under outsourcing contracts.

The Solutions business area, or IT Solutions Services, delivers solution services to customers, including advisory services, business solutions and application management.

DKK '000	2016	2015
Revenue by business area		
Operations	1,823,682	1,740,403
hereof Novo Nordisk Group	*841,397*	*889,877*
hereof non-Novo Nordisk Group	*982,285*	*850,526*
Solutions	940,910	859,884
hereof Novo Nordisk Group	*396,998*	*425,889*
hereof non-Novo Nordisk Group	*543,912*	*433,995*
Total revenue	**2,764,592**	**2,600,287**
Revenue by customer group		
Life Sciences	1,597,022	1,649,740
hereof Novo Nordisk Group	*1,238,395*	*1,315,766*
hereof other Life Sciences	*358,627*	*333,974*
Enterprise	545,620	384,669
Public	385,288	375,113
Finance	236,662	190,765
Total revenue	**2,764,592**	**2,600,287**
Operating profit by business area		
Operations	206,831	172,231
Solutions	86,072	96,874
Total operating profit	**292,903**	**269,105**
Amortization, depreciation and impairment losses		
Operations	141,517	138,883
Solutions	2,845	2,334
Total amortization, depreciation and impairment losses	**144,362**	**141,217**

The Danish operations generated 91.0% of the revenue in the year ended December 31, 2016 (2015: 90.5%) based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, NNIT will not disclose a geographical revenue split.

95.9% of tangible assets are placed in Denmark (2015: 95.3%).

The Novo Nordisk Group generated 44.8 % of the revenue in the year ended December 31, 2016 (2015: 50.6%).

2.2 Employee costs

DKK '000	2016	2015
Employee costs comprise:		
Wages and salaries	1,373,703	1,315,275
Pensions - defined contribution plans	121,921	119,332
Pensions - defined benefit obligations (note 3.6)	5,125	4,912
Other employee costs	103,867	94,745
Total employee costs	**1,604,616**	**1,534,264**
Included in the income statement under the following headings:		
Cost of goods sold	1,427,703	1,357,824
Sales and marketing costs	107,147	99,727
Administrative expenses	69,766	76,713
Total employee costs	**1,604,616**	**1,534,264**
Average number of full-time employees	2,677	2,494

Group Management's remuneration and share-based payment

DKK '000	Fixed base salary	Cash Bonus (STIP)	Severance Payment [2]	Pension	Benefits	Share-based incentives (LTIP/LIP) [3]	Total
2016							
Per Kogut	3,374	1,421	-	1,199	165	4,980	11,139
Carsten Krogsgaard Thomsen	2,033	560	-	648	165	2,559	5,965
Jess Julin Ibsen [1]	2,100	-	9,885	525	165	3,010	15,685
Executive Management	**7,507**	**1,981**	**9,885**	**2,372**	**495**	**10,549**	**32,789**
Other members of Group Management [1]	**4,572**	**1,308**	**6,919**	**482**	**419**	**3,401**	**17,101**
Group Management total	**12,079**	**3,289**	**16,804**	**2,854**	**914**	**13,950**	**49,890**

DKK '000	Fixed base salary	Cash Bonus (STIP)	IPO Bonus	Pension	Benefits	Share-based incentives (LTIP/LIP) [3]	Total
2015							
Per Kogut	3,161	1,497	500	1,164	165	4,073	10,560
Carsten Krogsgaard Thomsen	1,891	562	1,000	613	165	2,033	6,264
Jess Julin Ibsen	2,107	363	250	618	165	2,429	5,932
Executive Management	**7,159**	**2,422**	**1,750**	**2,395**	**495**	**8,535**	**22,756**
Other members of Group Management	**4,891**	**1,027**	**600**	**506**	**416**	**2,711**	**10,151**
Group Management total	**12,050**	**3,449**	**2,350**	**2,901**	**911**	**11,246**	**32,907**

[1] Remunerations included above are for the period each employee has served as member of Group Management only
[2] Severance payments for terminated members of Group Management
[3] 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 '000	Fixed base fee	Fee for ad hoc tasks [2] and committee work	Travel allowance	Total
2016				
Jesper Brandgaard (Chairman of the Board of Directors)	750	-	-	750
Carsten Dilling (Deputy Chairman of the Board of Directors) [1]	337	-	-	337
Anne Broeng (Chairman of the Audit Committee)	300	150	-	450
Eivind Kolding	300	-	-	300
John Beck (member of the Audit Committee)	300	75	179	554
René Stockner	300	-	-	300
Alex Steninge Jacobsen (member of the Audit Committee)	300	75	-	375
Anders Vidstrup	300	-	-	300
Total fees to Board of Directors	**2,887**	**300**	**179**	**3,366**[3]

[1]Elected at the Annual General Meeting March 11, 2016
[2]No ad hoc fees in 2016
[3]Excluding social security taxes DKK 76 Thousand (2015: DKK 57 Thousand)

DKK '000	Fixed base fee	Fee for ad hoc tasks[6] and committee work	Travel allowance	Total
2015				
Jesper Brandgaard (Chairman of the Board of Directors) [1]	562	-	-	562
Wilbert A.M. Kieboom (Deputy Chairman of the Board of Directors) [2,5]	450	-	104	554
Anne Broeng (Chairman of the Audit Committee)	263	143	-	406
Lars Fruergaard Jørgensen [1,3]	-	-	-	-
Eivind Kolding [2]	225	-	-	225
John Beck (member of the Audit Committe) [2]	225	56	134	415
René Stockner	263	30	-	293
Alex Steninge Jacobsen (member of the Audit Committee)	263	86	-	349
Anders Vidstrup [4]	225	-	-	225
Kenny Smidt [3]	37	30	-	67
Total fees to Board of Directors	**2,513**	**345**	**238**	**3,096**[7]

[1] Members of the Board of Directors from Novo Nordisk A/S, have waived the right to receive remuneration for the period January 1, 2015 to March 6, 2015
[2] Elected at the Extraordinary General Meeting held on March 6, 2015.
[3] Lars Fruergaard Jørgensen and Kenny Smidt resigned as at March 6, 2015.
[4] Elected by the employees in January 2015 and joined the Board of Directors as at March 6, 2015.
[5] Wilbert A.M. Kieboom resigned as at December 2, 2015.
[6] Ad hoc fees in 2015 relates to IPO activities until March 6, 2015
[7] Excluding social security taxes DKK 57 Thousand (2014: DKK 0).

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.

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.

2.2 Employee costs – continued

2015 and onwards
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 other members of Executive Management 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.

2014 and prior years
For 2014 the allocation under LTIP for the CEO and other members of Executive Management cannot exceed the equivalent of eight months' fixed base salary including pension contribution, while a fixed and predefined number of shares will be allocated to other members of Group Management and Vice Presidents.

The shares for all programs are restricted for a period of three years. If the profit goals are not realized, a "claw back" clause allows the shares in the joint pool to be reversed. The maximum number of shares that can be reversed each year is equivalent to the maximum potential allocation.

The shares allocated to the members of Group Management based on the 2013 performance, will be released to the individual participants subsequent to the approval of the Annual Report 2016 by the Board of Directors. Based on the share price at the end of 2016, the value of the released shares is as follows:

DKK	Number of shares	Market value
Values at December 31, 2016 of shares to be released February 2, 2017		
Per Kogut	8,993	2,290,517
Carsten Krogsgaard Thomsen	-	-
Executive Management	**8,993**	**2,290,517**
Other members of Group Management	**3,726**	**949,012**
Group Management total	**12,719**	**3,239,529**

2.3 Development costs

DKK '000	2016	2015
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	25,439	9,682
Administrative expenses	-	2,309
Total development costs	**25,439**	**11,991**

2.4 Amortization, depreciation, and impairment losses

DKK '000	2016	2015
Amortization	7,839	7,840
Depreciation	136,523	133,377
Total amortization, depreciation, and impairment losses	**144,362**	**141,217**
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	142,089	139,082
Sales and marketing costs	434	439
Administrative expenses	1,839	1,696
Total amortization, depreciation, and impairment losses	**144,362**	**141,217**

2.5 Income taxes

DKK '000	2016	2015
Current tax	71,502	76,819
Deferred tax	(7,320)	(18,773)
Adjustments recognized for current tax of prior periods	(2,504)	21,782
Adjustments recognized for deferred tax of prior periods	1,785	(20,036)
Withholding tax not deductible	1,112	-
Income taxes in the income statement	**64,575**	**59,792**
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	23.5%
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	(0.1%)	(0.5%)
Effect on deferred tax related to change in the Danish corporate tax rate	0.0%	0.2%
Other adjustments to taxable income	1.4%	(1.9%)
Adjustment of current and deferred tax regarding previous years	(0.3%)	0.7%
Effective tax rate	**23.0%**	**22.0%**
Tax on other comprehensive income for the year	**(964)**	**1,259**

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.

Deferred taxes

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	2016
2016								
Deferred tax asset/liability								
At the beginning of the year	(6,066)	53,187	(30,334)	2,572	2,065	916	21,553	43,893
Adjustments related to previous years	-	(1,784)	-	(1)	-	-	-	(1,785)
Exchange rate adjustments		47	5	-	-	-	5	57
Movements within the year	1,725	(1,699)	560	589	3,816	-	6,198	11,189
Movements in comprehensive income in the year	-	-	-	-	-	(626)	(338)	(964)
At the end of the year	**(4,341)**	**49,751**	**(29,769)**	**3,160**	**5,881**	**290**	**27,418**	**52,390**

2.5 Income taxes – continued

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	2015
2015								
Deferred tax asset/liability								
At the beginning of the year	(8,070)	50,409	(57,589)	2,085	-	-	14,605	1,440
Adjustments related to previous years	212	(1,021)	20,947	(106)	-	-	4	20,036
Exchange rate adjustments	-	186	3	-	-	-	474	663
Movements within the year	2,197	2,641	6,354	519	2,065	-	6,523	20,299
One-off due to change in Danish tax rate	(405)	972	(49)	74	-	-	(396)	196
Movements in comprehensive income in the year	-	-	-	-	-	916	343	1,259
At the end of the year	**(6,066)**	**53,187**	**(30,334)**	**2,572**	**2,065**	**916**	**21,553**	**43,893**

NNIT A/S participates in a joint Danish taxation arrangement with 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.

DKK '000	2016	2015
Tax payable/receivable		
Tax payable/receivable at the beginning of the year	(11,338)	10,889
Income tax paid during the year	42,529	69,684
Tax paid related to previous years	6,523	3,658
Withholding taxes paid during the year	1,251	2,425
Current tax on profit for the year	(71,502)	(76,819)
Adjustments related to previous years	2,505	(20,931)
Exchange rate adjustments	119	(244)
Tax payable at the end of the year	**(29,913)**	**(11,338)**

3. Operating assets and liabilities

3.1 Intangible assets

DKK '000	IT development projects	IT development projects under construction	2016
2016			
Cost at the beginning of the year	62,069	-	62,069
Additions	-	13,575	13,575
Cost at the end of the year	**62,069**	**13,575**	**75,644**
Amortization and impairment losses at the beginning of the year	34,498	-	34,498
Amortization	7,839	-	7,839
Amortization and impairment losses at the end of the year	**42,337**	**-**	**42,337**
Carrying amount at the end of the year	**19,732**	**13,575**	**33,307**
Amortization period	5-10 years		

DKK '000	IT development projects	IT development projects under construction	2015
2015			
Cost at the beginning of the year	62,069	-	62,069
Additions	-	-	-
Cost at the end of the year	**62,069**	**-**	**62,069**
Amortization and impairment losses at the beginning of the year	26,658	-	26,658
Amortization	7,840	-	7,840
Amortization and impairment losses at the end of the year	**34,498**	**-**	**34,498**
Carrying amount at the end of the year	**27,571**	**-**	**27,571**
Amortization period	5-10 years		

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

Impairment testing of intangible assets
At December 31, 2016, no indication of impairment had been identified. Accordingly, no impairment test has been conducted.

3.2 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2016
2016					
Cost at the beginning of the year	138,736	772,529	55,867	13,762	980,894
Additions	8,645	109,566	2,481	33,428	154,120
Disposals	-	(43,475)	-	-	(43,475)
Transfer	-	13,762	-	(13,762)	-
Exchange rate adjustment	-	(82)	(170)	-	(252)
Cost at the end of the year	**147,381**	**852,300**	**58,178**	**33,428**	**1,091,287**
Depreciation and impairment losses at the beginning of the year	39,281	505,144	34,283	-	578,708
Depreciation	8,164	122,856	5,503	-	136,523
Depreciation reversed on disposals	-	(36,711)	-	-	(36,711)
Exchange rate adjustment	-	(53)	(100)	-	(153)
Depreciation and impairment losses at the end of the year	**47,445**	**591,236**	**39,686**	**-**	**678,367**
Carrying amount at the end of the year	**99,936**	**261,064**	**18,492**	**33,428**	**412,920**
Depreciation period	12-50 years [1]	3-10 years	5-10 years		

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2015
2015					
Cost at the beginning of the year	138,541	650,067	48,212	10,277	847,097
Additions	195	115,163	6,921	13,762	136,041
Disposals	-	(3,006)	-	-	(3,006)
Transfer	-	10,277	-	(10,277)	-
Exchange rate adjustment	-	28	734	-	762
Cost at the end of the year	**138,736**	**772,529**	**55,867**	**13,762**	**980,894**
Depreciation and impairment losses at the beginning of the year	31,226	387,868	26,707	-	445,801
Depreciation	8,055	118,086	7,236	-	133,377
Depreciation reversed on disposals	-	(852)	-	-	(852)
Exchange rate adjustment	-	42	340	-	382
Depreciation and impairment losses at the end of the year	**39,281**	**505,144**	**34,283**	**-**	**578,708**
Carrying amount at the end of the year	**99,455**	**267,385**	**21,584**	**13,762**	**402,186**
Depreciation period	12-50 years [1]	3-10 years	5-10 years		

[1] Land is not depreciated.

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 Deposits

DKK '000	2016	2015
Cost at the beginning of the year	28,313	22,269
Exchange rate adjustments	(58)	193
Additions	863	5,851
Disposal	(388)	-
Carrying amount at the end of the year	**28,730**	**28,313**

3.4 Trade receivables

DKK '000	2016	2015
Total trade receivables (gross)	614,284	489,876
Allowances for bad debt at the beginning of the year	(411)	(1,290)
Losses on bad debts	-	-
Adjustment of allowances for bad debt in the year [1]	(9,306)	879
Allowances for bad debt at year end	**(9,717)**	**(411)**
Total trade receivables (net)	**604,567**	**489,465**

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 debts is made. Based on historical data, the allowance for bad debts at December 31, 2016 was DKK 9,717 Thousand (2015: DKK 411 Thousand). Our customer portfolio primarily consists of large national and international companies. The credit quality of trade receivables at December 31, 2016 is considered satisfactory.

Aging of non-impaired trade receivables:		
Not due at balance sheet date	474,962	410,249
Overdue between 1 and 30 days	52,903	46,030
Overdue between 31 and 60 days	21,247	3,465
Overdue by more than 60 days [1]	55,455	29,721
Total trade receivables	**604,567**	**489,465**

[1] Includes overdue trade receivables from a customer who has ceased payments since September 2016 due to a dispute, which has been settled in January 2017.

Trade receivables include receivables from related parties amounting to DKK 238,208 Thousand (2015: DKK 241,814 Thousand).

3.5 Work in progress

DKK '000	2016	2015
Cost of work in progress	543,369	467,041
Gross profit	137,258	136,652
Work in progress at sales value	680,627	603,693
Received payments on account	(730,764)	(579,749)
Work in progress at the balance sheet date (net)	**(50,137)**	**23,944**
Recognized in the balance sheet as follows:		
Work in progress under assets	136,370	84,443
Prepayments under liabilities	(186,507)	(60,499)
Work in progress at the balance sheet date (net)	**(50,137)**	**23,944**

3.6 Employee benefit obligations

Defined benefit pension obligations

DKK '000	Pension liability	Plan asset	Net liability
2016			
At the beginning of the year	36,591	23,753	12,838
Current service costs	5,125	-	5,125
Interest expenses	489	-	489
Interest income	-	391	(391)
Employer contributions	-	2,610	(2,610)
Benefits paid from plan asset	(1,585)	(1,585)	-
Remeasurement gains/(losses) recognized in other comprehensive income	(1,191)	(101)	(1,090)
Settlements	(1,243)	-	(1,243)
Exchange rate adjustments	(17)	(50)	33
Plan participant contribution etc.	990	990	-
Present value of funded obligations	**39,159**	**26,008**	**13,151**
Present value of unfunded obligations recognized in other comprensive income	-	-	75
At the end of the year	**39,159**	**26,008**	**13,226**

DKK '000	Pension liability	Plan asset	Net liability
2015			
At the beginning of the year	33,145	22,008	11,137
Current service costs	4,912	-	4,912
Interest expenses	663	518	145
Employer contributions	-	3,848	(3,848)
Benefits paid from plan asset	(5,886)	(5,886)	-
Remeasurement gains/(losses) recognized in other comprehensive income	103	(190)	293
Remeasurement gains/(losses) - adjustment from prior years	24	-	24
Settlements	(1,090)	-	(1,090)
Exchange rate adjustments	3,616	2,351	1,265
Plan participant contribution etc.	1,104	1,104	-
At the end of the year	**36,591**	**23,753**	**12,838**

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 20.5 years (2015: 19.2 years).

3.6 Employee benefit obligations – continued

DKK '000	2016	2015
Assumptions used for valuation		
Discount rate	0.25%	0.75%
Price inflation	0.00%	1.25%
Projected future remuneration increases	1.50%	1.80%
Future increases in social security	0.00%	0.00%

Actuarial valuations are performed annually.

Significant actuarial assumptions for the determination of the retirement benefit obligation are discount rate and expected future remuneration increases. The sensitivity analysis below has been carried out based on reasonably likely changes in the assumptions occurring at the end of the period.

DKK '000	2016	2015
Discount rate increase 0.25%	(702)	N/A
Discount rate decrease 0.25%	539	N/A
Discount rate increase 0.50%	N/A	(2,208)
Discount rate decrease 0.50%	N/A	2,774
Future remuneration increase 1.0%	1,130	414
Future remuneration decrease 1.0%	(1,128)	(380)

The sensitivity analysis above considers the change in individual assumptions while other assumptions remain unchanged. In practice, changes in one assumption may be accompanied by offsetting changes in another assumption (although this is not always the case).

DKK '000	2016	2015
Provision for jubilee benefit obligations		
At the beginning of the year	5,211	5,374
Utilized	(200)	(200)
Additions	743	37
At the end of the year	**5,754**	**5,211**

The provision concerns NNIT's future employee jubilee obligations and is based on actuarial calculations.

Provision for long-term incentive and launch incentive programs		
At the beginning of the year	39,634	36,972
Transfer to employees	(18,629)	(21,800)
Additions	3,770	24,909
Cancelled	(1,094)	(447)
Fair value adjustments	(833)	-
At the end of the year	**22,848**	**39,634**
Recognized in the balance sheet as follows		
Employee benefit obligations under non-current liabilities	15,271	21,005
Employee benefit obligations under current liabilities	7,577	18,629
At the end of the year	**22,848**	**39,634**
Defined benefit pension obligations	13,226	12,838
Jubilee benefit obligations	5,754	5,211
Long-term incentive and launch incentive programs	15,271	21,005
Total employee benefits obligations	**34,251**	**39,054**

3.7 Provisions

DKK '000	2016	2015
Provision for onerous contracts/projects		
At the beginning of the year	4,393	6,824
Additions	10,876	134
Utilized	(1,576)	(2,565)
At the end of the year	**13,693**	**4,393**

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 refurbishment obligation		
At the beginning of the year	9,440	6,438
Exchange rate adjustment	(2)	218
Additions	2,143	3,806
Utilized	(186)	(1,022)
At the end of the year	**11,395**	**9,440**

Provision for refurbishment obligation relates to the leasehold agreement regarding Oestmarken 3A, DK-2680 Soeborg, Denmark and Bändliweg 20, CH-8048 Zurich, Switzerland.

Provisions are recognized in the balance sheet as follows		
Non-current provisions	11,395	8,339
Current provisions	13,693	5,494
Total provisions	**25,088**	**13,833**

4. Capital structure and financing items

4.1 Financial income and expenses

DKK '000	2016	2015
Financial income		
Fair value adjustments of financial instruments from related parties (net)	-	3,019
Fair value adjustments of financial instruments (net) recycled from comprehensive income	-	3,754
Dividends from shares	721	671
Interest related to tax	-	738
Value adjustment of long-term incentive programs in Novo Nordisk shares	5,828	-
Unrealized gain on shares (net)	-	18,408
Realized gain on shares (net)	271	1,928
Other financial income	102	238
Total financial income	**6,922**	**28,756**
Financial expenses		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	3,362	-
Interest related to tax	2	19
Guarantee commission	1,007	1,024
Realized/unrealized loss on currency	1,098	3,667
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	16,239
Unrealized loss on shares (net)	11,521	-
Other financial expenses	2,560	4,679
Total financial expenses	**19,550**	**25,628**

4.2 Share capital, distribution to shareholder and earnings per share

DKK '000	2016	2015
Net profit for the year	**215,700**	**212,441**
Number '000		
Average number of shares outstanding	24,250	24,250
Dilutive effect of share-based payments	638	636
Average number of shares outstanding, including dilutive effect of share-based payments	**24,888**	**24,886**
Earnings per share DKK	**8.89**	**8.76**
Diluted earnings per share DKK	**8.67**	**8.54**

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 obligations are expected to be fulfilled.

The share capital has a nominal value of DKK 250,000,000, divided into 25,000,000 shares with a nominal value of DKK 10 each.
No shares carry special rights.

DKK '000	Nominal value	Market value	As % of share capital	Number of shares (thousand)
Treasury shares				
2016				
Holding at the beginning of the year	10	141,375	3%	750
Value adjustment		11,625		
Holding at the end of the year	**10**	**153,000**	**3%**	**750**

Treasury shares held relates to the long-term incentive program. No purchase or disposal has taken place in 2016.

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 proposed for the financial year.

DKK '000	2016	2015
Net cash distribution to shareholders		
Ordinary dividends	97,000	83,713
Interim dividends	48,500	-
Total	**145,500**	**83,713**

The proposed dividend at the end of 2015 was DKK 97,000 Thousand (DKK 4.00 per share) and in addition at June 30, 2016 an interim dividend of DKK 48,500 Thousand (DKK 2.00 per share) was declared and paid out. At the end of 2016, proposed dividends (not yet declared) of DKK 53,350 Thousand (DKK 2.00 per share) are recognized in retained earnings.

4.3 Financial assets and liabilities

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

DKK '000	Cash and cash equivalents	Financial assets at fair value through compre-hensive income	Financial assets at fair value through the income statement	Loans and receivables	Total
2016					
Financial assets by category					
Deposits	-	-	-	28,730	28,730
Trade receivables	-	-	-	604,567	604,567
Work in progress	-	-	-	136,370	136,370
Other receivables and pre-payments	-	-	-	126,183	126,183
Shares [1]	-	-	18,200	-	18,200
Derivative financial instruments	-	1,140	-	-	1,140
Cash and cash equivalents	173,912	-	-	-	173,911
Total financial assets at the end of the year	**173,912**	**1,140**	**18,200**	**895,850**	**1,089,102**

DKK '000	Cash and cash equivalents	Financial assets at fair value through compre-hensive income	Financial assets at fair value through the income statement	Loans and receivables	Total
2015					
Financial assets by category					
Deposits	-	-	-	28,313	28,313
Trade receivables	-	-	-	489,465	489,465
Work in progress	-	-	-	84,443	84,443
Other receivables and pre-payments	-	-	-	76,771	76,771
Shares [1]	-	-	49,315	-	49,315
Derivative financial instruments	-	1,022	-	-	1,022
Cash and cash equivalents	131,026	-	-	-	131,026
Total financial assets at the end of the year	**131,026**	**1,022**	**49,315**	**678,992**	**860,355**

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

4.3 Financial assets and liabilities – continued

DKK '000	Financial liabilities at fair value through comprehensive income	Financial liabilities measured at amortized cost	Total
2016			
Financial liabilities by category			
Trade payables	-	59,282	59,282
Derivative financial instruments	2,098	-	2,098
Other current liabilities	-	140,946	140,946
Total financial liabilities at the end of the year	**2,098**	**200,228**	**202,326**

DKK '000	Financial liabilities at fair value through comprehensive income	Financial liabilities measured at amortized cost	Total
2015			
Financial liabilities by category			
Trade payables	-	72,978	72,978
Derivative financial instruments	5,330	-	5,330
Other current liabilities	-	105,738	105,738
Total financial liabilities at the end of the year	**5,330**	**178,716**	**184,046**

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

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

The interest-bearing liabilities relate to limited overdrafts made on NNIT's DKK 400,000 Thousand credit facility, which bears interest according to movements in the T/N rate, and cash balances which bear negative interest due to the current environment of low interest rates.

NNIT is exposed to exchange rate risks in the countries where NNIT has its main activities. The majority part of NNIT's sales 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 British pound.

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.

4.3 Financial assets and liabilities – continued

Foreign exchange sensitivity analysis

NNIT estimates that, all other variables being constant, a 10% depreciation of the average 2016 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 2016. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only:

DKK '000	2016	2015
CNY	(17,883)	(16,401)
CZK	(7,524)	(3,625)
PHP	(3,628)	(3,199)
CHF	(1,650)	(2,146)
USD	(478)	497
EUR	22,327	15,049

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, Philippine peso and Swiss franc are not sufficiently to balance these currency risks. To manage foreign exchange rate risks, NNIT has historically entered into hedging contracts to hedge major foreign currency balances in Chinese yuan, Czech koruna, Philippine peso and US Dollar 14 months ahead. Since the US Dollar exposure at the beginning of 2016 has changed to become slightly positive, it has been decided to discontinue hedging of US Dollar in 2016.

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, 2016 NNIT A/S' net balance position (trade receivables minus trade payables) divided on currency amounted to a short term inflow primarily in Chinese yuan, Czech koruna, Swiss franc and British pound and a short term outflow in US Dollar. 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, 2016.

DKK '000	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity
December 31, 2016					
CNY	35,786	25,963	9,823	22,813	2,281
CZK	9,160	8,878	282	6,341	634
CHF	1,977	(2,853)	4,830	4,831	483
GBP	1,902	3,104	(1,202)	(1,201)	(120)
USD [2]	27,209	19,884	7,325	10,731	1,073

[1] Including hedge contracts to be settled in January 2017
[2] PHP is proxy hedged via USD. The hedging was discontinued in March 2016 and the last contract will expire in May 2017.

DKK '000	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity
December 31, 2015					
CNY	8,132	18,056	(9,924)	3,883	388
CZK	-	6,551	(6,551)	(1,912)	(191)
CHF	1,534	4,675	(3,141)	(3,141)	(314)
GBP	1,504	2,905	(1,401)	(1,401)	(140)
USD [2]	16,217	9,013	7,204	9,596	960

[1] Including hedge contracts to be settled in January 2016
[2] PHP is proxy hedged via USD

4.3 Financial assets and liabilities – continued

At December 31, 2016 NNIT A/S' hedge contracts covered the period from January 2017 to February 2018. Taking into account contracts affecting on other comprehensive income (equity) (contracts expiring between February 2017 and February 2018), a 10% depreciation of the exchange rate of the Danish krone, will result in an unrealized hedge gain as illustrated below.

DKK '000	Contract amount*	Transaction exposure	10% sensitivity
December 31, 2016			
CNY	187,663	174,670	17,467
CZK	106,925	100,865	10,087
USD	15,211	11,706	1,171

* Only purchase of foreign currencies

DKK '000	Contract amount*	Transaction exposure	10% sensitivity
December 31, 2015			
CNY	186,555	172,748	17,275
CZK	71,456	66,817	6,682
USD	44,091	41,705	4,170

* Only purchase of foreign currencies

Share price risk
NNIT is exposed to a market price risk in regard to Novo Nordisk B and NNIT shares listed on Nasdaq Copenhagen A/S in connection with the long-term share-based incentive program for key employees. In March 2015, upon completion of the offering, NNIT purchased NNIT shares corresponding to the near term obligation, which minimizes NNIT's risk on fluctuations in the share value. We regularly sell Novo Nordisk shares to adjust to a decreased obligation in Novo Nordisk B shares.

NNIT estimates that, all other variables being constant, a 10% variation in the value of the Novo Nordisk shares would have the indicated impact on our net financials for 2017. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only.

DKK '000	Novo Nordisk shareprice development	Market value shares	Obligation	Impact net financials
December 31, 2016				
	Increase 10%	1,832	1,563	269
	Decrease 10%	(1,832)	(1,563)	(269)

Credit risk
NNIT's credit risk principally arises from trade receivables, which amounted to DKK 604,567 Thousand as at December 31, 2016 (December 31, 2015: DKK 489,465 Thousand). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. At December 31, 2016, our trade receivables from the Novo Nordisk Group amounted to DKK 238,208 Thousand (December 31, 2015: DKK 241,817 Thousand). The classification of trade receivables according to maturity date is set out in note 3.4.

Cash management
NNIT is committed to maintaining a flexible capital structure. At December 31, 2016, NNIT had undrawn committed credit facilities in the amount of DKK 400,000 Thousand (2015: DKK 400,000 Thousand). The credit facility includes financial covenants with reference to the ratio between net debt and EBITDA. At December 31, 2016, NNIT had cash and cash equivalents of DKK 112,837 Thousand in Denmark and DKK 61,075 Thousand outside Denmark.

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 53.2 % (2015: 55.5 %).

4.4 Derivative financial instruments

DKK '000	Contract amount, net [3]	Fair value adjustment recognized in other comprehensive income	Positive fair value at year-end	Negative fair value at year-end	Current hedge duration (month)
Cash flow hedges					
2016					
CNH [1]	187,663	3,863	399	(1,564)	14
CZK	106,925	829	50	(529)	14
USD [2]	15,112	(2,112)	691	(5)	5
	309,700	**2,580**	**1,140**	**(2,098)**	

[1] CNY is hedged via CNH
[2] PHP is proxy hedged via USD. Hedging was discontinued in March 2016. Last contract will expire in May 2017
[3] Only purchase of foreign currencies

DKK '000	Contract amount, net [3]	Fair value adjustment recognized in other comprehensive income	Positive fair value at year-end	Negative fair value at year-end	Current hedge duration (month)
Cash flow hedges					
2015					
CNH [1]	186,555	(4,405)	343	(5,161)	14
CZK	71,456	(58)	3	(61)	14
USD [2]	44,091	562	676	(108)	14
	302,102	**(3,901)**	**1,022**	**(5,330)**	

[1] CNY is hedged via CNH
[2] PHP is proxy hedged via USD
[3] Only purchase of foreign currencies

5. Other disclosures

5.1 Long-term incentives and launch 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 '000	2016	2015
Long-term incentive program (LTIP) in Novo Nordisk shares - cash based	(1,388)	21,270
Long-term incentive program (LTIP) in NNIT shares - share based	9,427	3,193
Launch incentive program (LIP) - share based (Group Management and Vice Presidents)	13,715	9,966
Launch incentive program (ELI) - share based (Employees not part of LIP)	5,863	7,108
Launch incentive program (ELI) - cash based (Foreign employees not part of LIP)	3,185	3,192
Incentive program charged to income statement	**30,802**	**44,729**
Recognized in the income statement:		
Cost of goods sold	22,969	15,144
Sales and marketing costs	5,069	3,651
Administrative expenses	8,592	9,695
Financial items	(5,828)	16,239
Total	**30,802**	**44,729**

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	2016	2015
Outstanding at the beginning of the year	636	-
Restricted stock units issued to employees	**-**	**295**
Launch incentive program (LIP)	-	291
Long-term incentive program (LTIP)	71	83
Shares allocated to Group Management	**71**	**374**
Cancelled during the year	(69)	(33)
Outstanding at the end of the year (in NNIT shares)	**638**	**636**

Outstanding restricted stock units (in NNIT shares)

Number '000

2016	At the beginning of the year	Issued	Cancelled/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
Outstanding restricted stock units to employees						
2015 restricted stock units (ELI)	266	-	(45)	221	27,625	2018
Total restricted stock units to employees	**266**	**-**	**(45)**	**221**	**27,625**	
Shares allocated to Group Management						
2015 Shares allocated (LTIP)	33	-	5	38	4,750	2019
2016 Shares allocated (LTIP)	-	29	-	29	4,980	2020
2015 Shares allocated (LIP)	191	-	(60)	131	16,375	2018
Total shares for Group Management	**224**	**29**	**(55)**	**198**	**26,105**	
Shares allocated to Vice Presidents						
2015 Shares allocated (LTIP)	27	-	(8)	19	2,375	2019
2016 Shares allocated (LTIP)	-	30	-	30	5,152	2020
2015 Shares allocated (LIP)	96	-	(29)	67	8,375	2018
Total shares for Vice Presidents	**123**	**30**	**(37)**	**116**	**15,902**	
Shares allocated to terminated employees	**23**	**12**	**68**	**103**	**13,435**	

5.1 Long-term incentives and launch incentives – continued

Number '000

2015	Issued	Cancelled/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
Outstanding restricted stock units to employees					
2015 restricted stock units (ELI)	295	(29)	266	36,875	2018
Total restricted stock units to employees	**295**	**(29)**	**266**	**36,875**	
Shares allocated to Group Management					
2015 Shares allocated (LTIP)	54	-	54	8,335	2019
2015 Shares allocated (LIP)	191	-	191	23,875	2018
Total shares for Group Management	**245**	**-**	**245**	**32,210**	
Shares allocated to Vice Presidents					
2015 Shares allocated (LTIP)	29	-	29	4,476	2019
2015 Shares allocated (LIP)	100	(4)	96	12,500	2018
Total shares for Vice Presidents	**129**	**(4)**	**125**	**16,976**	

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

Number '000

	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)
Jesper Brandgaard [2]	0	-	-	-	-
Carsten Dilling	2,740	-	-	2,740	559
Anne Broeng	3,600	-	(1,084)	2,516	513
Eivind Kolding	2,400	-	-	2,400	490
John Beck	2,000	2,000	(2,000)	2,000	408
René Stockner	2,400	-	-	2,400	490
Alex Steninge Jacobsen	1,600	-	-	1,600	326
Anders Vidstrup	1,200	-	(300)	900	184
Total Board of Directors	**15,940**	**2,000**	**3,384**	**14,556**	**2,970**
Per Kogut	32,664	-	-	32,664	6,663
Carsten Krogsgaard Thomsen	19,248	-	-	19,248	3,927
Total Executive Management	**51,912**	**0**	**0**	**51,912**	**10,590**
Other members of Group Management [3]	11,306	-	-	11,306	2,306
Total	**79,158**	**2,000**	**(3,384)**	**77,774**	**15,866**
Pool [4]	**369,765**	**0**	**0**	**369,765**	

[1] Following the changes in the Board of Directors and Executive Management, the holding of shares at the beginning of the year has been updated compared with the Annual Report 2015
[2] Jesper Brandgaard is restricted from investing in NNIT A/S shares under internal Novo Nordisk policies.
[3] Other members of Group Management are Brit Kannegaard Johannessen, Jacob Hahn Michelsen, Mette Steffensen and Ricco Larsen.
[4] Pool for Executive Management, other members of Group Management and Vice Presidents.

Besides the long-term share-based incentive programs with NNIT shares, referred to above, a long-term incentives program with Novo Nordisk shares exist for Executive management, other members of Group Management and Vice Presidents. These long-term incentive programs include the 2013 and 2014 programs to be released February 2, 2017 and in 2018 after approval of the annual report for 2017. The annual allocation of shares under this program is locked for three years before it is transferred to the participants employed at the end of the three-year period. In the lock-up period the number of shares may be reduced in the event of lower-than-planned performance. At December 31, 2016 NNIT has an obligation to provide 24,501 Novo Nordisk shares (December 31, 2015 106,677 shares). Further NNIT has an obligation to provide 47,430 Novo Nordisk shares (December 31, 2015 13,584 shares) to resigned members of Executive Management, other members of Group Management and Vice Presidents.

5.2 Fee to statutory auditors

DKK '000	2016	2015
Statutory audit	1,007	900
Audit-related services	341	374
Tax advisory services	75	-
Other services [1]	3,282	1,884
Total fee to statutory auditors	**4,705**	**3,158**

[1] The fee relates to IT customer-audits requested by customers and assistance with internal audit of IT security in 2016.

5.3 Reversal of non-cash items

DKK '000	2016	2015
Income taxes	64,575	59,792
Amortization and depreciation	144,362	141,217
Scrapping of tangible assets	4,528	2,154
Increase/(decrease) in provisions and employee benefits	(4,598)	4,771
Dividends received reclassified to investing activities	(721)	(671)
Provision share-based payments NNIT shares	30,212	20,290
Provision share-based payments Novo Nordisk shares	29,880	2,147
Interest paid/received	3,467	4,696
Other adjustments for non-cash items	(1,039)	785
Total	**270,666**	**235,180**

5.4 Statement of cash flows - specifications

DKK '000	2016	2015
Changes in working capital		
Increase/(decrease) in current receivables less tax receivables	(217,508)	(721)
Increase/(decrease) in current liabilities less provisions and tax payables	138,387	(17,948)
- hereof change in trade payables related to investments	10,454	4,651
Total	**(68,667)**	**(14,018)**
Purchase of tangible assets		
Purchase of tangible assets	(154,120)	(136,041)
Change in trade payables related to purchase of tangible assets	(10,454)	(4,651)
Total	**(164,574)**	**(140,692)**
Additional cash flow information [1]		
Cash and cash equivalents at the end of the year	173,912	131,026
Undrawn committed credit facilities	400,000	400,000
Financial resources at the end of the year	**573,912**	**531,026**
Cash flow from operating activities	362,759	356,713
Cash flow from investing activities	(174,373)	(145,872)
Free cash flow	**188,386**	**210,841**

[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 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 credit facility of DKK 400,000 Thousand with Danske Bank.

5.5 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2016	2015
Operating lease commitments expiring within the following periods from balance sheet date		
Within 1 year	76,886	76,417
Between 1 and 5 years	244,781	253,656
After 5 years	153,531	45,645
Total	**475,198**	**375,718**
Operating leases recognized as an expense	82,851	85,624

Operating leases include rental of premises and vehicles.

	2016	2015
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	38,456	12,831
Between 1 and 5 years	1,781	-
Total	**40,237**	**12,831**
Other contractual obligations recognized as an expense	38,602	23,489

Other contractual obligations include maintenance, licenses and contractual agreements.

Contractual obligations with related parties
Contractual obligations with related parties for 2016 amount to DKK 1,783 Thousand (2015: DKK 1,750 Thousand). These obligations include service agreements.

Contingent liabilities and legal proceedings
Contingent liabilities
None

Legal proceedings
In 2014, a customer in our public customer group initiated arbitration proceedings related to the delivery of a supply and logistics IT system. The parties disagree on whether the system was defective, who was responsible for the delay of the system and thus on the justification of the termination. In June 2014, the customer initiated arbitration proceedings in Copenhagen, Denmark. NNIT estimates that an arbitration award would either reduce or increase operating profit in the range of DKK -87 Million to DKK 55 Million. The arbitration proceedings are still in their preparatory stages and NNIT cannot reliably predict the outcome of or the timeframe for the resolution of the arbitration dispute. NNIT expects a ruling by the arbitration tribunal at the beginning of 2018 at the earliest. NNIT has made a provision for the future arbitration outcome based on currently available information.

5.6 Related party transactions and ownership

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

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

Related party transactions
NNIT has engaged in related party transactions with Novo 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 '000	2016	2015
Net sales		
Novo Nordisk Group	1,238,395	1,315,766
Novozymes Group	38,442	47,673
Novo A/S	27	1,166
Xellia Pharmaceuticals Group	1,834	5,041
Total	**1,278,698**	**1,369,646**
Net purchases		
Novo Nordisk Group	30,212	31,888
Novozymes Group	0	172
Total	**30,212**	**32,060**
Financial income		
Novo Nordisk Group	0	3,019
Total	**0**	**3,019**
Trade receivables		
Novo Nordisk Group	229,199	231,816
Novozymes Group	8,968	9,154
Xellia Pharmaceuticals Group	41	844
Total	**238,208**	**241,814**
Work in progress		
Novo Nordisk Group	37,579	15,903
Novozymes Group	0	2,736
Xellia Pharmaceuticals Group	0	190
Total	**37,579**	**18,829**

5.6 Related party transactions and ownership – continued

DKK '000	2016	2015
Payables to related parties		
Novo Nordisk Group	799	8,320
Novozymes Group	0	215
Total	**799**	**8,535**
Prepayments from related parties		
Novo Nordisk Group	95,103	20,514
Total	**95,103**	**20,514**

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	Switzerland	2010	CHF 500,000	100
NNIT Germany GmbH	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.[1]	UK	2015	GBP 50,000	100

[1] 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 with effect from 2016.

5.7 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, 2016.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT for the year ended December 31

DKK '000	Note	2016	2015
Revenue		**2,654,468**	**2,485,004**
Cost of goods sold	2.1	2,175,011	2,036,810
Gross profit		**479,457**	**448,194**
Sales and marketing costs	2.1	115,098	114,481
Administrative expenses	2.1	92,319	90,450
Operating profit		**272,040**	**243,263**
Financial income	4.1	31,589	55,078
Financial expenses	4.2	18,299	22,389
Profit before income taxes		**285,330**	**275,952**
Income taxes		60,073	55,629
Net profit for the year		**225,257**	**220,323**
Proposed allocation:			
Interim dividends		48,500	0
Dividends		53,350	97,000
Retained earnings		123,407	123,323
		225,257	220,323

BALANCE SHEET at December 31

ASSETS

DKK '000	Note	2016	2015
Intangible assets	3.1	33,307	27,571
Tangible assets	3.2	410,583	399,138
Deferred taxes		40,930	35,529
Financial assets	3.3	65,965	44,671
Total fixed assets		**550,785**	**506,909**
Inventories		2,797	1,730
Trade receivables		350,888	233,943
Trade receivables - related parties		242,728	229,088
Work in progress		97,257	62,952
Work in progress - related parties		37,579	18,777
Other receivables and pre-payments		113,490	69,686
Shares		18,200	49,315
Derivative financial instruments	4.3	1,140	1,022
Cash and cash equivalents		112,837	109,275
Total current assets		**976,916**	**775,788**
Total assets		**1,527,701**	**1,282,697**

BALANCE SHEET at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2016	2015
Share capital		250,000	250,000
Retained earnings		526,801	367,411
Proposed dividends		53,350	97,000
Total equity		**830,151**	**714,411**
Employee benefit obligations		14,603	23,122
Provisions	3.4	10,483	8,340
Total non-current liabilities		**21,814**	**31,462**
Prepayments received		78,464	36,308
Prepayments received - related parties		95,103	20,491
Trade payables		48,404	52,511
Trade payables - related parties		35,017	42,939
Employee costs payable		232,383	247,065
Tax payables		25,324	7,334
Other current liabilities		134,401	101,824
Derivative financial instruments	4.3	2,098	5,330
Employee benefit obligations		7,577	18,629
Provisions	3.4	13,693	4,393
Total current liabilities		**672,464**	**536,824**
Total equity and liabilities		**1,527,701**	**1,282,697**

STATEMENT OF CHANGES IN EQUITY

at December 31

DKK '000	Note	Share capital	Treasury share	Retained earnings	Cash flow hedges	Proposed dividends	Total
2016							
Balance at the beginning of the year		**250,000**	**(7,500)**	**377,896**	**(2,985)**	**97,000**	**714,411**
Net profit for the year		-	-	225,257	-	-	225,257
Share-based payments		-	-	30,212	-	-	30,212
Deferred tax on share-based payments [1]		-	-	3,817	-	-	3,817
Cash flow hedges		-	-	-	2,580	-	2,580
Tax on Cashflow hedges		-	-	-	(626)	-	(626)
Dividends paid		-	-		-	(145,500)	(145,500)
Interim dividend		-	-	(48,500)	-	48,500	-
Proposed dividends for 2016		-	-	(53,350)	-	53,350	-
Total dividends for 2016		**-**	**-**	**(101,850)**	**-**	**101,850**	**-**
Balance at the end of the year		**250,000**	**(7,500)**	**535,335**	**(1,031)**	**53,350**	**830,151**

DKK '000	Note	Share capital	Treasury share	Retained earnings	Cash flow hedges	Proposed dividends	Total
2015							
Balance at the beginning of the year		**250,000**	**-**	**316,286**	**-**	**83,713**	**649,999**
Net profit for the year		-	-	220,323	-	-	220,323
Dividends from subsidiaries		-	-	2,182	-	-	2,182
Purchase of shares		-	(7,500)	(86,250)	-	-	(93,750)
Share-based payments		-	-	20,290	-	-	20,290
Deferred tax on share-based payments [1]		-	-	2,065	-	-	2,065
Cash flow hedges		-	-	-	(3,901)	-	(3,901)
Tax on Cashflow hedges		-	-	-	916	-	916
Dividends paid		-	-	-	-	(83,713)	(83,713)
Proposed dividends for 2015		-	-	(97,000)	-	97,000	-
Balance at the end of the year		**250,000**	**(7,500)**	**377,896**	**(2,985)**	**97,000**	**714,411**

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

NOTES

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 below deviations. Presentation in the balance sheet has been changed to match the current/non-current distinction in the consolidated financial statements.

Supplementary accounting policies for the parent company

Investments in subsidiaries
Investments in subsidiaries include invested capital in subsidiaries in China, the Philippines, Switzerland, Germany, the USA, the Czech Republic and UK. Invested capital is measured at cost price or lower recoverable amount.

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 52.

2. Results for the year

2.1 Employee costs

DKK '000	2016	2015
Wages and salaries	1,135,668	1,114,055
Pensions	103,325	100,946
Other employee costs	34,703	38,042
Total employee costs	**1,273,696**	**1,253,043**
Included in the income statement:		
Cost of goods sold	1,128,065	1,103,293
Sales and marketing costs	90,649	90,597
Administrative expenses	54,982	59,153
Total employee costs	**1,273,696**	**1,253,043**
Average number of full-time employees	1,556	1,559

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 and launch incentives', in the consolidated financial statements.

3. Operating assets and liabilities

3.1 Intangible assets

For information regarding intangible assets, please refer to note 3.1 in the consolidated financial statements.

3.2 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2016	2015
Cost at the beginning of the year	138,736	770,194	45,835	13,762	968,527	835,740
Additions	8,645	108,989	1,563	33,428	152,625	135,793
Disposals	-	(43,475)	-	-	(43,475)	(3,006)
Transfer	-	13,762	-	(13,762)	-	-
Cost at the end of the year	**147,381**	**849,470**	**47,398**	**33,428**	**1,077,677**	**968,527**
Depreciation and impairment losses at the beginning of the year	39,281	503,603	26,505	-	569,389	440,230
Depreciation	8,164	122,369	3,883	-	134,416	130,011
Depreciation reversed on disposals during the year	-	(36,711)	0	-	(36,711)	(852)
Depreciation and impairment losses at the end of the year	**47,445**	**589,261**	**30,388**	**-**	**667,094**	**569,389**
Carrying amount at the end of the year	**99,936**	**260,209**	**17,010**	**33,428**	**410,583**	**399,138**
Depreciation period	12-50* years	3-10 years	5-10 years			

3.3 Financial assets

DKK '000	Deposits	Investment in subsidiaries	2016	2015
Cost at the beginning of the year	25,441	19,230	44,671	31,161
Additions	118	21,176	21,294	13,510
Disposals	-	-	-	-
Carrying amount at the end of the year	**25,559**	**40,406**	**65,965**	**44,671**

3.4 Provisions

DKK '000	2016	2015
Provision for refurbishment obligation (non-current liabilities)		
At the beginning of the year	8,340	4,534
Additions	2,143	3,806
At the end of the year	**10,483**	**8,340**

Provision for refurbishment obligation relates to the leasehold agreement regarding Østmarken 3A, DK-2680 Soeborg, Denmark

DKK '000	2016	2015
Provision for onerous contractes/projects (current liabilities)		
At the beginning of the year	4,393	6,824
Additions	10,876	134
Amount used	(1,576)	(2,565)
At the end of the year	**13,693**	**4,393**

Provision for onerous contracts/projects on 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.

4. Capital structure and financing items

4.1 Financial income

DKK '000	2016	2015
Interest income from related parties	140	88
Fair value adjustments of financial instruments from related parties (net)	-	3,019
Fair value adjustments of financial instruments external (net)	-	3,754
Dividends from shares	721	671
Dividends from subsidiaries	23,536	26,411
Interest related to tax	-	738
Unrealized gain on shares (net)	-	18,408
Realized gain on share (net)	271	1,928
Realized/Unrealized loss on currency	1,040	-
Value adjustment of long-term incentive programs in Novo Nordisk shares	5,828	-
Other financial income	53	61
Total financial income	**31,589**	**55,078**

4.2 Financial expenses

DKK '000	2016	2015
Fair value adjustments of financial instruments external (net)	3,362	-
Interest related to tax	2	-
Guarantee commission	1,007	1,024
Unrealized loss on shares (net)	11,521	-
Realized/unrealized loss on currency	-	620
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	16,239
Other financial expenses	2,407	4,506
Total financial expenses	**18,299**	**22,389**

4.3 Derivative financial instruments

For information regarding derivative financial instruments, please refer to note 4.4 in the consolidated financial statements.

5. Other disclosures

5.1 Fee to statutory auditors

DKK '000	2016	2015
Statutory audit	641	641
Other assurance engagements	341	374
Tax advisory services	75	-
Other services [1]	3,282	1,884
Total fee to statutory auditors	**4,339**	**2,899**

[1] The fee relates to IT customer-audits requested by customers and assistance with internal audit of IT security in 2016.

5.2 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2016	2015
Within 1 year	63,223	63,798
Between 1 and 5 years	223,992	226,290
After 5 years	153,531	45,429
Total operating lease commitments	**440,746**	**335,517**
Total operating leases in the income statement for the year	**67,258**	**71,486**

Operating leases include rental of premises, vehicles and hardware.
For information regarding contingent liabilities and legal proceedings, please refer to note 5.5 'Contingent liabilities, other contractual obligations and legal proceedings', in the consolidated financial statements.

Other contractual obligations expiring within the following periods from balance sheet date

Within 1 year	38,456	12,831
Between 1 and 5 years	1,781	-
Total	**40,237**	**12,831**
Other contractual obligations in the income statement for the year	38,602	23,498

Other contractual obligations include maintenance, licenses and contractual agreements.

5.3 Related parties and ownership

For information regarding transactions with related parties, please refer to note 5.6 'Related party transactions and ownership' in the consolidated financial statements.
For information on remuneration to Group Management of NNIT, please refer to note 2.2 'Employee costs', in the consolidated financial statements.

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