Annual Report 2018

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Godkendt på generalforsamlingen
Den 7 marts 2019

Niels Heering
Dirigent

81.044.716

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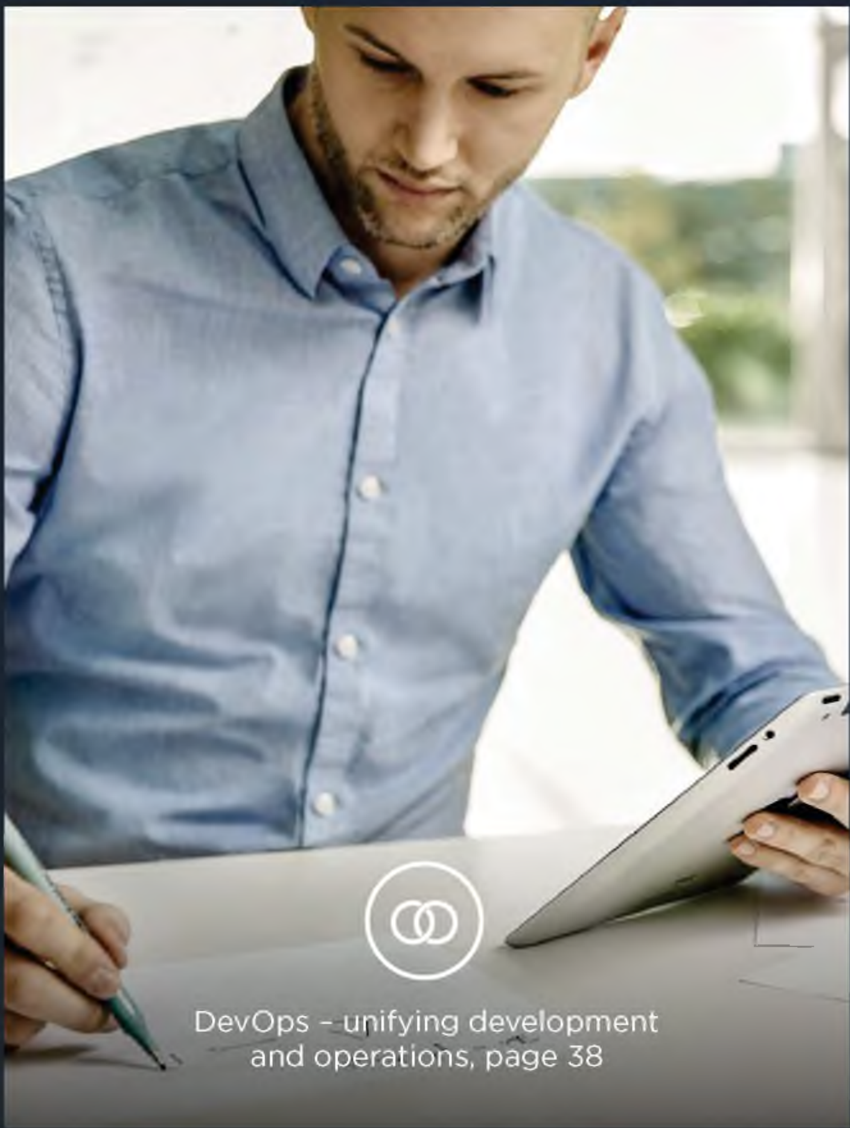
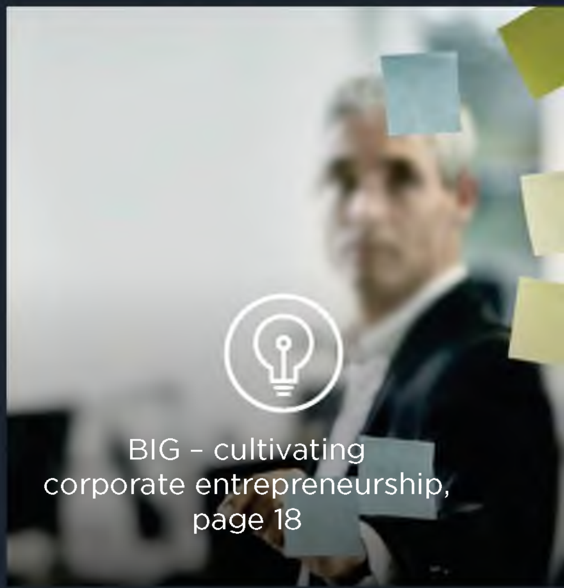
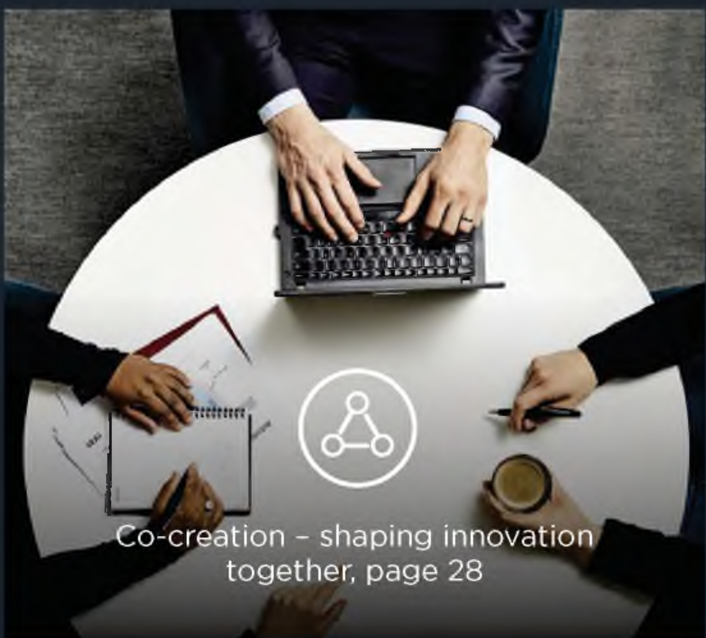
Conscience driven. Value adding

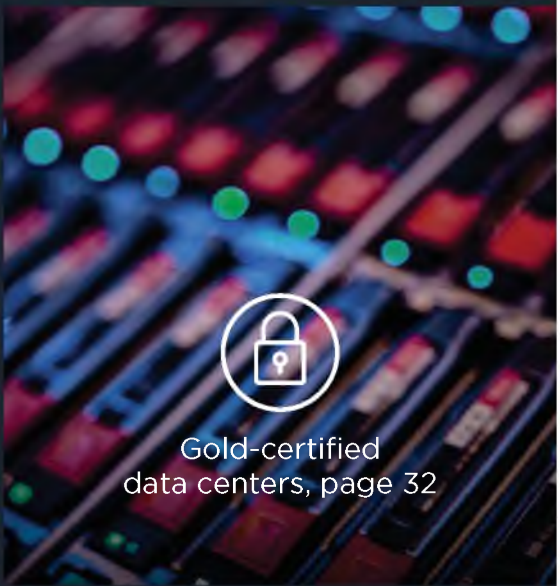




Strategy update

We aim to accelerate growth in life sciences, leveraging our strong capabilities and position complemented by strategic acquisitions. Read more about NNIT's new 2022 strategy on page 19.





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2018 highlights

Revenue, DKK millions	Employees at year-end	Global delivery model
3,007	**3,214**	**46%**
NNIT revenue in 2018	Average number of full-time employees in 2018 was 3,129	of full-time employees based in cost efficient countries in 2018

High payout ratio	Industry leading margins	Solid backlog and high visibility
48%	**10.2%**	**74%**
dividends proposed on net profit in 2018	Operating profit margin in 2018	of revenue contracted at beginning of 2018

IT advisory, development and outsourcing

We are passionate people building winning teams with our clients. Deeply rooted in the pharmaceutical industry, we supply services that meet the highest requirements for quality, security and standardization. Read more on page 24.

Our offerings

NNIT's service offerings include advising, building, implementing, managing and supporting IT solutions and operating IT systems for clients. We generated revenue of DKK 3.0 billion in 2018. Read more about our life sciences services and our clients on page 26.

New equity story

Life sciences growth strategy

- **Solid track record of >20% organic growth** in international life sciences
- **Attractive market** with high margins and high entry barriers due to level of regulation
- **Strong domain knowledge** based on our life sciences legacy
- **Strategic acquisitions** being pursued to accelerate growth even further
- **Maintain Novo Nordisk relationship** through state-of-the-art delivery and innovative solutions

Business model fit for growth

- **Full scale service offering** in Advisory, Development, Operations and Support
- **Strong innovation focus** with DKK 500m revenue from new offerings in 2022
- **Flexible global delivery model** with around 50% of employees based in offshore and nearshore locations
- **Top 3 IT Service Provider** in Danish market measured by revenue

Attractive financial results

- **Organic revenue growth of 6-8%** excluding business from Novo Nordisk
- **Operating profit margin of at least 10%**
- **Cash generating business** with high dividend yields while investing in future growth with pay-out ratio objective at a minimum of 45%
- **Solid back-log** with high visibility
- **Stable reinvestment** levels with capital expenditure of 5-7% of revenue

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

A robust business model fit for growth

Reporting revenue growth of 5.5% and an operating profit margin of 10.2%, NNIT delivered satisfactory results in 2018. Through accelerated deliveries to the life sciences industry and strategic acquisitions, we will continue to nurture digital innovation. Outlook for 2019 remains positive.

Digital technologies and strategies are being developed along the entire value chain. Everything digital becomes a primary driver of innovation and revenue, as businesses pursue new value-adding and data-driven solutions for end users. NNIT is constantly adapting to changing requirements in order to attract and retain the best talents and remain a preferred IT transformation partner. Together with fast moving pioneers from the tech ecosystem, we help our clients explore and utilize new technology such as robotics, artificial intelligence and augmented reality.

Our business model is fit for growth, offering full scale services within advisory, development, operations and support combined with flexible global delivery. NNIT embraces innovation in several ways, from the business case approach to internal entrepreneurship, and from co-creation to the use of strategic acquisitions. Common to our approach is the desire for increased client proximity, and we are now changing our organization to make it even more client centric and to support accelerated growth in international life sciences.

Strategy review

During the past four years we have executed our business in line with the direction set at our IPO, yet we see how assumptions in the market and especially business opportunities from our largest client are changing. During the second half of 2018, we have completed a deep strategic review and are now ready to recast our equity story. The fundamentals in our value proposition to our shareholders are kept intact, but we are intensifying our focus on IT for life sciences and we intend to leverage NNIT's solid balance sheet to take a more aggressive approach to growing our business. Profitable growth will still be imperative, but so will strategic acquisitions supporting our core competencies. You can read more about our new ambitions on page 19.

Accelerating growth

Leading clients through digital innovation requires skilled and experienced employees with a profound understanding of the industry. Due to high levels of complexity, regulation and quality requirements, the market for IT services to the life sciences industry has high entry barriers, which make it an attractive competitive arena for NNIT and our unique capabilities. Our heritage and legacy give us strong domain knowledge and a solid position, which also enables us to deliver high quality to other regulated industries.

For several years, NNIT has delivered more than 20% annual growth rates in international life sciences. In order to further accelerate this growth, we are scaling up our operations in Europe, the US and China, and in addition to organic growth, we will pursue bolt-on acquisitions within the life sciences markets in Europe and the US. Recent acquisitions have increased our appetite for strategic acquisitions, and we are excited about the opportunity this represents - for fueling growth and creating value for our stakeholders.

Welcome to Valiance Partners

In October 2018, NNIT acquired US-based Valiance Partners, a fast-growing provider of critical data migrations to the international life sciences industry. Valiance Partners has managed more than 500 data migrations for over 110 companies, including the world's leading pharmaceutical, medical device and biotechnology brands. The addition of Valiance Partners' world-class data migration tools and services to NNIT's existing system integration methodology, positions NNIT as a leading implementation provider of highly complex Software-as-a-Service (SaaS) solutions to the life sciences industry.

Another notable accomplishment comes with SCALES, the fast-growing company we acquired in 2017 in order to consolidate our position as an ERP power house and a market-leading

Carsten Dilling, Chairman of the Board of Directors

Per Kogut, CEO

provider of Microsoft Dynamics 365 services: While seamlessly delivering high-quality cloud solutions and services, we have also begun to welcome and grow additional clients together, as One NNIT.

Competitive results

Reporting revenue growth of 5.5% and an operating profit margin of 10.2% in 2018, NNIT continues to deliver competitive results. We continued to deliver double-digit growth in revenue from the international life sciences, public and enterprise customer groups. Their increase compensated for the 5% decline in revenue from our largest client, the Novo Nordisk Group. All in all, the share of revenue from other customer groups increased from 58% in 2017 to 63% in 2018, further reducing our dependency on the Novo Nordisk Group. This trend is expected to continue as per our strategy.

The market for IT services remains fiercely competitive, yet NNIT continues to win the trust of new clients and expand its line of services. In 2018, NNIT signed major contracts with STARK, AP Pension, SDC, NNE and welcomed a number of additional clients from the international life sciences industry. We also extended large contracts with the successful global enterprises, Arla Foods and Vestas. The expanded agreement with Denmark's largest pension provider, PFA, marks the continuation of a nine-year collaboration, and our IT infrastructure operations contract with the Danish Agency for Digitization was extended by an additional seven years.

In January 2019, we extended our infrastructure outsourcing agreement with DSB for another two years.

Major contender

The ambition to match the absolutely highest possible standards is deeply embedded in NNIT's culture, and industry experts increasingly acknowledge and confirm our leading position. An important proof of quality came with the complete tier III certification from Uptime Institute of our data center situated in Ejby, Denmark. This documents that NNIT offers access to three state-of-the-art data centers, as the only IT provider in Denmark. Furthermore, as a testimony to the continued execution of our strategy, NNIT was acknowledged in 2018 as a major contender in the digital service provider landscape for life sciences by internationally accredited observers.

Increased dividend

We are pleased that our strong underlying cash flows allow us to propose an increased dividend, including the interim dividend, for a total of DKK 4.6 per share in 2018 compared to DKK 4.3 per share in 2017, while also having acquired Valiance Partners.

We would like to conclude by thanking NNIT's more than 3,200 employees for their commitment to NNIT, to our values that underlie everything we do, and to our strategic imperatives. Thanks to their dedicated and hard work we maintain our strong culture, which allows for diverse teams of talented people to make their mark across the globe. Thank you also to our Board of Directors for their confidence in our leadership team, and for their hard work, dedication and continued stewardship on behalf of our shareholders. We remain grateful to all of our clients, shareholders and partners for their continued support and trust. Thank you for your sustained commitment. We look forward to continuing our valued cooperation.

Carsten Dilling, Chairman
Per Kogut, CEO

Main highlights 2018

In 2018, NNIT delivered overall revenue growth of 5.5% and an EBIT margin of 10.2%.

Revenue, DKK million

3,007

DKK 2,851 million (2017)

- Revenue grew by 5.5% within the guidance range provided, driven by clients in the life sciences, enterprise and public customer groups
- 13.0% growth in revenue from clients outside the Novo Nordisk Group
- 5.2% decline in revenue from the Novo Nordisk Group

Revenue and growth

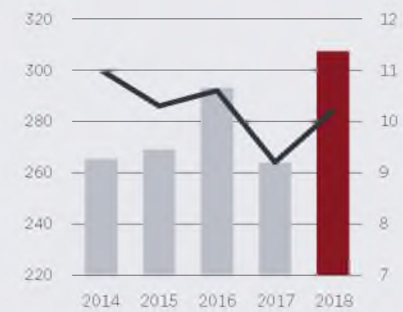
Operating profit margin

10.2%

9.2% (2017)

- Operating profit margin of 10.2% (9.2% in 2017) within the guidance range provided
- The operating profit margin was positively impacted by the 13.0% growth in revenue from clients outside the Novo Nordisk Group partly offset by the decline in revenue from the Novo Nordisk Group

Operating profit and margin



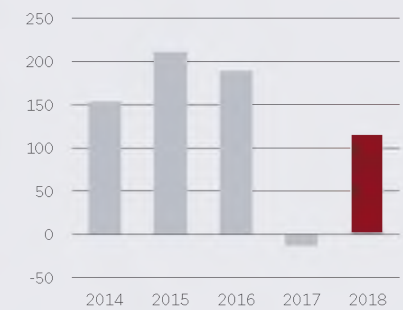
Free cash flow, DKK million

116

DKK -13 million (2017)

- NNIT generated a free cash flow of DKK 116 million in 2018. Excluding the up-front payment for the acquisition of Valiance (DKK 162 million) and including lease repayments (DKK 90 million), the underlying free cash flow was DKK 188 million
- The underlying free cash flow equals a cash-to-earnings ratio of 80%

Free cash flow



Dividend per share, DKK

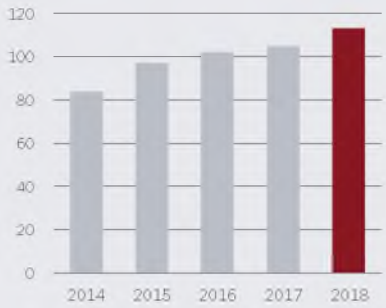
4.6

DKK 4.3 (2017)

- Proposed dividend for 2018 DKK 113 million (2017: DKK 105 million) corresponding to a payout ratio of 48% and a dividend yield of 2.5%
- Dividends are normally paid out twice a year, an interim dividend after Q2 and an ordinary dividend after Q4
- Earnings per share DKK 9.60

Proposed dividend

DKK million



Order backlog, DKK million

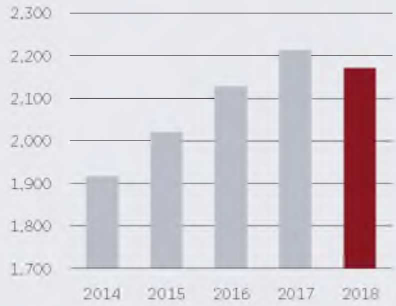
2,171

DKK 2,213 million (2017)

- NNIT's order backlog of signed contracts for delivery in 2019 at December 31, 2018
- Year on year decline in backlog for 2019 of 1.9% compared to backlog for 2018
- The backlog is impacted by a decline in multiyear outsourcing agreements, while business coming from projects with low backlog visibility increases

Order entry backlog

DKK million



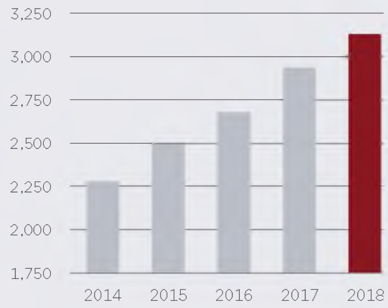
Growth in employees

6.5%

9.7% (2017)

- Average number of full-time employees in 2018 was 3,129. This was 6.5% higher than in 2017
- The share of employees in NNIT's three delivery centers in China, the Czech Republic and the Philippines was 46% which was 2pp higher than in 2017

Average number of employees



Valiance Partners, an NNIT Group Company

NNIT announced the acquisition of Valiance Partners LLC on October 9, 2018. The acquisition boosts NNIT's growth and strengthens its position as a leading IT services provider for the global life sciences industry.

US-based Valiance Partners is recognized and referenced as one of the strongest providers of migration services for the rapidly growing Software-as-a-Service (SaaS) platforms, primarily to pharmaceutical companies. It is ranked among the fastest-growing companies within this segment in the US and has managed and successfully completed more than 500 migrations for over 110 clients, including many of the world's leading pharmaceutical, medical device and biotechnology companies.

Demand for migration services has grown significantly in recent years, as more and more life sciences companies implement cloud-based platforms to collect and integrate data and transform business processes. Combining Valiance Partners' expertise with NNIT's experience in system integration allows us to provide even better end-to-end life sciences transformational IT services to our clients.

Five year performance highlights

DKK '000	2018	2017[1]	2016	2015	2014	2017-2018
Financial performance						
Revenue:						Change
Life sciences	1,557,556	1,560,004	1,597,022	1,649,740	1,546,824	-0.2%
Hereof Novo Nordisk Group	1,124,156	1,185,401	1,238,395	1,315,766	1,260,270	-5.2%
Hereof life sciences excl. NNG	433,400	374,603	358,627	333,974	286,554	15.7%
Enterprise	793,819	684,289	545,620	384,669	371,253	16.0%
Public	399,155	353,851	385,288	375,113	326,065	12.8%
Finance	256,624	253,243	236,662	190,765	166,254	1.3%
Total revenue by customer group	**3,007,154**	**2,851,387**	**2,764,592**	**2,600,287**	**2,410,396**	**5.5%**
IT Operation Services	1,842,286	1,831,893	1,823,682	1,740,403	1,667,104	0.6%
IT Solution Services	1,164,868	1,019,494	940,910	859,884	743,292	14.3%
Total revenue by business area	**3,007,154**	**2,851,387**	**2,764,592**	**2,600,287**	**2,410,396**	**5.5%**
EBITDA	554,885	494,100	437,265	410,322	389,363	12.3%
Depreciation and amortization	247,476	231,797	144,362	141,217	124,016	6.8%
Operating profit (EBIT)	307,409	262,303	292,903	269,105	265,347	17.2%
Net financials	-2,278	-9,928	-12,628	3,128	2.377	-77.1%
Net profit for the year	**235,606**	**198,817**	**215,700**	**212,441**	**209,283**	**18.5%**
Investment in tangible assets	146,244	326,597	164,574	140,692	150,898	-55.2%
Investment in intangible incl. acquisitions	176,536	108,270	13,575	0	0	63.1%
Total assets	2,544,281	2,322,284	1,590,516	1,335,781	1,282,410	9.6%
Equity	1,084,930	973,565	846,468	740,818	684,252	11.4%
Dividends proposed	113,005	104,677	101,850	97,000	83,713	8.0%
Free cash flow	116,058	-12,611	188,386	210,841	152,658	n/a
Earnings per share						
Earnings per share (DKK)	9.60	8.17	8.89	8.76	8.37	17.5%
Diluted earnings per share (DKK)	9.52	7.97	8.85	8.73	8.37	19.4%
Employees						
Average number of full-time employees	3,129	2,937	2,677	2,494	2,276	6.5%
Financial ratios[2]						
Gross profit margin	18.0%	18.0%	19.6%	19.9%	19.9%	
EBITDA margin	18.5%	17.3%	15.8%	15.8%	16.2%	
Effective tax rate	22.8%	21.2%	23.0%	22.0%	21.8%	
Investments/Revenue	5.3%	11.8%	6.4%	5.4%	6.3%	
Return on equity	22.9%	21.8%	27.2%	29.8%	28.9%	
Solvency ratio	42.6%	41.9%	53.2%	55.5%	53.4%	
Return on invested capital (ROIC)[2]	18.5%	20.8%	37.6%	38.3%	40.9%	
Cash to earnings[2]	49.3%	-6.3%	87.3%	99.2%	72.9%	
Cash to earnings (three-year average)[3]	44.9%	61.7%	86.6%	93.2%	45.0%	
Long-term financial targets						Target
Revenue growth	5.5%	3.1%	6.3%	7.9%	9.3%	
Operating profit margin	10.2%	9.2%	10.6%	10.3%	11.0%	≥ 10%
Additional numbers						
Order entry backlog for the following year[4]	2,171,309	2,212,982	2,126,981	2,019,819	1,915,796	-1.9%
Order entry backlog for the following year 2+3[5]	2,404,261	2,323,824	2,046,110	2,166,814	2,532,842	3.5%

1) Numbers have been restated to include the effect of the implementation of IFRS 15 and IFRS 16. Please see accounting principles on page 64.
2) Please see page 71 for definitions.
3) Cash to earnings (three-year average) is a simple average of the past three years.
4) Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in a future financial year.
5) Years 2+3 represent 2020 and 2021 in the 2018 column and 2019 and 2020 in the 2017 column, etc.

2018 financial performance and outlook

NNIT delivered revenue growth of 5.5% and an operating profit margin of 10.2%.

NNIT grew its revenue by 5.5% (5.8% in constant currencies) in 2018, in line with the most recent guidance of 4-7% (constant currencies) provided in October 2018 and January 2018. This was driven by a 13.0% revenue increase from clients outside the Novo Nordisk Group, while revenue from the Novo Nordisk Group declined by 5.2%. The increase in revenue was driven by double-digit growth in the international life sciences, enterprise and public customer groups. Adjusted for the acquisitions of SCALES and Valiance Partners, organic growth was 3.0% including the Novo Nordisk Group and 8.5% excluding the Novo Nordisk Group.

The operating profit margin was 10.2% (10.0% in constant currencies), consistent with the 10.0-10.5% guidance provided in January 2018 and reiterated in October 2018. The operating profit margin was adversely impacted by a 5.2% decline in revenue from the Novo Nordisk Group mitigated by efficiencies and a revenue increase of 13.0% from other clients.

Investments were at the low end of the guidance given throughout the year due to timing of investments.

Customer groups

Revenue from the Novo Nordisk Group declined by DKK 61.2 million or 5.2% in 2018, primarily due to reduced project activity and price reductions on major service level agreements. As a consequence of the decline in revenue from the Novo Nordisk Group and growth from other clients, the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 63% in 2018 from 58% in 2017.

Revenue from life sciences excl. Novo Nordisk Group clients increased by 15.7%, driven by a 32% organic growth from international life sciences clients, while revenue from Danish life sciences clients was unchanged.

Revenue from the enterprise customer group increased by 16.0% compared to 2017, driven by PANDORA, STARK and a number of IT Solution Services clients.

Revenue from the public customer group increased by 12.8% compared to 2017, driven by the Danish Tax Agency and the Agency for Digitisation. Further, 2017 was negatively impacted by a one-off settlement with a client in IT Solution Services.

Revenue from the finance customer group increased by 1.3% compared to 2017, driven by the expansion of operation agreements with existing clients and higer project sales. This was partly offset by a client contract in IT Operation Services, which was discontinued mid-2017.

Order entry backlog

At the beginning of 2019, NNIT's order entry backlog for 2019 amounted to DKK 2,171 million, which was a decline of 1.9% compared to the backlog for 2018 at the beginning of 2018. The backlog from the Novo Nordisk Group and clients outside the Novo Nordisk

Customer group

DKK '000

	2018	2017	2017-2018
Life sciences	1,557,556	1,560,004	-0.2%
hereof Novo Nordisk Group	1,124,156	1,185,401	-5.2%
hereof non-Novo Nordisk Group	433,400	374,603	15.7%
Enterprise	793,819	684,289	16.0%
Public	399,155	353,851	12.8%
Finance	256,624	253,243	1.3%

Group declined by 3.4% and 0.9%, respectively.

Including the recent extension of the infrastructure outsourcing agreement with DSB the backlog increases by 0.2% compared to last year. The backlog development is impacted by a decline in multiyear outsourcing agreements, while business coming from projects with low backlog visibility increases.

The order entry backlog for 2020 and 2021 at the beginning of 2019 was 3.5% higher than the corresponding backlog for 2019 and 2020 at the beginning of 2018. The increase in the order entry backlog is due to the extension of several large non-Novo Nordisk Group infrastructure contracts.

Income statement

DKK '000

	2018	2017	Change
Revenue	**3,007,154**	**2,851,387**	**5.5%**
Cost of goods sold	2,465,941	2,338,437	5.5%
Gross profit	**541,213**	**512,950**	**5.5%**
Gross profit margin	*18.0%*	*18.0%*	*0.0pp*
Sales and marketing costs	127,613	135,348	-5.7%
Administrative expenses	106,191	115,299	-7.9%
Operating profit	**307,409**	**262,303**	**17.2%**
Operating profit margin	*10.2%*	*9.2%*	*1.0pp*
Net financials	-2,278	-9,928	-77.1%
Profit before tax	**305,131**	**252,375**	**20.9%**
Tax	69,525	53,558	29.8%
Effective tax rate	*22.8%*	*21.2%*	*1.6pp*
Net profit	**235,606**	**198,817**	**18.5%**

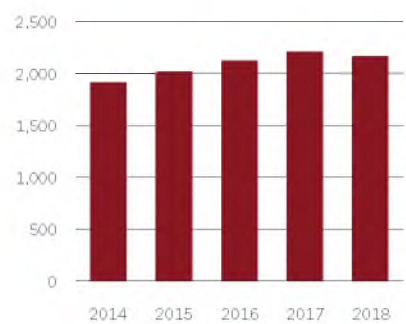
Gross profit, costs and operating profit

Gross profit increased by 5.5%, supported by a one-off revenue reversal in 2017. This was partly offset by costs of the newly established data center which are not yet fully covered by revenue due to a low utilization rate, which is to be expected in the first years of an investment period. Further, the decline in revenue from the Novo Nordisk Group and price reductions in major service level agreements also impacted the gross profit margin negatively. The gross profit margin was 18.0% at the same level as in 2017.

Sales and marketing costs decreased by 5.7% in 2018 compared to 2017. This was primarily due to cost efficiencies.

Order entry backlog

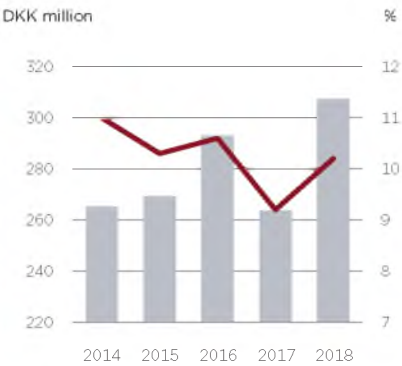
DKK million



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

Operating profit and margin

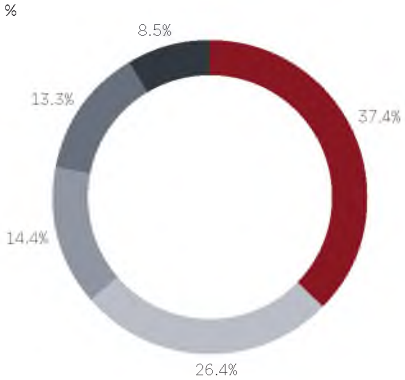
DKK million %



■ Operating profit
■ Operating profit margin

Revenue by customer group

%



■ Novo Nordisk Group
■ Enterprise
■ Life sciences excl. Novo Nordisk Group
■ Public
■ Finance

Administrative expenses decreased by 7.9% mainly due to cost efficiencies and layoffs in staff functions in 2017.

Operating profit increased by 17.2% to DKK 307.4 million, corresponding to an operating profit margin of 10.2%, which was 1.0pp higher than in 2017 due to the one-off revenue reversal of DKK 26.1m in 2017 and the above-mentioned developments.

Business areas – revenue and profitability review

IT Operation Services revenue increased by 0.6% driven by clients outside the Novo Nordisk Group. Revenue from the Novo Nordisk Group decreased by 5.9% following reduced project activity and price reductions on major service level agreements. Revenue from clients outside the Novo Nordisk Group increased by 5.8% in 2018, driven by STARK, PANDORA and Danske Bank.

Operating profit in IT Operation Services decreased by 12.5% to DKK 178.6 million corresponding to an operating profit margin of 9.7%. The decrease was driven by the additional data center costs, price reductions in major service level agreements and the declining revenue from the Novo Nordisk Group.

IT Solution Services revenue increased by 14.3%, driven by a 24% increase in revenue from clients outside the Novo Nordisk Group. Revenue from the Novo Nordisk Group declined by 3.5% compared to 2017 due to reduced project activities.

Operating profit in IT Solution Services increased by 122% to DKK 128.9 million leading to an operating profit margin of 11.1%. The increase was due a one-off revenue reversal in 2017 impacting comparison figures in 2017 negatively, increased revenue and higher utilization of billable resources.

Net financials and tax

Net financials were an expense of DKK 2.3 million in 2018 compared to an expense of DKK 9.9 million in 2017. The improvement was primarily due to higher gains on cash flow hedges which were partly offset by a tax-related interest expense.

Income tax increased to DKK 69.5 million in 2018 compared to DKK 53.6 million in 2017, mainly due to the higher profit before tax and a non-deductible expense from prior years. The effective tax rate for 2018 was 22.8%, an increase of 1.6pp compared to 2017 due to the non-deductible expense from prior years.

Capital expenses and free cash flow

Investments amounted to DKK 160.5 million in 2018 compared to DKK 336.9 million in 2017 of which DKK 181.1 million was related to the new data center. The decrease in investments is related to last year's investments in the data center.

The free cash flow for 2018 was DKK 116.1 million compared to the negative free cash flow of DKK 12.6 million in 2017. 2018 was impacted by the acquisition of Valiance Partners (DKK 162.3 million), while 2017 was impacted by

Business areas

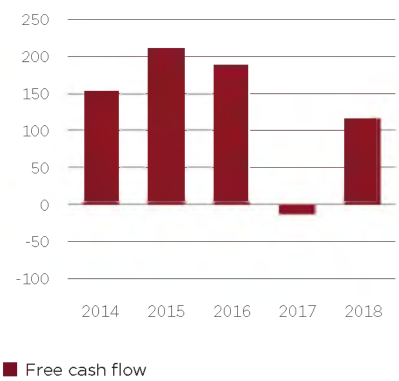
DKK '000

IT Operation Services	2018	2017	2017-2018
Revenue	1,842,286	1,831,893	0.6%
Operating profit	178,555	204,119	-12.5%
Operating profit margin	9.7%	11.1%	-1.4pp

IT Solution Services	2018	2017	2017-2018
Revenue	1,164,868	1,019,494	14.3 %
Operating profit	128,854	58,184	121.5 %
Operating profit margin	11.1%	5.7%	5.4pp

Free cash flow

DKK million



the acquisition of SCALES (DKK 98.0 million) and the investment in a new data center (DKK 181.1 million).

The underlying free cash flow was consistent with the level of 2017 when adjusted for the acquisitions and the investment in a new data center. The underlying cash-to-earnings ratio was 80% also in line with 2017. NNIT paid ordinary dividends of DKK 56.4 million in March 2018 and interim dividends of DKK 49.1 million in August 2018. 2018 net cash flow amounted to DKK 33.0 million compared to a DKK -99.3 million outflow in 2017.

Balance sheet
Cash and cash equivalents were negative by DKK 135.1 million at December 31, 2018, a decrease of DKK 116.5 million relative to December 31, 2017. Equity at December 31, 2018 amounted to DKK 1,084.9 million, an increase of DKK 111.4 million compared to December 31, 2017. The improvement was due to net profits offset by the payment of ordinary dividends for 2017 (DKK 56.4 million) and interim dividend for 2018 (DKK 49.1 million).

Long-term financial targets
Since the IPO in 2015, NNIT has pursued two key long-term financial targets:

- Organic revenue growth of at least 5%
- Operating profit margin of at least 10%

These targets have served NNIT well as an integral part of the strategic planning and have guided NNIT to strong financial performance.

The segments to drive revenue growth for NNIT going forward is our international life sciences and the Private & Public segments. Combined with continued uncertainty regarding sales to the Novo Nordisk Group, the long-term financial target for organic revenue growth is adjusted giving the following targets:

- Organic revenue growth of 6-8% excluding revenue from the Novo Nordisk Group

- Operating profit margin of at least 10% is maintained

There is no long-term revenue target for the Novo Nordisk Group, but as usual we will provide full-year guidance for total revenue growth at the beginning of each year in connection with the release of the annual report.

Events after the balance sheet date
January, 2019 NNIT extended the infrastructure outsourcing agreement with DSB increasing the backlog for 2019 and 2020, see press release January 22, 2019.

January 29, 2019 NNIT has announced a new strategy, updated long-term targets and a new organization to support the new strategy, please see company announcement 1/2019.

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, 2018.

Revenue growth

5.5%

4.6% (2017)

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

69%

72% (2017)

Novo Nordisk share of NNIT's total revenue:

37%

42% (2017)

Outlook

The order backlog for 2019 at the beginning of Q1 2019 declined by DKK 41.7 million to DKK 2,171 million, or by 1.9%, compared to the order backlog for 2018 at the beginning of Q1 2018.

Including the recent extension of the infrastructure outsourcing agreeement with DSB the backlog increases by 0.2% compared to last year. The backlog development is impacted by a decline in multiyear outsourcing agreements, while business coming from projects with low backlog visibility increases.

The guidance for 2019 revenue growth is 3-6% in constant currencies and excluding potential new acquisitions in 2019. The operating profit margin in constant currencies is expected to be in the range of 10-10.5%.

The guidance is based on a number of important assumptions, including that relevant macroeconomic trends will not significantly change business conditions for NNIT during 2019, that business performance, client and competitor actions will remain stable and that key currency exchange rates will remain at the current (as of January 23, 2019) levels versus Danish kroner.

Summary of current expectations

	Current guidance	Long-term targets*
Revenue growth		
in constant currencies**	3-6%	6-8% organic (excl. Novo Nordisk Group)
Operating profit margin		
in constant currencies**	10-10.5%	> 10%
Investments / revenue***	5-7%	

* Long-term targets are in reported currencies.

** Constant currencies measured using average 2018 exchange rates.

*** Re-investments and new client investments in the near term are expected to be 5-7 percent of total revenue.

Currency sensitivities

	Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK*	Hedging period (months)
EUR	DKK 28 million	-
CNY	DKK -22 million	14
CZK	DKK -13 million	14
PHP	DKK -7 million	14
CHF	DKK 1 million	-
USD	DKK 4 million	-

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

* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume our business develops consistently with our current 2019 business plan.

Key currency assumptions

DKK per 100	2017 average exchange rates	2018 average exchange rates	YTD 2019 average exchange rates at January 23, 2019	Current exchange rates at January 23, 2019
EUR	743.86	745.32	746.58	746.67
CNY	97.57	95.43	96.06	96.79
CZK	28.27	29.06	29.14	29.06
PHP	13.08	11.98	12.47	12.46
CHF	669.63	645.74	662.00	658.73
USD	659.53	631.74	653.78	656.88

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 33-35.

NNIT in a nutshell

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

Based on our global delivery model, we deliver highly specialized IT services that enable our clients to optimize their business and transform digitally. We focus on IT consultancy, development, implementation and operations for regulated industries combining our vast experience with high quality IT solutions.

We are dedicated to supporting our clients in optimizing their businesses, increasing efficiency and complying with regulatory requirements.

Our offerings range from advisory services and business solutions through application and infrastructure outsourcing to running our clients' entire IT including operations, service desk and data center services.

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

Vision

We want to be the preferred **IT transformation** partner for **international life sciences** companies and for the Danish **private** and **public** sector

Mission

As One NNIT,

- we make a mark on our customers' businesses
- we are passionate people developing winning teams with our customers
- we achieve competitive business results through quality services

NNIT core strengths

- Stable business model based on a focused strategy
- Strong track record backed by profound experience
- Life sciences/regulatory domain expertise
- Integrated global delivery model
- Prestigious client base
- Skilled and dedicated employees

Values

- Open and honest
- Conscience driven
- Value adding

BIG – cultivating corporate entrepreneurship

In 2018, NNIT launched a corporate entrepreneurship initiative named Business Innovation Growth (BIG) in order to stimulate new ventures internally.

The purpose of BIG is to develop new offerings from NNIT with a faster and more agile innovation approach. A dedicated team of NNIT employees is given the opportunity to develop an idea into a Minimum Viable Product, MVP, by working as a startup for three months within NNIT, or in co-creation with clients, partners, startups or other businesses.

The setup encourages an experimental approach and a high degree of freedom to fail fast and learn, and it supports and further cultivates an innovative mindset at NNIT. In the first round of the program, 38 ideas were submitted, of which five were presented to top management. The winning team has – together with life sciences clients - developed a clinical studies accelerator, enabling the wider use of IoT and sensor technology.

Strategy

Over the past 20 years, we have grown NNIT by delivering IT services for the life sciences industry across the globe and for private companies and public sector organizations in Denmark. Our strategy towards 2022 aims to sustain growth across our segments in Denmark and in particular within the life sciences market internationally.

NNIT 2022

6-8% organic revenue growth excluding the Novo Nordisk Group	Operating profit margin of at least 10%

Grow revenue

Grow revenue through life sciences

We are well positioned in the life sciences market due to our experience and deep domain knowledge.

We aim to continue our strong +20% organic growth in international life sciences by pursuing strategic acquisitions and accelerating growth even further.

Grow NNIT core revenue

Our core offerings within infrastructure and application outsourcing, advisory, business solutions and support constitute the main part of our business. With our stable operations and agile delivery we want to continue growing our market share with both private companies and the public sector in Denmark.

Grow revenue through increased level of innovation

The IT market and client needs continue to transform at increasing speeds.

We will build on and strengthen our innovation capabilities to significantly grow the level of new high margin offerings we bring to the market.

Maintain and nurture a strong relationship with Novo Nordisk

NNIT was born out of Novo Nordisk in 1998, and Denmark's largest pharmaceutical company remains an important client for us.

Through innovative solutions and state-of-the-art delivery models we are committed to remaining relevant and competitive.

Optimize cost

Cost efficient delivery, sales and support functions

To ensure that NNIT's business remains competitive, we constantly optimize our delivery, sales and support functions. Through our excellence programs we constantly challenge and improve the way we work. Through our near- and offshore destinations we ensure that we are able to meet our clients' requirements of cost efficient, high quality and flexible delivery.

Efficiency through automation and artificial intelligence

Technology within automation and artificial intelligence, AI, is steadily maturing. At NNIT, we leverage this new technology to enable less manual work, more streamlined processes and lower costs while minimizing the risk of errors. We will continue to build capabilities internally while leveraging external partnerships to ensure access to the latest technology.

Business model

Resources

Strategy, vision and culture

Solid balance sheet and access to capital

Brand and relations building

Knowledge and insight

People and competencies

Delivery model

Core activities

Impact

Digital transformation and robust operations

Job creation and competence building

Customer satisfaction and loyalty

Community and education

Sustainable quality solutions

Return on investments

Resources

Strategy, vision and culture

Combined with a strong company culture and heritage, NNIT's strategy and vision guide our management and employees, providing a strong foundation for further development and growth.

Solid balance sheet and access to capital

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

Brand and relations building

NNIT is a strong IT and consultancy brand that combined with strong client, investor and employee relations presents a significant resource for further positioning.

Knowledge and insight

NNIT is built on a comprehensive knowledge base; in IT development, implementation and operations.

People and competencies

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.

Delivery model

NNIT operates a global delivery model with delivery centers in Denmark, China, Philippines and the Czech Republic, the latter including a multi-lingual service-desk currently supporting ten different languages.

Impact

Digital transformation and robust operations

NNIT helps clients integrate digital technology into all areas of their business, resulting in fundamental changes to how they operate and deliver value to their own customers. As their digital innovation partner, we help them explore new ways to deliver superior client-perceived value.

Job creation and competence building

NNIT continues to create jobs while also building talent and competencies in IT.

Customer satisfaction and loyalty

Impeccable customer satisfaction and loyal client relationships are the cornerstone of NNIT's business and are considered a prerequisite for further growth.

Community and education

NNIT supports initiatives that inspire the young generation to explore the potential of IT and technology - ultimately strengthening the talent pool, not just for the benefit of NNIT, but for society in general.

Sustainable quality solutions

NNIT is based on high quality and value-adding IT services that build credibility and position the company for further business.

Return on investments

NNIT intends to deliver a competitive return to its shareholders through a dividend pay-out ratio of at least 45%.

Our business

NNIT offers a broad range of IT services to select client groups in Denmark and internationally. Through our global delivery model our clients get highly specialized IT services that enable them to optimize their business, reduce costs, address cybersecurity and comply with regulatory requirements.

Enterprise

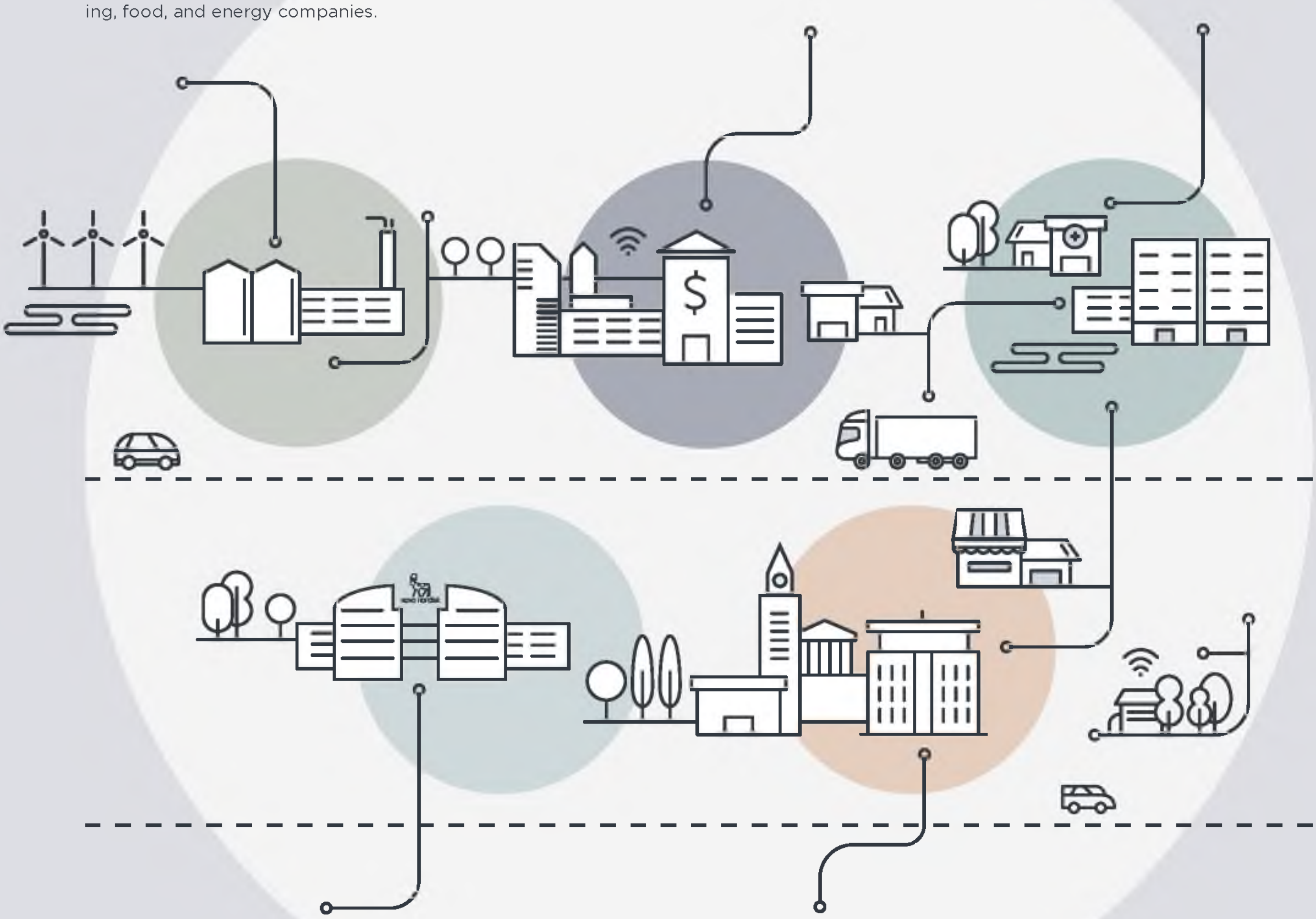
In the enterprise segment, we leverage our extensive experience in regulated IT to support our clients in meeting legal requirements as well as demanding business needs. We supply everything from ERP solutions to general IT systems operations for companies as diverse as manufacturing, food, and energy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

Finance

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

Life sciences

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



Novo Nordisk

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

Public

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

DENMARK - CUSTOMER GROUPS

Enterprise

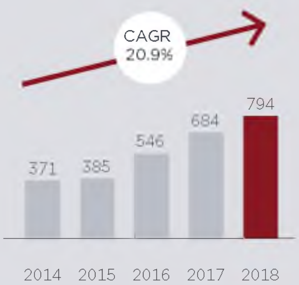
Market size 2018E[1]: 14.2bn
Market size 2022E[1]: 16.0bn
CAGR[1]: 3.0%

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

NNIT estimated market share[1]

NNIT, revenue growth

DKK million



Public

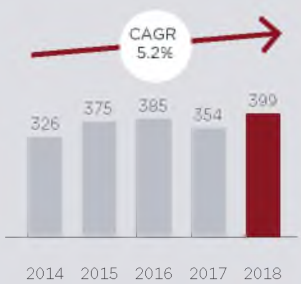
Market size 2018E[1]: 12.2bn
Market size 2022E[1]: 13.9bn
CAGR[1]: 3.2%

- NNIT targeting regions and central government
- Rigorous contract regime and terms and conditions
- Public tenders regulated by law

NNIT estimated market share[1]

NNIT, revenue growth

DKK million



Finance

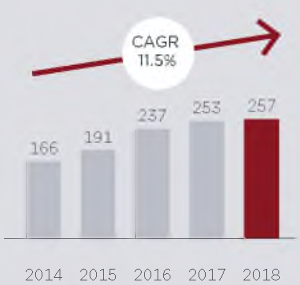
Market size 2018E[1]: 7.3bn
Market size 2022E[1]: 8.6bn
CAGR[1]: 4.1%

- Large and mature IT organizations with significant use of outsourcing but a recent trend of insourcing
- Market is being disrupted
- Mainframe is still a significant part of the IT landscape

NNIT estimated market share[1]

NNIT, revenue growth

DKK million



Novo Nordisk

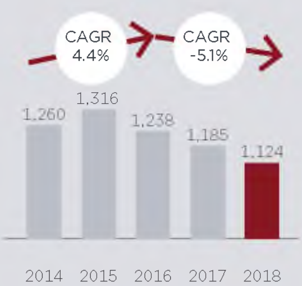
External IT spend 2018E[1]: 2.2bn

- More challenging and uncertain due to Novo Nordisk buying pattern
- NNIT is strong at HQ, corporate systems and in selected regions, but has a low market share in North America
- IT cost development will vary significantly across areas

NNIT estimated market share[2]

NNIT, revenue growth

DKK million



[1] Estimated market share calculated on the basis of market estimates by Gartner (Q3 2018) and NNIT 2018 revenue data.
[2] Estimated Novo Nordisk market share is based on NNIT intelligence as well as NNIT data.

DK AND INTL. LIFE SCIENCES

Life sciences
(excl. Novo Nordisk Group)

Market size 2018E[1]: 70.4bn
Market size 2022E[1]: 87.6bn
CAGR[1]: 5.6%

- Regulatory driven changes
- High degree of in-house IT but cost focus drives outsourcing acceptance
- Significant potential
- Not a generalist market

NNIT estimated market share[1]

NNIT, revenue growth

DKK million

[1] Estimated market share calculated on the basis of market estimates by Gartner (Q3 2018) and NNIT 2018 revenue data.

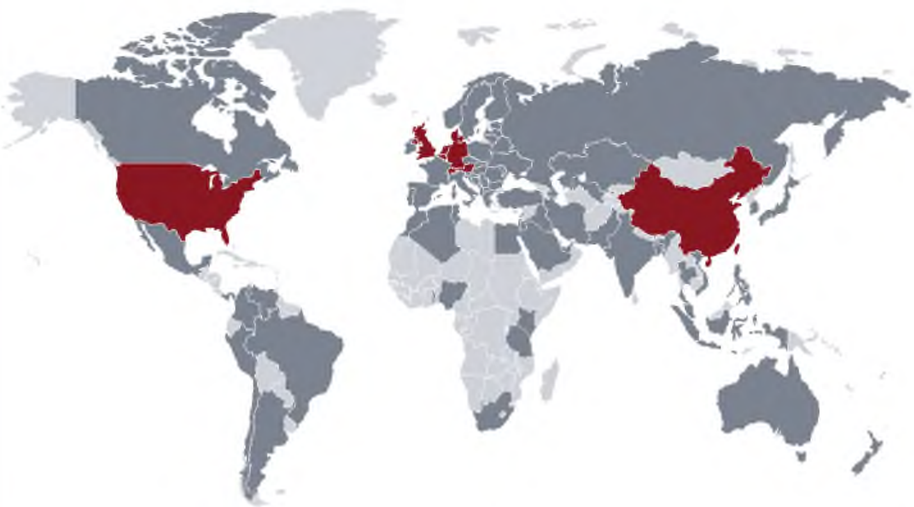
NNIT services world-wide

NNIT MAIN MARKETS

NNIT is headquartered in Denmark and has subsidiaries throughout Europe, North America and Asia. NNIT is currently the third largest IT services vendor in the Danish market.

NNIT SUPPORTING MARKETS

As a preferred IT outsourcing partner for clients of Danish origin, we support our clients in their internationalization and follow them wherever they go.



■ NNIT main markets
■ NNIT supporting companies of Danish origin

Markets & clients

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

NNIT's clients include some of the largest and most prestigious brands – including international life sciences companies, enterprises and financial services companies as well as public sector organizations. They all share a common need for robust IT operations that comply with regulations and enable them to innovate and grow.

NNIT's customer feedback program is divided into three feedback channels. An annual customer satisfaction survey measures each client's overall satisfaction with NNIT, a quarterly survey ('Evalgo') gauges satisfaction with specific deliveries, and end-user surveys that continuously measure their satisfaction with NNIT's service desk.

To further ensure that cooperation and business with clients are conducted in a proper and diligent manner, NNIT undergoes several client audits each year.

Audits, which also include third-party audits, independent service auditor reports, and internal audits, seek to determine whether deliveries meet client expectations and regulatory requirements. NNIT successfully passed all of these audits in 2018. The number of client audits and independent service auditor reports increased significantly in 2018. 18 client audits and 35 independent service auditor reports were requested by clients in 2018 (11 and 23 in 2017). In line with ISO 9001 and ISO 27001 certification requirements including interpretation of FDA and EMA regulations, NNIT further conducted internal audits and external supplier audits in accordance with ISO certifications.

Customer satisfaction

3.7

(Scale 1-5), 2017: 3.7

1 Target 4.0 5

Evalgo

4.2

(Scale 1-5), 2017: 4.3

1 Target 4.0 5

End-user survey

4.4

(Scale 1-5), 2017: 4.4

1 Target 4.0 5

Customer experience

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

Quality
(Customer complaints)

Service performance indicators

96.5%

Project performance

4.2

Quality (Customer complaints)

Service performance indicators

(key performance indicators (KPI) met) %

Project performance

(ability to meet deadlines - scale 1-5)

IT offerings and partnerships

In 2018, NNIT launched a number of new offerings and entered into new partnerships further developing its position in existing business areas. By focusing on what our clients can achieve by using the latest technology rather than on the technical solution itself, we help our clients meet their business and commercial requirements.

Regulatory Affairs transformation

NNIT helps regulatory affairs departments in pharmaceutical companies transform their business through new technology, and reap the benefits of innovation and IT optimization. NNIT offers a range of services to improve governance and roadmaps and transform regulatory affairs IT from its typical silo architecture to unified platforms, which allows our clients to improve processes, work smarter and improve data insights and their use of data.

Intelligent service and support

The collaboration with SupWiz enables NNIT to offer implementation of automatic processes in the IT Service Management (ITSM) area. This allows clients to potentially reap great benefits by freeing up resources from "automation friendly tasks". Our solution is based on artificial intelligence, machine learning and advanced algorithms.

Cloud Access Security Broker (CASB)

NNIT's CASB service allows clients to get on top of their cloud usage, by unveiling all cloud services being accessed by their employees, and empowering them to either block, alert or accept access to the cloud services in a policy based manner. Further, CASB empowers the organization to collect insights on data level and enforce policies on the data saved in the cloud services.

Cyber Defense Center

The NNIT Cyber Defense Center encompasses all of NNIT's security-related response services. This new iteration supports global 24/7 monitoring and response by certified cybersecurity specialists, has an agile delivery model, and is customizable to the client needs. Our motto is to "predict, prevent, and respond". By understanding our clients' risk environment, we are able to predict likely cyber-attacks, prevent incidents, and respond accordingly.

Laboratory Validation

This offering was created due to the increasing digitization of pharmaceutical laboratories. Resources with subject matter expertise of Computer System Validation (CSV), laboratory processes and scientific instruments are seldom readily available within the ranks of most pharmaceutical companies. NNIT has these resources available with experience from both GLP and GMP regulated laboratories and provides expertise through consultancy services.

Container-based platforms

The market slowly seems to be shifting away from virtual machines and onto container-based platforms. However, correct management of these platforms is essential for their success. Seeing how the need for a managed container platform as a service is increasing, NNIT has developed an offering to satisfy this need.

New partnerships

Valgenesis - Paperless Validation

NNIT and Valgenesis help clients increase efficiency and reduce manual errors through automated validation lifecycle management. With NNIT's Computer System Validation competences and Valgenesis's software tools, the life sciences industry can say goodbye to paper and remove the inefficiencies that plague today's IT validation processes. This offering standardizes and digitizes the often paper-based validation processes, allowing for easier management of documents, thereby increasing compliance.

Virsabi – augmented reality

Virsabi is a Danish start-up focusing on augmented reality and virtual reality (AR, VR). Together, we focus on manufacturing companies and help them use AR/VR/XR for more efficient training and knowledge transfer in production environments.

Veeva – cloud for life sciences

NNIT is a Veeva implementation partner facilitating the process from advisory to implementation. Furthermore, we help our clients optimize their usage of existing Veeva applications through delivering managed services integrated with Veeva. The acquisition of Valiance underlines our strong confidence in Veeva's industry cloud for life sciences and ensures fast and validated migration.

Co-creation – shaping innovation together

NNIT uses co-creation to develop and shape innovative solutions in partnership with our clients.

In parallel to the internal development of NNIT's corporate culture of innovation, co-creation allows us to adopt ideas and talent from a collaborative community. NNIT has entered into a number of partnerships both with start-up companies and with more established organizations, realizing that the combination of capabilities and experiences from both internal and external sources support the development of viable and relevant IT solutions.

Under the BIG innovation program (see page 18), our employees collaborate with life sciences clients to jointly design an accelerator for clinical studies. Another example comes from our partnership with SupWiz, which applies artificial intelligence and machine learning algorithms to improve client service. We also collaborate with Virsabi, using augmented reality to improve training and knowledge sharing in manufacturing environments.

Market-impacting trends

Digital at scale

NNIT is the third largest IT services provider in Denmark, and global macro trends continue to impact our own business as well as the businesses of our clients. Digital transformation is an umbrella term covering the transition from analog to digital business that is changing how businesses operate and deliver value to their clients. As a result of digital transformation, our typical client will face up to four needs:

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

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

NNIT accommodates demand for innovative offerings, including DevOps (see page 38), artificial intelligence, cloud solutions and compliance-driven offerings to ensure that our clients scale their digital efforts to the fullest potential while remaining secure and compliant.

Business Transformation

New technology-driven business models emerge with the potential to rapidly change market conditions, as technology typically lowers entry barriers and allows newcomers to enter the market with compelling new value propositions.

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

Customer Experience

Going forward, customer experience will be increasingly strengthened by the digital business component.

Together with data insights, artificial intelligence and advanced algorithms pave the way for more sophisticated models and individualized solutions.

Customer Experience also covers employees' experiences in using corporate systems and collaborative tools to become more productive.

Agility and Cloud

Businesses are increasingly coming under pressure to become more agile and to respond to changing market conditions.

The cloud is appreciated as a lever for boosting both agility and speed of innovation.

Much of the innovation using the cloud will be based on agile and DevOps principles. These principles ensure close cooperation between developers, operations and end-users which will raise quality and speed of delivery.

Regulation Security, Compliance & Cybercrime

With everything being digitalized, data volumes explode and hence the need for data protection increases.

Public authorities escalate regulation to protect citizens' personal data and prevent cybercrime, and businesses must comply with authorities' requirements as well as the demands of clients, suppliers, and employees.

EU GDPR is among the latest regulation but more is expected such as the EU NIS for critical infrastructure to strengthen anti-money laundering regimes in the financial sector.

Business and market overview

2018 revenue in Denmark, DKK million	2018 revenue outside Denmark, DKK million	Global IT Services Estimated market CAGR
2,629	**378**	**+5%**
Based on location of clients	Based on location of clients	Compound Annual Growth Rate 2018-2022 from Gartner Q3 2018

Denmark

Born in 1998 as Novo Nordisk IT, NNIT's history dates back 20 years.

However, as part of Novo Nordisk, our roots go back much further. Employing more than 1,600 people in Denmark, NNIT's Danish headquarters is responsible for delivery and sales as well as administrative staff functions.

2018 Estimated market size[1]
(DKK million): **36,854**

Estimated market CAGR 2018-2022[1]
(Compound annual growth rate): **3.3%**

NNIT employees end year
FTE in 2018 (2017): **1,655** (1,640)

Management
Per Kogut, CEO

North America

NNIT's Princeton offices are located in the so-called pharmaceutical corridor between Boston and Philadelphia. A total of 45 employees are currently based at the offices, which primarily serves pharmaceutical clients. Additionally, the US office is responsible for sales to new pharma clients in North America. In 2018, NNIT acquired Valiance Partners, a computer software and services data migration company primarily for the life sciences industry. Valiance Partners is headquarters in New Jersey, US and also has an office in Dublin, Ireland.

2018 Estimated life sciences market size[1]
(DKK million): **35,287**

Estimated market CAGR 2018-2022[1]
(Compound annual growth rate): **5.3%**

NNIT employees end year
FTE in 2018 (2017): **45** (26)

Management
Bo Olsen, General Manager

Czech Republic

NNIT's 273 employees in the Czech Republic manage IT infrastructure operations such as SAP, network and server operations, storage services and back-up operations for clients 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 14 different languages.

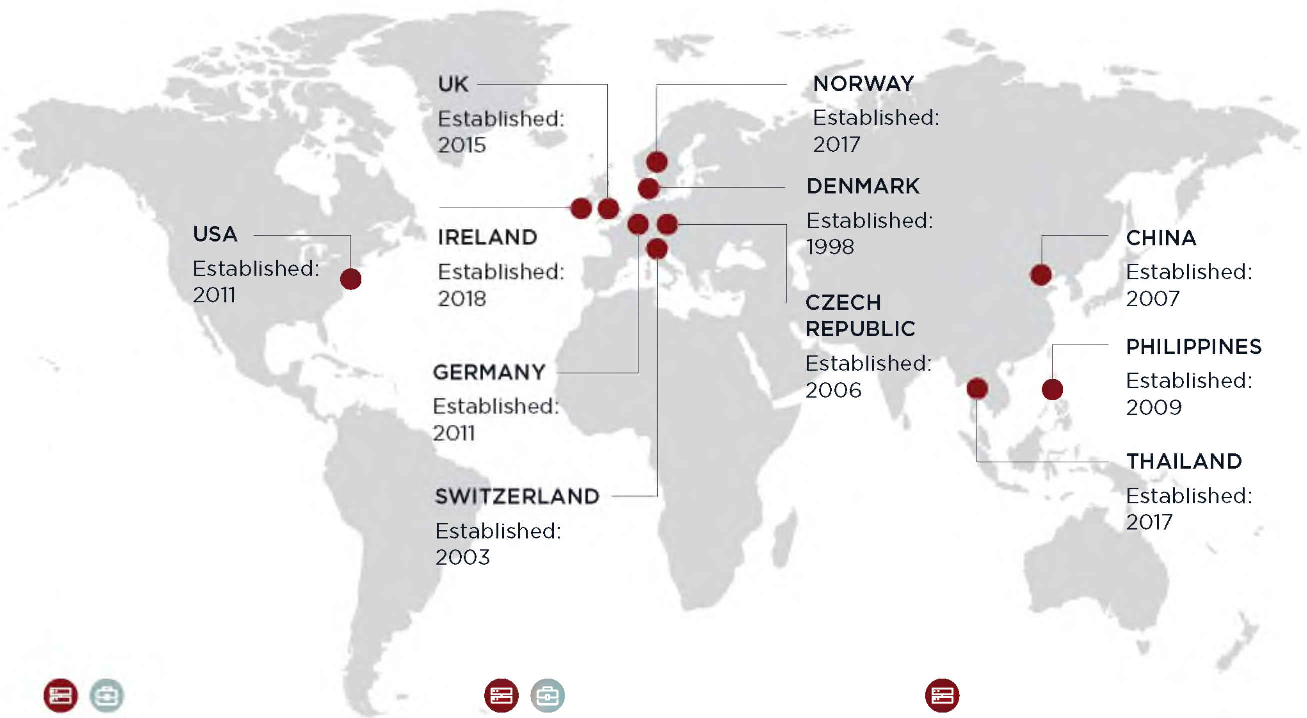
NNIT employees end year
FTE in 2018 (2017): **273** (269)

Management
Lasse Schmidt, General Manager

[1] Gartner (Q3 2018).

Delivery Sales Life Sciences Sales

Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia. In 2018, the company had a total headcount of 3,298 employees (3,214 FTE) across 11 locations.



Switzerland, UK, Ireland and Germany

The Zurich office, which is located in one of Europe's largest pharma hubs, spearheads our services to international pharmaceutical companies.

From our office in Zurich, 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 those regions.

2018 Estimated life sciences market size[1] (DKK million):	**31,125**
Estimated market CAGR 2018-2022[1] (Compound annual growth rate):	**4.9%**
NNIT employees end year FTE in 2018 (2017):	**49** (42)
Management Rasmus Nelund, General Manager	

China

NNIT's China office in Tianjin is the company's largest delivery center outside Denmark. Established in 2007, NNIT China currently has 899 employees which also includes a sales office in Shanghai.

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, while also catering to local clients in the growing Chinese life sciences market.

2018 Estimated life sciences market size[1] (DKK million):	**4,003**
Estimated market CAGR 2018-2022[1] (Compound annual growth rate):	**13.5%**
NNIT employees end year FTE in 2018 (2017):	**899** (847)
Management Søren Østergaard, General Manager	

Philippines

Around 300 employees work out of NNIT Philippines as an integral 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 clients around the world. As 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.

Thailand

The small office in Bangkok serves the local production site of PANDORA.

NNIT employees end year FTE in 2018 (2017):	**294** (207)
Management Maria A. S. Saulo, General Manager	

[1] Gartner (Q3 2018).

Delivery Sales Life Sciences Sales

Gold-certified data centers

As currently the only IT supplier in Denmark, NNIT's data centers are fully certified to the highest possible standards.

In the fall of 2018, NNIT achieved its third and final data center certification, which means that NNIT now has full Tier 3 certification for all three of its data centers.

The tier III certification completes a year-long process that warrants and accredits the design, facility, people and documentation of the data centers.

The certification marks an important proof of quality and security, as it concerns not only the physical framework but also the people and how the data center is run. At the end of the day, all digital life is carried by a data center, and NNIT can now document that its data centers meet the highest market standards.

NNIT has achieved the full official Tier III certification through Uptime Institute, an internationally acknowledged and unbiased advisory organization.

Risk management

Risk	Mitigating actions
Ability to grow new and existing clients outside the Novo Nordisk Group	• Digital transformation initiatives • Flexible delivery models (own tier III data centers, own cloud or partner cloud) • Marketing, monitoring and dedicated account planning • Competitive pricing through initiatives with business excellence • Robotic Process Automation, RPA, and Artificial Intelligence, AI
Business with Novo Nordisk	• Digital transformation initiatives to meet Novo Nordisk's needs incl. innovation • Adjust focus at Novo Nordisk to follow key business needs within line of business • Focus on innovation initiatives
Contract and legal/compliance risk including General Data Protection Regulation	• Contract management framework to improve overview of obligations • Data Protection Officer appointed • Comprehensive GDPR training
Not attracting/retaining sufficient talent	• Run Graduate and future specialist programs • Focus training towards new technologies • Stay interviews • Use global delivery centers abroad to mitigate shortage • Employer branding
Operation and delivery including cybersecurity	• Tier III data center setup • Security roadmap • Flexible delivery setup • Project and delivery governance
Currency exposure	• Hedging main currencies • Aim to create natural hedges

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 and implementation of mitigating actions and risk reporting. NNIT identifies risks applying a combined bottom-up/ top-down approach. Key risks are initially identified within each divisional area and reported to Group Management together with information on actions taken and any further action intended.

High risks are collected and a broad list presented in an annual risk report and submitted to Group Management for review. The report is subsequently presented to the Audit Committee and the Board of Directors. Group Management continuously follows up and reports monthly to the Board of Directors on risk development and mitigating actions taken.

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

Ability to grow new and existing clients outside Novo Nordisk Group

NNIT has a long-term strategic target of 6-8% organic 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 as well as grow its international life sciences market to meet its long-term strategic targets. As NNIT's business is concentrated on large clients NNIT relies on the IT spend of these large clients, including the renewal and non-termination of existing contracts.

The Danish IT services market is very competitive and consists of both domestic and international players. Therefore, NNIT must continuously develop new offerings in order to meet client needs and NNIT must at the same time improve productivity and efficiency in order to meet market pricing and maintain margins.

Within international life sciences NNIT has strong domain knowledge and primarily delivers relatively small projects. To grow further, and gain scale, NNIT needs to win larger projects as well as application and infrastructure outsourcing agreements.

NNIT takes a wide range of digital transformation initiatives to ensure that new offerings, sales, branding and customer experience meet client need for digital transformation. With its Business Innovation Growth (BIG) initiative, NNIT has introduced a new innovation model enabling corporate entrepreneurship and allowing experimental development with a fast time-to-market.

Market activities are monitored closely together with dedicated account planning on existing clients. The ability to deliver flexible delivery models is addressed through NNIT's ability to offer flexibility in delivering data center solutions. NNIT offers a tier III data center setup combined with the ability to accommodate cloud solutions either through own cloud or a partner cloud.

NNIT offers competitive pricing through initiatives with business excellence, Robotic Process Automation, RPA, and AI within service desk.

Business with Novo Nordisk

In 2018, NNIT generated revenue of DKK 1,124m from its largest client, the Novo Nordisk Group, which accounted for 37% of NNIT's 2018 revenue. However, sales to the Novo Nordisk Group has been decreasing over the past three years, because changes in Novo Nordisk's buying pattern have impacted NNIT's growth and prices. NNIT is influenced significantly by the buying behavior of the Novo Nordisk Group.

While revenue has been declining due to price reductions on service level agreements and fewer add-on projects, NNIT sees opportunities in helping Novo Nordisk with digital transformation and assisting in areas where Novo Nordisk can identify cost savings through outsourcing.

To support the digital transformation NNIT takes a wide range of digital transformation initiatives to ensure that new offerings, sales, branding and customer experience meet Novo Nordisk's need for digital transformation. The Business Innovation Growth initiative and the staged gate model, supporting incremental innovation, form part of this portfolio.

NNIT will continue to support Novo Nordisk's core IT infrastructure but will also adjust focus within Novo Nordisk and follow Novo Nordisk's key business needs as well as focus on innovation initiatives.

Contract and legal/compliance risk including General Data Protection Regulation

NNIT operates in an environment of increasing contract complexity and intensified regulatory requirements. Managing a large number of contractual obligations increases the risk of non-compliance. NNIT experiences increased use of complex contract schemes influenced by clients' legal advisors adding to the risk of disputes that could lead to arbitration, which could potentially have negative cost implications and cause reputational damage.

Further, changes in 2018 in the General Data Protection Regulation (GDPR) impose a potential risk that NNIT may be non-compliant and thus liable to fines, which could have a significant adverse impact on NNIT's financial results and reputation.

In order to mitigate risks NNIT has implemented a contract management framework in order to improve the overview of contracts and contractual obligations. Further, in order to address the focus on data protection and control, NNIT has appointed a Data Protection Officer and rolled out a comprehensive training framework ensuring NNIT employees are trained in GDPR.

NNIT also has an appropiate insurance program in place to mitigate these liability risks.

Failure to attract/retain sufficient talent

NNIT's business is founded on specialists with deep domain knowledge. NNIT's ability to maintain and renew existing client contracts and win new business depends on NNIT's ability to attract, retain and develop qualified IT professionals with the skills to keep pace with the continuing changes in information technology, evolving industry standards and changing client preferences.

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 constitutes a risk for the company.

To address these challenges NNIT has for a decade run graduate programs for talented young IT professionals at corporate level and at affiliate level at its main delivery centers. In addition, the graduate program has been supplemented by a future specialist program enabling young IT professionals to specialize in a technical area. NNIT focuses on individual development plans for employees as well as training in new technologies. Further, NNIT performs "Stay interviews" with employees with the aim of reducing attrition. This is done by getting early touchpoints with employees instead of obtaining feedback when the employee has resigned.

Finally, NNIT actively uses delivery centers outside Denmark as a means of mitigating any shortage of qualified IT professionals in the Danish IT services market.

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 is ranked among the very top IT employers in Denmark.

Operation and delivery including cybersecurity

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

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. Cybersecurity remains one of NNIT's top risks and could for example be intruders gaining unauthorized access to NNIT, impacting confidentiality, integrity and availability of critical systems and/or data resulting in breach of regulatory requirements as well as reputational damage.

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 serving clients 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 implications.

NNIT has achieved the official Tier III certification for its data centers, making NNIT the only IT supplier in Denmark with a complete certification of all data centers. In addition to owning two data centers NNIT rents capacity in a third, external, data center which is also Tier III certified.

NNIT is currently implementing a security roadmap and will in 2019 review and assess its effectiveness.

NNIT constantly monitors 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 monitors projects and deliveries through steering group meetings and all critical projects are evaluated at a bi-monthly meeting of the Strategic Portfolio Committee attended by top executive management.

Currency exposure

NNIT reports its operating results in Danish kroner, whereas a proportion of its revenue and costs are 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 but NNIT is also exposed to changes in the Philippine peso, the Czech koruna, the Swiss franc and the US dollar. To reduce the currency impact on the company's financial results, NNIT engages in currency hedging. NNIT currently hedges around 90% of its major foreign currency net exposure in Chinese yuan (hedged via the offshore Chinese yuan CNH), the Czech koruna and Philippine peso 14 months ahead. NNIT also aims to create natural hedges by balancing revenue and costs in its main exposed currencies.

For a more detailed description of NNIT's currency risks, see note 4.4 to the Group consolidated financial statements.

People, make your mark

As a fast-growing IT-company, NNIT must constantly attract new talent and maintain our top ranking as an attractive employer.

At NNIT, people make a mark on the digital transformation changing our lives, businesses and society and work on the most challenging projects in the IT industry. Every employee is encouraged to make a personal mark on these projects, symbolized by the distinct fingerprint symbol, which adorns our dialogue with employees and the IT talent pool.

The NNIT fingerprint is made up of binary code alluding to security and signaling NNIT as an IT company with a human touch. Our success relies on highly-skilled, passionate and loyal employees, who turn their knowledge and experience into value-adding solutions and services for our clients.

Senior profiles from NNIT participate in national and international fora, writing standards and debating legislation with regulators. Within life sciences, NNIT is heavily involved in releasing new guidance under ISPE/GAMP and PhUSE.

To maintain its top ranking as an attractive workplace, job satisfaction remains a key priority for NNIT. Continued learning takes a high priority in our retention strategy. Technology is constantly developing, and so must we as people, as a company, and as a provider of high quality services. Individual development plans are thus updated annually for every employee. In 2018, NNIT employees held more than 4,400 technology certificates.

In 2018 NNIT was positioned as a favorite IT employer in Denmark in several rankings. In the IT Company Rank 2018, NNIT was ranked second for the second straight year and was acknowledged as the number one IT company of Danish origin. Furthermore, we took third place on the 'Jobglæde' ('job satisfaction') list.

To ensure that our efforts warrant high employee satisfaction, we conduct an annual employee satisfaction survey. In 2018, our overall employee satisfaction rating was 4.3 on a scale of 1 to 5 (4.3 in 2017). NNIT generally enjoys high employee satisfaction and this remains an area of attention.

In 2018, the turnover rate, adjusted for managed turnover, was 13.3% (11.8% in 2017). This is above NNIT's own target of less than 12%. The overall turnover rate was 19.6% (15.6% in 2017).

In 2018, NNIT introduced the concept of stay interviews to enable leaders to

Employee satisfaction

4.3

Internationalization ratio
(employees outside Denmark)

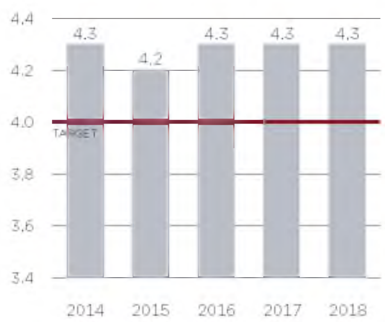
49.0%

Number of certificates
held by employees

4,434

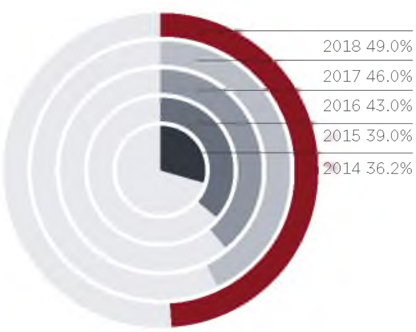
Employee satisfaction

(Scale 1-5)



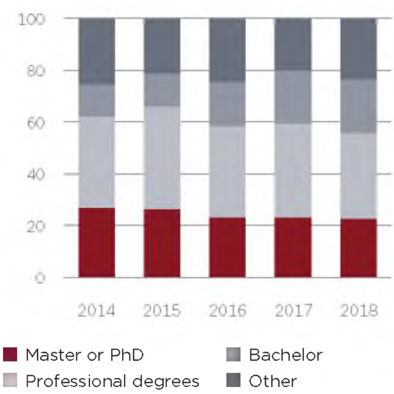
Internationalization ratio

%



Overview of employees' education

%



act proactively to risks. The purpose of the interviews is to investigate reasons for staying but also threats of leaving. In general NNIT's specialists are motivated by collaboration with great colleagues, a strong culture and professional challenges. With the new customer centric organization in 2019, NNIT introduces a development track to inspire and retain the highly-skilled specialists by fueling domain knowledge within NNIT's strategic customer groups, technology and functional practices such as project management and security.

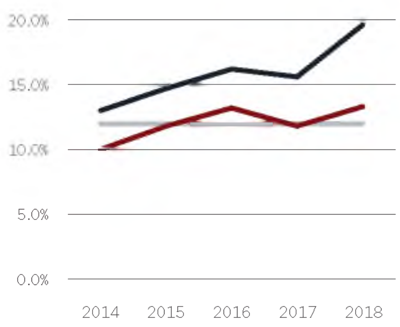
NNIT also believes that a dedicated effort towards better leadership will help attract and retain highly-qualified employees and enhance the success of our company. We operate a comprehensive leadership training program to ensure that NNIT's management resources are among the best in the industry with the ability to inspire, involve and lead.

The scarcity of qualified candidates is becoming increasingly evident, and NNIT therefore conducts a successful graduate program.

Employee turnover rate
(unmanaged)

13.3%

Employee turnover



Employee turnover
Unmanaged employee turnover
Target unmanaged employee turnover

One world, One NNIT

In 2018, NNIT staff grew by 227 the total of 3,298 employees at December 31, 2018. Approximately 80% of our employees hold an academic degree, primarily within IT technologies.

Number of employees

3,298

End of year (3,071 - 2017)

Growth in employees (FTE)

7.4%

(7.2% - 2017)

Nationalities

62

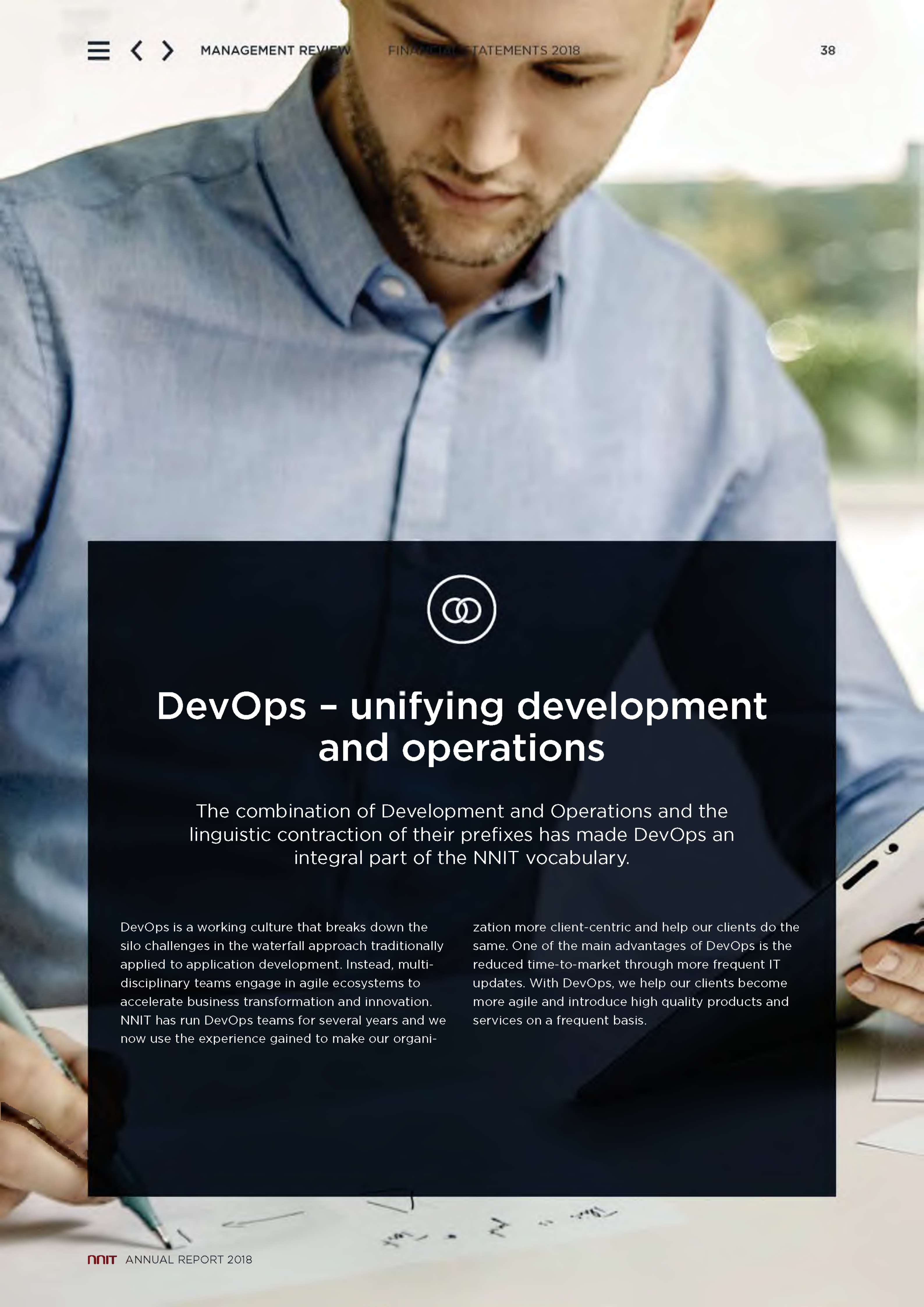
Job rotations & promotions

26%

(18% - 2017)

68% Male Female 32%

Gender distribution at NNIT



DevOps – unifying development and operations

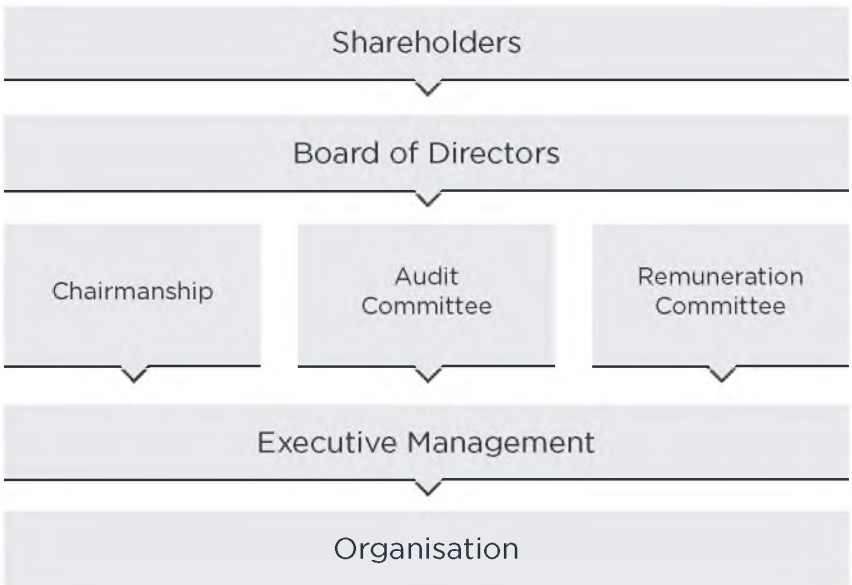
The combination of Development and Operations and the linguistic contraction of their prefixes has made DevOps an integral part of the NNIT vocabulary.

DevOps is a working culture that breaks down the silo challenges in the waterfall approach traditionally applied to application development. Instead, multi-disciplinary teams engage in agile ecosystems to accelerate business transformation and innovation. NNIT has run DevOps teams for several years and we now use the experience gained to make our organization more client-centric and help our clients do the same. One of the main advantages of DevOps is the reduced time-to-market through more frequent IT updates. With DevOps, we help our clients become more agile and introduce high quality products and services on a frequent basis.

Corporate governance

The Board of Directors of NNIT has a continuous focus on good governance practices. In 2018, a Remuneration Committee was established and the Board conducted a self-assessment facilitated by external consultants.

Corporate Governance structure



Governance Structure

Annual General Meetings
The shareholders of NNIT have the ultimate authority over the company and exercise their right to make decisions at general meetings. At the annual general meetings, shareholders approve the annual report and any amendments proposed to the company's Articles of Association. Shareholders also elect board members and the independent auditor. NNIT's Annual General Meeting is held in March each year.

The Board of Directors and Executive Management
NNIT has a two-tier management structure wherein powers and responsibilities are distributed between the Board of Directors and the Executive Management. The Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction, while the Executive Management is in charge of the day-to-day management. The Executive Management has established a Group Management consisting of the chief executive officer, the chief financial officer and senior vice presidents.

As per 31 December 2018, NNIT's Board of Directors consisted of six shareholder-elected members and two employee-elected members. One Board member is a member of the Executive Management of Novo Holdings A/S, and one board member is a senior vice president of Novo Nordisk A/S and both may be regarded as representing the interests of a controlling shareholder. The remaining four of the six shareholder-elected board members are independent as defined by the Danish Corporate Governance Recommendations. The composition of the Board of Directors ensures that its members represent the required professional breadth, industry knowledge, diversity and international experience.

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

In 2018, the Board of Directors held six ordinary meetings. All board members attended all meetings.

Read more about the members of the Board of Directors on pages 46-47.

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

The Audit Committee
The Audit Committee consists of three members with experience within auditing, finance, risk management and IT sector experience. The majority of the members are independent. The Audit Committee is responsible for assisting the Board in overseeing the financial reporting process, the effectiveness of the internal control and risk management systems as well as security and quality issues in relation to client audits. Further, it follows up on any whistleblower reports received. In 2018, the Audit Committee conducted five meetings. All members of the Audit Committee attended all meetings in 2018. For a detailed view of the committee's tasks please refer to the Audit Committee Charter available on NNIT's website.

The Remuneration Committee
The Board established a Remuneration Committee in 2018, which will convene for the first time in 2019. The Remuneration Committee consists of three members, the majority of whom are independent. The Remuneration Committee is responsible for assisting the Board in overseeing the Remuneration Policy as well as the actual remuneration of board members, board committees and Group Management. For a detailed view of the committee's tasks, please refer to the Remuneration Committee Charter available on NNIT's website.

Board evaluation
The Board of Directors annually conducts a self-assessment and review of the Executive Management's performance and succession preparedness. The chairman of the Board has the overall responsibility for conducting the self-assessment. Every third year the self-assessment is facilitated by external consultants, who interview all members of the Board of Directors and the Executive Management. In 2018, the self-assessment was facilitated by external consultants and, in general, revealed a good performance by the Board of Directors as well as good collaboration between the Board of Directors and the Executive Management.

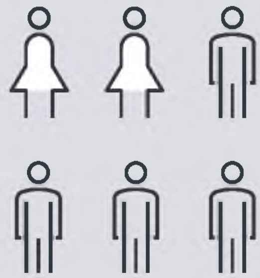
The process included an assessment of the Board of Directors and the Executive Management's contribution to finance, operation, company strategy, organization and management. It also included an assessment of the CEO's and the Chairmanship's contribution to the cooperation between the Board of Directors and the Executive Management. The process resulted in increased focus on the strategy development and execution, board efficiency and future board competencies.

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

As of December 31, 2018, two shareholder elected board members were female and four were male, thus, the company has fulfilled the ambition of having at least two shareholder-elected board members of each gender on the Board.

The Board of Directors remains committed to having international members of the Board. Currently, one shareholder-elected Board member is of non-Danish nationality.

NNIT's statutory statement pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2018 is available



Diversity

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

Corporate Governance Documentation

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

on the company's website at https:/media.nnit.com/Governance/COP18.pdf

Compliance with corporate governance recommendations
As a publicly listed company, NNIT is subject to the Danish recommendations on corporate governance. In accordance with section 107b of the Danish Financial Statements Act, NNIT discloses its Statutory Corporate Governance Statement for the financial year 2018 at https://media.nnit.com/Governance/Corporate-Governance-Statement-2018.pdf

Today, NNIT adheres to all but the following two recommendations:

- 1.3.1 the adoption of a takeover manual; given the current ownership structure of NNIT, under which two shareholders jointly hold a controlling stake in the company, the Board of Directors has not found it necessary or appropriate to adopt a takeover response manual with formalized contingency procedures
- 3.4.6 establishing a separate nomination committee; the task of nomination committee is handled by the Chairmanship in accordance with the Chairmanship Charter

For more information, please refer to the Statutory Corporate Governance Statement 2018.

Corporate Social Responsibility

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

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

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

Risk management and control activities

In order to sustain a robust business, risk monitoring and control activities are designed and implemented to obtain the desired overview and assurance. The control activities are based on a risk assessment performed by Group Management and installed to prevent, detect and take steps to counter any material risks. A general description of risks is provided in the section 'Risk Management' on pages 33-35.

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

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]

NNIT's statutory statement on Corporate Social Responsibility (CSR) pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2018 is available from the company's website at https:/media.nnit.com/Governance/COP18.pdf

1 https://www.unglobalcompact.org/

2 http://www.un.org/Overview/rights.html

3 https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf

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

5 http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm

6 http://www.ilo.org/declaration/lang--en/index.htm

NNIT, a major contender

In September 2018, NNIT was recognized as a Major Contender in the digital service provider landscape for life sciences companies. The recognition was given by the internationally acknowledged consulting and research firm, Everest Group that supports life science companies in choosing their digitization partners.

The position is illustrated in the Peak Matrix™; a framework that provides an objective, data-driven and comparative assessment of life sciences digital service providers based on their absolute market success and delivery capability in Europe.

NNIT is especially recognized for its breadth of clinical and R&D solutions, which complement the core modernization mandate for life sciences organizations. With its strong European presence and delivery capability, consulting-led approach, and domain expertise, NNIT caters to specific imperatives of life sciences firms in the region.

Remuneration

NNIT has adopted a general policy on remuneration and incentive-based remuneration. The overall objective is to offer 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 each year's annual general meeting. The level of the total remuneration for the Board of Directors proposed to the Annual Meeting is consistent with 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.

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

During 2018 the Remuneration Committee has reviewed the remuneration package in totality and has determined that it is both reasonable and competitive to relevant benchmarks and provides appropriate incentives to meet short and long-term goals. On this basis, the Board of Directors has approved a Remuneration Policy that materially reflects this and will substitute the Remuneration Principles having applied until now.

The Remuneration Policy will be submitted for the approval of the 2019 Annual Meeting and introduces, as a new element, that extraordinary awards can be applied for recruitment or retention purposes, or to reward extraordinary performance. Conditions and limitations apply as detailed in the Remuneration Policy.

Remuneration of the Board of Directors

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

Board of Directors

- Fixed fee
- No incentive based remuneration
- Travel allowance

Executive Management

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

NNIT's current Remuneration Principles, which is available at the company's website, was adopted by the Board of Directors and approved by the shareholders in general meeting on March 8, 2017. In addition to the policy for fixed fees or salary and incentive-based remuneration described above, the Remuneration Principles set out the principles for pension, other benefits, termination of employment and severance payments. NNIT's statutory Corporate Governance Statement pursuant to section 107 B of the Danish Financial statements Act for the financial year 2018 is available on the company's website at https://www.nnit.com/about-us/Pages/corporate-governance.aspx

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

Shareholder information

NNIT had 21,970 registered shareholders at December 31, 2018, representing 96% of the company's share capital.

NNIT shares were priced at DKK 183.20 per share at December 31, 2018, for a market capitalization of DKK 4,580m. The share price appreciated 7% in 2018. By comparison, the Nasdaq Copenhagen A/S blue chip index (OMXC20 CAP) lost 13%, while the Nasdaq Copenhagen MidCap index, of which NNIT is a component, was down 13% in the same period. Peer stocks in the Nordic and European IT services markets decreased by 4% and 30% respectively, in the same period.

Share capital and ownership

NNIT's share capital amounts to DKK 250,000,000 divided into 25,000,000 shares, each with a nominal value of DKK 10. NNIT has a single share class, each share carrying 10 votes. There are no restrictions on ownership or voting rights. NNIT had 21,970 registered shareholders at December 31, 2018. The four largest shareholders held at least two-thirds of the share capital, with 51% 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 Holding A/S, Gentofte, Denmark 33.50% directly and 51.00% through its holding in Novo Nordisk A/S
- Novo Nordisk A/S, Gladsaxe, Denmark 17.50%
- Chr. Augustinus Fabrikker Akts., Copenhagen, Denmark 10.00%

At December 31, 2018, about 82% of NNIT's shares were held by investors based in Denmark, while 1% were held by investors based in other Nordic countries. Outside of the Nordic region, US and UK investors held 5% and 4% of the shares, respectively. The remaining proportion of 4% of the registered shares was held by investors in other countries, while the outstanding 4% of the shares are not registered by name.

Treasury shares

As part of its internal incentive programs NNIT has acquired 203,000 shares for a total value of DKK 37 million and transferred 395,624 shares related to incentive programs for a total value of DKK 49 million.

Share information

Stock exchange: Nasdaq Copenhagen A/S	
Index:	Mid Cap
Share capital (DKK):	250,000,000
Number of shares:	25,000,000
Nominal value (DKK):	10
ISIN code:	DK0060580512
Trading symbol:	NNIT
Share price at year-end (DKK):	183.20
Treasury shares:	464,093 (1.9%)

NNIT Shareprice compared to peers

Dividend policy and capital structure
NNIT aims to deliver a competitive return to its shareholders through dividend payouts. The guiding principle is that excess capital after funding of NNIT's growth opportunities including investments should be returned to the shareholders. NNIT aims to pay interim and ordinary dividends corresponding to a total payout ratio of at least 45%, while remaining cash and debt neutral. Due to the strong underlying cash flow generation, the Board of Directors intends to propose to the shareholders at the annual general meeting that ordinary dividends of DKK 2.60 per share be distributed for the financial year 2018. Including the interim dividend of DKK 2.00 per share in August 2018, this brings the total dividend for the financial year 2018 to DKK 4.60 per share, equal to a dividend payout ratio of 48% of the 2018 net results.

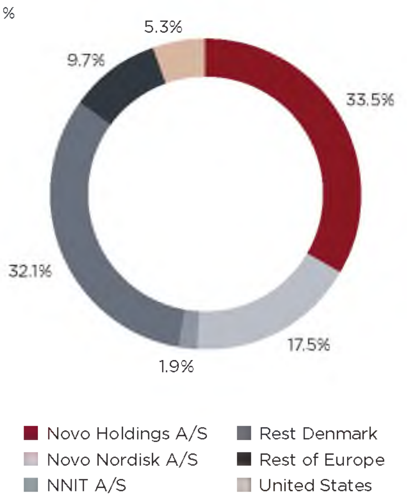
Annual General Meeting
The Annual General Meeting of NNIT A/S will be held on Thursday March 7, 2019 at 2 pm at the NNIT head office, Oestmarken 3A, 2860 Soeborg, Denmark. The Board of Directors intends to propose Anne Broeng, Caroline Serfass, Carsten Dilling, Christian Kanstrup, Eivind Kolding and Peter Haahr for re-election. The Board of Directors also intends to propose the re-election of Carsten Dilling as Chairman and re-election of Peter Haahr as Deputy Chairman. The members of the Board of Directors are elected for one-year terms.

Further, the Board of Directors intends to propose the re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab as the Company's auditor. The Board of Directors also intends to propose that the general meeting approve the company's revised remuneration policy.

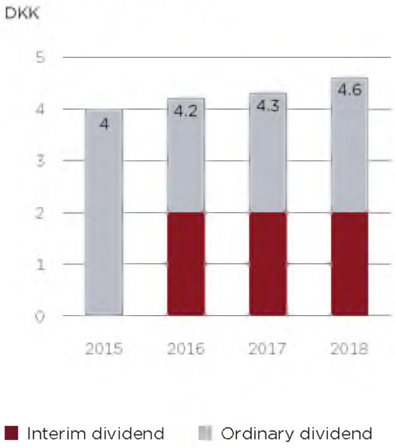
Financial calendar for 2018

Deadline for shareholders submitting proposals for matters to be considered at the Annual General Meeting	January 24, 2019
Full year report for the period January 1, 2018 to December 31, 2018 and Annual Report	January 30, 2019
Annual General Meeting	March 7, 2019
Interim report for the first three months of 2019	May 14, 2019
Interim report for the first six months of 2019	August 14, 2019
Interim report for the first nine months of 2019	October 24, 2019

Shareholder overview



Dividend per share



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

NNIT's share register is managed by VP Securities A/S, Weidekampsgade 14, 2300 Copenhagen S, Denmark, and shareholders can register their shares by name by contacting their depository bank.

NNIT Investor Relations contact information: Klaus Hosbond Skovrup, Head of IR, telephone +45 3079 5355, ksko@nnit.com, www.nnit.com/investor

Board of Directors

Henrik Vienberg Andersen

Employee Representative

Personal and educational background
Born 1957. Danish citizen. Motor mechanic. Operations

Specialist at NNIT A/S.

Employee-elected member of the Board of Directors since 2018, joined NNIT in 1997.

Attended all board meetings in 2018.

Special competencies
Extensive experience in IT, primarily based on Microsoft and HP technologies. Strong competencies in implementation, testing and validation of IT systems.

Peter Haahr

Deputy Chairman of the Board

Member of the Remuneration Committee

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

Member of the Board of Directors since 2017.

Other directorships
CFO of Novo Holdings A/S. Chairman of the Board of Directors of House of Denmark A/S and a member of the Board of Directors of Symphogen A/S.

Not considered independent due to Novo Holdings A/S' direct and indirect ownership of NNIT A/S.

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

Attended all board meetings and chairmanship meetings in 2018.

Christian Kanstrup

Member of the Audit Committee

Personal and educational background
Born 1972. Danish citizen. Master of Science, Economics (cand. polit.) from the University of Copenhagen. Post graduate executive education from IMD. Member of the Board of Directors since 2018. Member of Novo Nordisk Haemophilia Council.

Member of the Board of Directors since 2018.

Not considered independent due to Novo Nordisk A/S' direct ownership of NNIT A/S.

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

Attended all board meetings and Audit Committee meetings in 2018.

Anne Broeng

Chairman of the Audit committee

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

Member of the Board of Directors since 2014.

Other directorships
Chairman of the board at Velliv, member of the boards of NASDAQ Nordic Oy, VKR Holding A/S, Velux A/S, Købmand Ferdinand Sallings Mindefond, ATP, Lønmodtagernes Garantifond, Aquaporin A/S, Bikubenfonden, Danske Commodities A/S, IFU and Deputy Chairman of Bruhn Holding ApS.

Considered independent.

Special competencies
Extensive executive background as CFO and experience from serving on a number of boards with strong competencies in finance.

Attended all board meetings and Audit Committee meetings in 2018.

Carsten Dilling

Chairman of the Board

Member of the Remuneration Committee

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

Member of the Board of Directors since 2016.

Other Directorships
Chairman of the boards of SAS AB and Icotera A/S. Vice Chairman of the Board of Højgaard Holding A/S. A member of the boards of directors of MTH Group A/S and Terma A/S, and a member of the investment committees of Maj Invest and Nordic Eye Venture Capital.

Considered independent.

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

Attended all board meetings and chairmanship meetings in 2018.

Anders Vidstrup

Employee representative

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

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

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

Attended all board meetings in 2018.

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

Caroline Serfass

Board member

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

Member of the Board of Directors since 2018.

Other Directorships
Senior Vice President and CIO of Canon Europe.

Considered independent.

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

Attended all board meetings in 2018 held after being appointed on March 8, 2018.

Eivind Kolding

Chairman of the Remuneration Committee

Member of the Audit Committee

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

Member of the Board of Directors since 2015.

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

Considered independent.

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

Attended all board meetings and Audit Committee meetings in 2018.

Group Management

Jacob Hahn Michelsen

Senior Vice President Client Management

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

Brit Kannegaard Johannessen

Senior Vice President, People, Communication, 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 board of Directors of SKAKO A/S and Chairman of the Audit Committee. He previously served as Deputy Chairman (2011-2014) and as a member (2004-2014) of the Board of NNIT. Carsten Krogsgaard 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 a member of the board of Tee TopCo A/S (EET Europarts) and a member of the board of the Danish IT Industry Association (ITB). Chairman of the Board of Digital Hub. Per Kogut holds an MSc in Political Science from the University of Copenhagen.

Claus Middelboe Andersen

Senior Vice President IT Solution Services

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

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

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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 2018.

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

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

In our opinion, the accounting policies applied are appropriate, and the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at December 31, 2018 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 2018.

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 29, 2019

NNIT A/S

EXECUTIVE MANAGEMENT

Per Kogut
President and CEO

Carsten Krogsgaard Thomsen
Executive Vice President and CFO

BOARD OF DIRECTORS

Carsten Dilling
Chairman

Peter Haahr
Deputy Chairman

Anne Broeng

Eivind Kolding

Christian Kanstrup

Caroline Sefass

Anders Vidstrup
Employee-elected representative

Henrik Vienberg Andersen
Employee-elected representative

Independent auditor's report

To the Shareholders of NNIT A/S

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2018 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2018 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the Parent Company's financial position at 31 December 2018 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

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

What we have audited
The consolidated financial statements of NNIT A/S for the financial year 1 January to 31 December 2018, pp. 56 - 100, comprise the income statement and statement of comprehensive income, balance sheet, the statement of changes in equity, the statement of cash flows and the notes, including summary of significant accounting policies.

The parent company financial statements of NNIT A/S for the financial year 1 January to 31 December 2018, pp. 101 - 111, comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "financial statements".

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

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

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

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

Appointment
Following the admission of the shares of NNIT A/S for listing on Nasdaq OMX Copenhagen, we were first appointed auditors of NNIT A/S on 11 March 2016. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 3 years including the financial year 2018.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Statements for 2018. 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 accounting standard IFRS 15 "Revenue from Contracts with Customers" has been adopted from 1 January 2018 using the full retrospective method. We focused on revenue recognition related to fixed fee projects, as the accounting treatment of the contracts are dependent on complex and subjective judgements by Management. The most judgmental accounting estimates relate to assessing the stage of completion, which Management determines by reference to the proportion of costs to date to total cost estimate. Assessments of cost estimates is made periodically following Management review, which may result in a re-assessment of the percentage of completion as of the date of review. Such re-assessments results in revisions to revenue attributable to work performed up until the date of revision. In addition, we focused on the accounting treatment for arrangements involving multiple elements, which include both transition and transformation projects, as the accounting treatment is complex due to, that the total contract value is allocated to each identified component on a relative fair value basis. Refer to Note 1.1, 1.2, 3.4 and 3.7 in the Consolidated Financial Statements.	Our audit procedures in regard of revenue recognition included testing of relevant control activities. This included test of relevant application controls and test of Management's review controls. We assessed the appropriateness of revenue recognition policies, with reference to IFRS 15, and considered whether revenue from the contracts selected, including amendments, change orders, etc. was recognized in accordance with these policies. We assessed the accuracy of the stage of completion assessment, including the key assumptions, and considered the historical accuracy of the assessment of stage of completion. During the year, we reviewed the run-off on closed projects. We assessed the revenue amounts assigned to each deliverable by assessing delivery of performance obligations with respect to contractual terms, particularly where estimates or applied judgement relating to the timing and value of revenue recognized have been made. We assessed the transition from IAS 18 and IAS 11 to IFRS 15 applying the full retrospective method. Our assessment comprise contracts for which we obtained Management's allocation of revenue to the specific performance obligations identified in the contracts.

Statement on Management's Review
Management is responsible for Management's Review, pp. 1 - 49.
Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hellerup, January 29, 2019

PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR No. 3377 1231

Mogens Nørgaard Mogensen	Søren Ørjan Jensen
State Authorised Public Accountant	State Authorised Public Accountant
mne21404	mne33226

Consolidated financial statements

Income statement and statement of comprehensive income
for the year ended December 31

DKK '000	Note	2018	2017
INCOME STATEMENT			
Revenue	2.1	**3,007,154**	**2,851,387**
Cost of goods sold	2.2, 2.3, 2.4, 5.1	2,465,941	2,338,437
Gross profit		**541,213**	512,950
Sales and marketing costs	2.2, 2.3, 2.4, 5.1	127,613	135,348
Administrative expenses	2.2, 2.3, 2.4, 5.1	106,191	115,299
Operating profit		**307,409**	**262,303**
Financial income	4.1	11,203	5,059
Financial expenses	4.1	13,481	14,987
Profit before income taxes		**305,131**	**252,375**
Income taxes	2.5	69,525	53,558
Net profit for the year		**235,606**	**198,817**
Earnings per share			
Earnings per share (DKK)	4.2	**9.60**	**8.17**
Diluted earnings per share (DKK)	4.2	**9.52**	**7.97**
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**235,606**	**198,817**
Other comprehensive income:			
Items that will not be reclassified subsequently to the income statement:			
Remeasurement related to post employment benefit obligations	3.8	4,441	4,798
Tax on other comprehensive income	2.5	(846)	(1,314)
Items that may be reclassified to the income statement, when specific conditions are met:			
Exchange rate adjustment related to subsidiaries (net)		1,246	(1,550)
Recycled to financial items		*8,875*	*2,799*
Unrealized value adjustments		*(5,076)*	*2,043*
Cash flow hedges		3,799	4,842
Tax on other comprehensive income related to cash flow hedges	2.5	(1,371)	(1,065)
Other comprehensive income, net of tax		7,269	**5,711**
Total comprehensive income		**242,875**	**204,528**

Balance sheet at December 31

ASSETS

DKK '000	Note	2018	2017	Jan 1, 2017
Intangible assets	3.1, 5.5	432,152	212,057	33,307
Tangible assets	3.3	593,649	573,982	412,920
Lease assets	4.3	371,742	369,572	401,454
Contract assets	3.4	111,070	109,951	91,285
Deferred taxes	2.5	39,336	64,707	58,697
Deposits	3.5	32,730	32,637	28,730
Total non-current assets		**1,580,679**	**1,362,906**	**1,026,393**
Inventories		1,718	1,566	2,797
Contract assets	3.4	52,459	69,379	69,379
Trade receivables	3.6, 5.7	500,627	574,808	604,567
Work in progress	3.7	151,050	56,069	108,092
Other receivables and pre-payments		140,135	164,431	126,183
Tax receivables	2.5	224	-	-
Shares	4.4	-	13,950	18,200
Derivative financial instruments	4.5	9,842	4,598	1,140
Cash and cash equivalents	4.4	107,547	74,577	173,912
Total current assets		**963,602**	**959,378**	**1,104,270**
Total assets		**2,544,281**	**2,322,284**	**2,130,663**

Balance sheet at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2018	2017	Jan 1, 2017
Share capital	4.2	250,000	250,000	250,000
Treasury shares	4.2	(4,641)	(6,567)	(7,500)
Retained earnings		764,110	665,444	528,541
Other reserves		11,526	8,698	7,785
Proposed dividends	4.2	63,935	55,990	53,350
Total equity		**1,084,930**	**973,565**	**832,176**
Lease liabilities	4.3	298,823	298,810	324,577
Deferred taxes	2.5	2,741	-	-
Employee benefit obligations	3.8	15,497	15,397	34,251
Contingent consideration	3.9	112,715	54,345	-
Provisions	3.10	24,576	24,681	21,722
Total non-current liabilities		**454,352**	**393,233**	**380,550**
Prepayments received, contract assets	3.4	87,533	135,225	133,255
Prepayments received, work in progress	3.7, 5.7	115,252	158,428	186,507
Lease liabilities	4.3	83,590	80,539	86,280
Bank overdraft		242,675	93,194	-
Trade payables	5.7	97,476	58,948	59,282
Employee costs payable		253,285	255,421	258,386
Tax payables	2.5	6,675	18,096	29,913
Other current liabilities		117,207	132,777	140,946
Derivative financial instruments	4.4	1,306	1,164	2,098
Employee benefit obligations	3.8	-	21,694	7,577
Provisions		-	-	13,693
Total current liabilities		**1,004,999**	**955,486**	**917,937**
Total equity and liabilities		**2,544,281**	**2,322,284**	**2,130,663**

Statement of cash flows
for the year ended December 31

DKK '000	Note	2018	2017
Net profit for the year		**235,606**	**198,817**
Reversal of non-cash items	5.3	341,402	329,809
Interest received	4.1	185	171
Interest paid	4.1	(13,453)	(12,744)
Income taxes paid	2.5	(63,204)	(80,220)
Cash flow before changes in working capital		**500,536**	**435,833**
Changes in working capital	5.4	(61,840)	(10,752)
Cash flow from operating activities		**438,696**	**425,081**
Capitalization of intangible assets	3.1	(14,283)	(10,279)
Purchase of tangible assets	3.3, 5.4	(146,242)	(326,597)
Dividends received	4.1	-	317
Sale/(purchase) of shares (net)		89	-
Payment of deposits	3.5	51	(3,142)
Acquisition of subsidiaries	5.5	(162,253)	(97,991)
Cash flow from investing activities		**(322,638)**	**(437,692)**
Dividends paid		(105,488)	(102,037)
Purchase of treasury shares		(37,345)	-
Installments on lease liabilities	4.4	(89,736)	(77,881)
Bank overdraft		149,481	93,194
Cash flow from financing activities		**(83,088)**	**(86,724)**
Net cash flow		**32,970**	**(99,335)**
Cash and cash equivalents at the beginning of the year		74,577	173,912
Cash and cash equivalents at the end of the year	5.4	**107,547**	**74,577**

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

Statement of changes in equity
at December 31

DKK '000

2018	Note	Share capital	Treasury shares	Retained earnings	Other reserves: Exchange rate adjustments	Other reserves: Cash flow hedges	Other reserves: Tax	Total other reserves	Proposed dividends	Total
Balance at the beginning of the year		**250,000**	**(6,567)**	**665,444**	**5,234**	**3,521**	**(57)**	**8,698**	**55,990**	**973,565**
Net profit for the year		-	-	235,606	-	-	-	-	-	235,606
Other comprehensive income for the year		-	-	4,441	1,246	3,799	(2,217)	2,828	-	7,269
Total comprehensive income for the year		**-**	**-**	**240,047**	**1,246**	**3,799**	**(2,217)**	**2,828**	**-**	**242,875**
Transactions with owners:										
Purchase of treasury shares		-	(2,030)	(35,315)	-	-	-	-	-	(37,345)
Transfer of treasury shares		-	3,956	(5,059)	-	-	-	-	-	(1,103)
Share-based payments	5.1	-	-	16,092	-	-	-	-	-	16,092
Deferred tax on share-based payments[1]		-	-	(3,666)	-	-	-	-	-	(3,666)
Adjustment to proposed dividends		-	-	(428)	-	-	-	-	428	-
Dividends paid		-	-	-	-	-	-	-	(105,488)	(105,488)
Interim dividend for 2018		-	-	(49,070)	-	-	-	-	49,070	-
Proposed dividend for 2018		-	-	(63,935)	-	-	-	-	63,935	-
Total dividends for 2018		**-**	**-**	**(113,005)**	**-**	**-**	**-**	**-**	**113,005**	**-**
Balance at the end of the year	4.2	**250,000**	**(4,641)**	**764,110**	**6,480**	**7,320**	**(2,274)**	**11,526**	**63,935**	**1,084,930**

2017	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)**	**542,833**	**6,784**	**(1,321)**	**2,322**	**7,785**	**53,350**	**846,468**
Effect of IFRS 15 and 16		-	-	(20,599)	-	-	-	-	-	(20,599)
Tax effect of IFRS 15 and 16		-	-	6,307	-	-	-	-	-	6,307
Adjusted balance beginning of the year		**250,000**	**(7,500)**	**528,541**	**6,784**	**(1,321)**	**2,322**	**7,785**	**53,350**	**832,176**
Net profit for the year		-	-	198,817	-	-	-	-	-	198,817
Other comprehensive income for the year		-	-	4,798	(1,550)	4,842	(2,379)	913	-	5,711
Total comprehensive income for the year		**-**	**-**	**203,615**	**(1,550)**	**4,842**	**(2,379)**	**913**	**-**	**204,528**
Transactions with owners:										
Transfer of treasury shares		-	933	18,190	-	-	-	-	-	19,123
Share-based payments	5.1	-	-	21,342	-	-	-	-	-	21,342
Deferred tax on share-based payments[1]		-	-	(1,567)	-	-	-	-	-	(1,567)
Dividends paid		-	-	-	-	-	-	-	(102,037)	(102,037)
Interim dividend for 2017		-	-	(48,687)	-	-	-	-	48,687	-
Proposed dividend for 2017		-	-	(55,990)	-	-	-	-	55,990	-
Total dividends for 2017		**-**	**-**	**(104,677)**	**-**	**-**	**-**	**-**	**104,677**	**-**
Balance at the end of the year	4.2	**250,000**	**(6,567)**	**665,444**	**5,234**	**3,521**	**(57)**	**8,698**	**55,990**	**973,565**

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

Notes

1. Basis of preparation

2. Results for the year

3. Operating assets and liabilities

4. Capital structure and financing items

5. Other disclosures

1. Basis of preparation

1.1 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and further requirements of the Danish Financial Statements Act. The Consolidated Financial Statements are prepared in accordance with IFRS standards and interpretations applicable to the 2018 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 consideration received or receivable from the sale of our services and customized IT applications and is the gross sales price less VAT and any price reductions in the form of discounts and rebates.

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

Solutions business area

Advisory services, business solutions and application outsourcing are principally provided by the Solutions business area. These are negotiated contracts to design or develop IT applications for customers (part of application outsourcing). Revenue will be recognized over time, as the above criteria's are met, using "the percentage of completion method".

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

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

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

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

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

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 performance obligations. As described below under "Outsourcing contracts", the revenue under an outsourcing contract will be recognized over time.

Outsourcing contracts

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

Transition

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

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

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

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

Transformation

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

These activities transfer services to the customer as performed.

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

Revenue regarding transformation projects are recognized over time as an asset is created with no alternative use and NNIT has an enforceable right to payment.

Operation

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

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 in equity. The cumulative value adjustment of these instruments is transferred from the hedging reserve to the income statement as a reclassification adjustment under financial income or financial expenses, when the hedged

1.1 Summary of significant accounting policies – continued

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:

- Impairment test, goodwill (note 3.2)
- Work in progress (note 3.7)

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

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

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

1.3 Changes in accounting policies and disclosures

Adoption of new or amended IFRSs
As of January 2018 NNIT A/S had implemented the following new accounting standards and interpretations (IFRSs):

- IFRS 9 "Financial instruments"
- IFRS 15 "Revenue from Contracts with Customers"
- IFRS 16 "Lease" (early adoption)

IFRS 15 and IFRS 16 have affected the recognition and measurement of the consolidated financial statements for 2018. Both standards have been applied fully retrospectively as of January 1, 2018, thus the 2017 comparative figures have been restated.

IFRS 15
IFRS 15 "Revenue from Contracts with Customers" introduces a new model for recognition of revenue.

Revenue in accordance with the new standard is recognized over time when an asset is created on behalf of a customer 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.

The standard has impacted NNITs outsourcing contracts. Revenue and operating profit on some phases of outsourcing contracts has been 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 phases do not transfer services to the customer under IFRS 15. In this case, the costs incurred to perform those activities are considered start-up costs, which are capitalized and amortized over the operation period.

IFRS 16
All leases have been recognized in the balance sheet with a corresponding lease liability except for short-term leases and low value assets. Leased assets are depreciated over the lease term, and payments are allocated between installments on the lease obligation and interest expense, classified as financial expenses.

The lease term used for the Groups lease contracts are the non-cancelled period or estimated term when the lease contracts. were entered into.

IFRS 9
In relation to hedge accounting, the standard provides more opportunities for applying proxy hedges and repeals the requirement for retrospective effectiveness testing.

The implementation of IFRS 9 has not resulted in a different recognition for accounting purposes in relation to hedge accounting or other financial instruments.

The effect of IFRS 15 and IFRS 16 are shown in the table below. Only lines which are affected by the change are shown below as well as "Total assets" and "Total equity and liabilities". The effects for 2017 have been remeasured with minor adjustments at year end 2018 compared to prior disclosures in the quarterly reports during 2018:

1.3 Changes in accounting policies and disclosures – continued

DKK '000	2017	IFRS 15	IFRS 16	Effect of change	2017 adjusted
ASSETS					
Lease assets	-	-	369,571	369,571	369,571
Contract assets	-	109,951	-	109,951	109,951
Deferred tax	52,548	4,992	7,167	12,159	64,707
Work in progress	122,868	(66,799)	-	(66,799)	56,069
Contract assets	-	69,379	-	69,379	69,379
Total assets	**1,828,023**	**117,523**	**376,738**	**494,261**	**2,322,284**
EQUITY AND LIABILITIES					
Total equity	**1,005,314**	**(17,702)**	**(14,047)**	**(31,749)**	**973,565**
Lease liability	-	-	298,810	298,810	298,810
Provisions	13,245	-	11,436	11,436	24,681
Prepayments received	158,428	135,225	-	135,225	293,653
Lease liability	-	-	80,539	80,539	80,539
Total equity and liabilities	**1,828,023**	**117,523**	**376,738**	**494,261**	**2.322,284**
INCOME STATEMENT					
Revenue	**2,891,878**	**(40,491)**	**-**	**(40,491)**	**2,851,387**
Cost of goods sold	2,362,506	(18,678)	(5,391)	(24,069)	2,338,437
Gross profit	**529,372**	**(21,813)**	**5,391**	**(16,422)**	**512,950**
Sales and marketing costs	135,563	-	(215)	(215)	135,348
Administrative expenses	116,986	12	(1,699)	(1,687)	115,299
Operating profit	**276,823**	**(21,825)**	**7,305**	**(14,520)**	**262,303**
Financial income	5,059	-	-	-	5,059
Financial expenses	5,993	-	8,994	8,994	14,987
Profit before income taxes	**275,889**	**(21,825)**	**(1,689)**	**(23,514)**	**252,375**
Income taxes	59,410	(4,802)	(1,050)	(5,852)	53,558
Net profit for the period	**216,479**	**(17,023)**	**(639)**	**(17,662)**	**198,817**
EARNINGS PER SHARE					
Earnings per share	8.89			(0.72)	8.17
Diluted earnings per share	8.68			(0.71)	7.97
Earnings per share, effect of IFRS 15		(0.70)			
Diluted earnings per share, effect of IFRS 15		(0.68)			
Earnings per share, effect of IFRS 16			(0.02)		
Diluted earnings per share, effect of IFRS 16			(0.03)		

1.3 Changes in accounting policies and disclosures – continued

DKK '000	2017	IFRS 15	IFRS 16	Effect of change	2017 adjusted
STATEMENT OF CASH FLOWS					
Net profit for the period	**216,479**	**(17,023)**	**(639)**	**(17,662)**	**198,817**
Reversal of non-cash items	247,097	(4,802)	87,514	82,712	329,809
Interest received	171	-	-	-	171
Interest paid	(3,750)	-	(8,994)	(8,994)	(12,744)
Income taxes paid	(80,220)	-	-	-	(80,220)
Cash flow before change in working capital	**379,777**	**(21,825)**	**77,881**	**56,056**	**435,833**
Changes in working capital	(32,577)	21,825	-	21,825	(10,752)
Cash flow from operating activities	**347,200**	**-**	**-**	**-**	**425,081**
Cash flow from investing activities	**(437,692)**	**-**	**-**	**-**	**(437,692)**
Dividends paid	(102,037)	-	-	-	(102,037)
Bank overdraft	93,194	-	-	-	93,194
Repayments of lease liability	-	-	(77,881)	(77,881)	(77,881)
Cash flow from financing activities	**(8.843)**	**-**	**(77,881)**	**(77,881)**	**(86,724)**
Net cash flow	**(99,335)**	**-**	**-**	**-**	**(99,335)**
Cash and cash equivalents at the beginning of the period	173,912	-	-	-	173,912
Cash and cash equivalents at the end of the period	**74,577**	**-**	**-**	**-**	**74,577**
KEY FIGURES					
EBITDA Margin	14.8%				18.5%
EBIT Margin	9.6%				10.2%
Solvency ratio	55.0%				42.6%
ROIC	26.1%				16.1%

1.4 General accounting policies

Principles of consolidation

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

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

Other accounting policies

Acquisition of subsidiaries

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

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

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

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

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

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

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

Segment reporting

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

Operation segments are reported in a manner consistent with the internal reporting provided to Group Management and the Board of Directors.

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

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

Translation of foreign currency

Functional currency and presentation currency

The financial statement items for each of the Group's entities are measured in the currency used in the economic environment in which the entity operates (functional currency).
The consolidated financial statements are presented in Danish kroner (DKK).

Transactions and balance sheet

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

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

Currency translation for foreign operations

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

Exchange differences arising from:

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

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

Costs

Cost of goods sold

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

Sales and marketing costs

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

Administrative expenses

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

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, fair value adjustments 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

1.4 General accounting policies – continued

date will apply at the time of the expected realization of the deferred tax asset or settlement of the deferred tax liability. Any changes to deferred tax caused by changes in statutory tax rates are recognized in the income statement.

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

Intangible assets

Goodwill

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

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

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

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

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.

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

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

Tangible assets

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

The depreciable amount of the assets is depreciated on a straight-line basis over the following estimated useful life periods:

- Other plant, equipment and fittings: 3-10 years
- Leasehold improvements: 5-10 years
- Buildings: 10-50 years

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

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

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

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

Lease assets

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

NNIT has three different types of leases:

- Rental of premises
- It-equipment
- Company cars

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

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

Contract assets

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

Inventories

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

Trade receivables

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

1.4 General accounting policies – continued

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

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

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

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.

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

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

When calculating the net present value NNIT has used a discount rate corresponding to the incremental borrowing rate. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2018 are between 0.08% and 3.26%.

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

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

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

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

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

Long-term incentive, launch incentive and retention programs
NNIT has two different share-based incentive programs; long-term incentive program (LTIP) and retention program (RP), Launch incentive program (LIP) and Employee launch incentive program (ELI) were released after approval of the annual report for 2017.

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 was released after approval of the annual report for 2017.

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

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.

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

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

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

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

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

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

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

1.4 General accounting policies – continued

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, dividend payments to shareholders, installments on lease liabilities and bank overdraft.

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

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

1.5 Financial definitions

Operating profit margin	=	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
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)	=	$\frac{\text{Net profit ex. financials x 100}}{\text{Average invested capital}^{1}}$
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	2018	2017
Revenue by business area		
Operations	1,842,286	1,831,893
hereof Novo Nordisk Group	*770,346*	*818,743*
hereof non-Novo Nordisk Group	*1,071,940*	*1,013,150*
Solutions	1,164,868	1,019,494
hereof Novo Nordisk Group	*353,810*	*366,658*
hereof non-Novo Nordisk Group	*811,058*	*652,834*
Total revenue	**3,007,154**	**2,851,387**
Revenue by customer group		
Life sciences	1,557,556	1,560,004
hereof Novo Nordisk Group	*1,124,156*	*1,185,401*
hereof life sciences excl. Novo Nordisk Group	*433,400*	*374,603*
Enterprise	793,819	684,289
Public	399,155	353,851
Finance	256,624	253,243
Total revenue	**3,007,154**	**2,851,387**
Operating profit by business area		
Operations	178,555	204,119
Solutions	128,854	58,184
Total operating profit	**307,409**	**262,303**
Amortization, depreciation and impairment losses		
Operations	206,966	197,877
Solutions	40,510	33,920
Total amortization, depreciation and impairment losses	**247,476**	**231,797**

The Danish operations generated 87.4% of the revenue in the year ended December 31, 2018 (2017: 88.8%) based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, NNIT will not disclose a geographical revenue split.

98.9% of tangible assets are placed in Denmark (2017: 98.6%).

The Novo Nordisk Group generated 37.4% of the revenue in the year ended December 31, 2018 (2017: 41.6%).

2.2 Employee costs

DKK '000	2018	2017
Employee costs comprise:		
Wages and salaries	1,463,472	1,420,376
Pensions - defined contribution plans	132,857	131,640
Pensions - defined benefit obligations (note 3.8)	7,589	4,587
Other employee costs	115,080	115,618
Total employee costs	**1,718,998**	**1,672,221**
Included in the income statement under the following headings:		
Cost of goods sold	1,555,371	1,495,486
Sales and marketing costs	101,792	108,815
Administrative expenses	61,835	67,920
Total employee costs	**1,718,998**	**1,672,221**
Average number of full-time employees	3,129	2,937

Group Management's remuneration and share-based payment

DKK '000	Fixed base salary	Cash Bonus (STIP)	Pension	Benefits	Share-based incentives (LTIP/RP)[2]	Total
2018						
Per Kogut	4,062	1,949	1,503	169	4,648	12,331
Carsten Krogsgaard Thomsen	2,436	779	804	169	2,496	6,684
Executive Management	**6,498**	**2,728**	**2,307**	**338**	**7,144**	**19,015**
Other members of Group Management[1]	**6,783**	**2,150**	**942**	**495**	**4,880**	**15,250**
Group Management total	**13,281**	**4,878**	**3,249**	**833**	**12,024**	**34,265**

DKK '000	Fixed base salary	Cash Bonus (STIP)	Pension	Benefits	Share-based incentives (LTIP/LIP)[2]	Total
2017						
Per Kogut	3,767	1,200	1,242	165	5,314	11,688
Carsten Krogsgaard Thomsen	2,269	480	687	165	2,984	6,585
Executive Management	**6,036**	**1,680**	**1,929**	**330**	**8,298**	**18,273**
Other members of Group Management[1]	**5,850**	**1,496**	**672**	**475**	**2,367**	**10,860**
Group Management total	**11,886**	**3,176**	**2,601**	**805**	**10,665**	**29,133**

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

2.2 Employee costs – continued

Board of Directors

DKK '000	Fixed base fee	Fee for committee work	Travel allowance	Total
2018				
Carsten Dilling (Chairman of the Board of Directors)	750	-	-	750
Peter H.J. Haahr (Deputy Chairman of the Board of Directors)	450	-	-	450
Anne Broeng (Chairman of the Audit Committee)	300	150	-	450
Caroline Sefass [1]	300	-	74	374
Christian Kanstrup (member of the Audit Committee) [1]	300	56	-	356
Eivind Kolding (member of the Audit Committee)	300	75	-	375
John Beck (member of the Audit Committee) [2]	75	19	37	131
René Stockner [2]	75	-	-	75
Anders Vidstrup	300	-	-	300
Henrik Vienberg Andersen	300	-	-	300
Total fees to Board of Directors	**3,150**	**300**	**111**	**3,561**
Total fees to Group Management and Board of Directors				**37,841**

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

Board of Directors

DKK '000	Fixed base fee	Fee for committee work	Travel allowance	Total
2017				
Carsten Dilling (Chairman of the Board of Directors) [1]	688	-	-	688
Peter H.J. Haahr (Deputy Chairman of the Board of Directors) [1]	366	-	-	366
Jesper Brandgaard [2]	138	-	-	138
Anne Broeng (Chairman of the Audit Committee)	300	150	-	450
Eivind Kolding	300	-	-	300
John Beck (member of the Audit Committee)	300	75	193	568
René Stockner	300	-	-	300
Alex Steninge Jacobsen (member of the Audit Committee) [4]	300	75	-	375
Anders Vidstrup	300	-	-	300
Henrik Vienberg Andersen [4]	-	-	-	-
Total fees to Board of Directors	**2,992**	**300**	**193**	**3,485**[3]
Total fees to Group Management and Board of Directors				**32,618**

[1] Elected at the Annual General Meeting March 8, 2017
[2] Chairman until the Annual General Meeting March 8, 2017, where he did not seek re-election
[3] Excluding social security taxes DKK 78 thousand (2016: DKK 76 thousand)
[4] Alex Steninge Jacobsen, employee-elected member of the Board of Directors, resigned as member of the Board of Directors of NNIT A/S as of December 31, 2017, and was replaced by substitute employee-elected member of the Board of Directors Henrik Vienberg Andersen

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

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

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

2.2 Employee costs – continued

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.

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

The shares allocated to the members of Group Management based on the 2015 performance, will be released to the individual participants subsequent to the approval of the Annual Report 2018 by the Board of Directors. Based on the share price at the end of 2018, the value of the released shares is as follows:

DKK	Number of shares	Market value
Values at December 31, 2018 of shares to be released February 1, 2019:		
Per Kogut	19,226	3,522
Carsten Krogsgaard Thomsen	9,063	1,660
Executive Management	**28,289**	**5,182**
Other members of Group Management	**8,086**	**1,481**
Group Management total	**36,375**	**6,663**

2.3 Development costs

DKK '000	2018	2017
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	15,647	28,127
Total development costs	**15,647**	**28,127**

2.4 Amortization, depreciation, and impairment losses

DKK '000	2018	2017
Amortization	14,271	8,417
Depreciation	233,205	223,380
Total amortization, depreciation, and impairment losses	**247,476**	**231,797**
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	233,034	219,319
Sales and marketing costs	4,885	4,295
Administrative expenses	9,557	8,183
Total amortization, depreciation, and impairment losses	**247,476**	**231,797**

2.5 Income taxes

DKK '000	2018	2017
Current tax	51,385	68,327
Deferred tax	16,023	(14,801)
Adjustments recognized for current tax of prior periods	1,158	(3,458)
Adjustments recognized for deferred tax of prior periods	721	2,709
Withholding tax not deductible	238	781
Income taxes in the income statement	**69,525**	**53,558**
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	0.1%	(0,4%)
Other adjustments to taxable income	0.1%	0,0%
Adjustment of current and deferred tax regarding previous years	0.6%	(0,4%)
Effective tax rate	22.8%	**21,2%**
Tax on other comprehensive income for the year	**(2,217)**	**(2,379)**

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	Total
2018								
Deferred tax asset/liability								
At the beginning of the year	(9,963)	48,439	(17,545)	11,169	4,314	(775)	29,068	64,707
Transfer	203	(203)	-	-	-	-	-	-
Additions from business combinations	(4,871)	-	-	-	-	-	-	(4,871)
Adjustments related to previous years	-	(308)	33	-	-	-	(446)	(721)
Exchange rate adjustments	(131)	(608)	79	94	-	-	(48)	(614)
Movements within the year	27	(1,826)	(3,562)	2,104	-	-	(12,766)	(16,023)
Movements in equity	-	-	-	-	(3,666)	-	-	(3,666)
Movements in comprehensive income in the year	-	-	-	-	-	(1,371)	(846)	(2,217)
At the end of the year	**(14,735)**	**45,494**	**(20,995)**	**13,367**	**648**	**(2,146)**	**14,962**	**36,595**

Deferred tax is recognized in the balance sheet as follows:	
Deferred tax under assets	39,336
Deferred tax under liabilities	2,741
Total deferred tax	**36,595**

2.5 Income taxes – continued

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2017								
Deferred tax asset/liability								
At the beginning of the year	(4,341)	49,751	(29,769)	3,160	5,881	290	27,418	52,390
Effect of IFRS 15			190					190
Effect of IFRS 16				6,117				6,117
Additions from business combinations	(2,024)	-	592	-	-	-	-	(1,432)
Adjustments related to previous years	(2,986)	272	-	-	-	-	5	(2,709)
Exchange rate adjustments	(18)	(207)	19	5	-	-	(503)	(704)
Movements within the year	(594)	(1,377)	11,423	1,887	-	-	3,462	14,801
Movements in equity	-	-	-	-	(1,567)	-	-	(1,567)
Movements in comprehensive income in the year	-	-	-	-	-	(1,065)	(1,314)	(2,379)
At the end of the year	**(9,963)**	**48,439**	**(17,545)**	**11,169**	**4,314**	**(775)**	**29,068**	**64,707**

DKK '000	2018	2017
Tax payable/receivable		
Tax payable/receivable at the beginning of the year	(18,096)	(29,913)
Tax payable from business combinations	(221)	(3,814)
Income tax paid during the year	41,219	50,396
Tax paid related to previous years	17,318	27,554
Withholding taxes paid during the year	4,667	2,270
Current tax on profit for the year	(51,385)	(68,327)
Adjustments related to previous years	(187)	3,458
Exchange rate adjustments	234	280
Tax payable at the end of the year	**(6,451)**	**(18,096)**

Tax payable/receivables are recognized in the balance sheet as follows:		
Tax receivables	224	-
Tax payables	(6,675)	(18,096)
Total tax	**(6,451)**	**(18,096)**

3. Operating assets and liabilities

3.1 Intangible assets

DKK '000	Goodwill	Other intangible assets	IT development projects	IT development projects under construction	2018
2018					
Cost at the beginning of the year	167,688	9,200	79,468	6,455	262,811
Adjustment	-	-	4,325	(4,325)	-
Additions from business combinations	199,809	21,020	-	-	220,829
Additions	-	-	866	13,417	14,283
Transfer	-	-	785	(785)	-
Exchange rate adjustment	(613)	(91)	-	-	(704)
Cost at the end of the year	**366,884**	**30,129**	**85,444**	**14,762**	**497,219**
Amortization and impairment losses at the beginning of the year	-	2,036	48,718	-	50,754
Amortization	-	5,146	9,125	-	14,271
Exchange rate adjustment	-	42	-	-	42
Amortization and impairment losses at the end of the year	**-**	**7,224**	**57,843**	**-**	**65,067**
Carrying amount at the end of the year	**366,884**	**22,905**	**27,601**	**14,762**	**432,152**
Amortization period		5-10 years	2-5 years		

DKK '000	Goodwill	Other intangible assets	IT development projects	IT development projects under construction	2017
2017					
Cost at the beginning of the year			62,069	13,575	75,644
Additions from business combinations	167,688	9,200	-	-	176,888
Additions	-	-	8,148	2,131	10,279
Transfer	-	-	9,251	(9,251)	-
Cost at the end of the year	**167,688**	**9,200**	**79,468**	**6,455**	**262,811**
Amortization and impairment losses at the beginning of the year	-	-	42,337	-	42,337
Amortization	-	2,036	6,381	-	8,417
Amortization and impairment losses at the end of the year	**-**	**2,036**	**48,718**	**-**	**50,754**
Carrying amount at the end of the year	**167,688**	**7,164**	**30,750**	**6,455**	**212,057**
Amortization period		5-10 years	2-5 years		

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

3.2 Impairment test

Goodwill
The carrying amount of goodwill relates to SCALES, DKK 167.7 million and Valiance Partners, DKK 199.2 million.

Valiance Partners
The carrying amount of the goodwill related to Valiance Partners is based on the fair value less sales costs.

The assessment as of November 1, 2018 is based on annual revenue growth in the range of 5-49% from 2019-2022. Growth is expected to be 2% in the terminal period. The revenue growth decrease slightly compared to historically growth and operating profit margin is kept on 2018-level. The uncertainty associated with these expectations is reflected in the discount rates used amounting to 11.4-12.3% for the two Valiance Partners companies. The assumptions and estimates are unchanged as of December 31, 2018.

SCALES
Goodwill for SCALES has been tested for impairment at December 31, 2018 based on value in use. Net cash flows for the years 2019-2023 are determined on the basis of key assumptions and estimates based on growth and profit margin expectations. The uncertainty associated with these expectations is reflected in the discount rate used amounting to 8.5%. The valuation method is based on annual revenue growth in the range of 0-22.0% from 2019-2023. Growth is expected to be 2% in the terminal period which is expected to be the long-term growth in the industry. The revenue growth is decreasing compared to historically growth and operating profit margin is slightly increasing.

The test did not result in any impairment of the carrying amounts related to the cash generating unit SCALES.

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

3.3 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2018
2018					
Cost at the beginning of the year	163,299	875,421	66,433	229,906	1,335,059
Additions	24,910	117,389	1,058	20,990	164,347
Disposals	(5,016)	(8,027)	-	(488)	(13,531)
Transfer	189,982	39,436	-	(229,418)	-
Exchange rate adjustment	-	(12)	88	-	76
Cost at the end of the year	**373,175**	**1,024,207**	**67,579**	**20,990**	**1,485,951**
Depreciation and impairment losses at the beginning of the year	56,490	660,493	44,094	-	761,077
Depreciation	19,955	114,989	5,907	-	140,851
Depreciation reversed on disposals	(3,084)	(6,638)	-	-	(9,722)
Exchange rate adjustment		47	49		96
Depreciation and impairment losses at the end of the year	**73,361**	**768,891**	**50,050**	**-**	**892,302**
Carrying amount at the end of the year	**299,814**	**255,316**	**17,529**	**20,990**	**593,649**

Depreciation period	10-50 years	3-10 years	5-10 years

3.3 Tangible assets - continued

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2017
2017					
Cost at the beginning of the year	147,381	852,300	58,178	33,428	1,091,287
Additions	14,432	79,510	8,097	221,984	324,023
Disposals	(921)	(77,726)	(586)	-	(79,233)
Transfer	2,407	21,536	1,563	(25,506)	-
Exchange rate adjustment	-	(199)	(819)	-	(1,018)
Cost at the end of the year	**163,299**	**875,421**	**66,433**	**229,906**	**1,335,059**
Depreciation and impairment losses at the beginning of the year	47,445	591,236	39,686	-	678,367
Depreciation	9,236	128,858	5,757	-	143,851
Depreciation reversed on disposals	(191)	(59,436)	(586)	-	(60,213)
Exchange rate adjustment	-	(165)	(763)	-	(928)
Depreciation and impairment losses at the end of the year	**56,490**	**660,493**	**44,094**	**-**	**761,077**
Carrying amount at the end of the year	**106,809**	**214,928**	**22,339**	**229,906**	**573,982**
Depreciation period	10-50 years	3-10 years	5-10 years		

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

3.4 Contract balances

Contract balances consist of customer-related assets and liabilities.

Contract assets are capitalized cost incurred for preparatory projects in relation to transition or set-up activities required to enable delivery of the service. The cost will be amoritized over the operation period.

Contract assets originate from the adoption of IFRS 15.

DKK '000	Opening balance	New additions	Revenue recognized from liabilities opening balance	Amortized cost	Closing balance
2018					
Contract assets	179,330	56,552	-	(72,353)	163,529
Prepayments received, contract liabilities	(135,225)	(18,651)	66,343	-	(87,533)

Contract assets is recognized in the balance sheet as follows:	
Contract assets, non-current	111,070
Contract assets, current	52,459
Total conntract assets	**163,529**

3.4 Contract balances - continued

DKK '000	Opening balance	Additions	Revenue recognized from liabilities opening balance	Amortized cost	Closing balance
2017					
Contract assets	160,664	81,150	-	(62,484)	179,330
Prepayments received, contract liabilities	(133,255)	(61,588)	63,558	-	(135,225)

Contract assets is recognized in the balance sheet as follows:

Contract assets, non-current	109,951
Contract assets, current	69,379
Total conntract assets	**179,330**

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

DKK '000	2018	2017
Aggregated amount of transaction price allocated to contracts that will be satisfied in the future as at December 31	4,575,570	4,536,806

Management expects that DKK 2,171,309 thousand (2017: DKK 2,212,982 thousand) of the transaction price allocated to the future contract obligations as of December 31, 2018 will be recognized during 2019. The remaining part will be recognized as revenue with in 2-3 years. The amount disclosed above includes both fixed and variable consideration.

3.5 Deposits

DKK '000	2018	2017
Cost at the beginning of the year	32,637	28,730
Exchange rate adjustments	(15)	(102)
Addition from business combinations	159	867
Additions	685	3,997
Disposal	(736)	(855)
Carrying amount at the end of the year	**32,730**	**32,637**

3.6 Trade receivables

DKK '000	2018	2017
Total trade receivables (gross)	500,778	575,408
Allowances for bad debt at the beginning of the year	(600)	(9,717)
Losses due to claim settlement	-	9,059
Adjustment of allowances for bad debt in the year	449	58
Allowances for bad debt at the end of the year	(151)	(600)
Total trade receivables (net)	**500,627**	**574,808**

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

To minimize credit losses NNIT makes a credit evaluation before entering into a contract with a new customer. NNIT customer portfolio primarily consists of large national and international companies. The credit quality of trade receivables at December 31, 2018 is considered satisfactory.

Further NNIT continuously conduct individual assessments of bad debts. If this leads to an assessment that NNIT will not be able to collect all outstanding payments, an allowance for bad debt is made. Based on historical data, the allowance for bad debt at December 31, 2018 was DKK 151 thousand (2017: DKK 600 thousand).

Aging of non-impaired trade receivables:		
Not due at balance sheet date	424,424	482,515
Overdue between 1 and 30 days	54,777	60,487
Overdue between 31 and 60 days	8,386	3,846
Overdue by more than 60 days 1	13,040	27,960
Total trade receivables	**500,627**	**574,808**

Trade receivables include receivables from related parties amounting to DKK 163,882 thousand (2017: DKK 216,131 thousand).

3.7 Work in progress

DKK '000	2018	2017
Cost of work in progress	260,288	250,996
Gross profit	96,050	95,015
Work in progress at sales value	356,338	346,011
Received payments on account	(320,540)	(448,370)
Work in progress at the balance sheet date (net)	**35,798**	**(102.359)**
Recognized in the balance sheet as follows:		
Work in progress, current assets	151,050	56,069
Prepayments, liabilities	(115,252)	(158,428)
Work in progress at the balance sheet date (net)	**35,798**	**(102,359)**

3.8 Employee benefit obligations

Defined benefit pension obligations

DKK '000	Pension liability	Plan asset	Net liability
2018			
At the beginning of the year	31,181	21,331	9,850
Current service costs	3,886	-	3,886
Interest expenses	447	-	447
Interest income	-	369	(369)
Employer contributions	-	2,102	(2,102)
Benefits paid from plan asset	(6,359)	(6,359)	-
Remeasurement gains/(losses) recognized in other comprehensive income	(4,806)	(365)	(4,441)
Currency revaluation	1,215	782	433
Plan participant contribution etc.	658	772	(114)
At the end of the year	**26,222**	**18,632**	**7,590**

DKK '000	Pension liability	Plan asset	Net liability
2017			
At the beginning of the year	39,159	26,008	13,151
Current service costs	4,587	-	4,587
Interest expenses	252	-	252
Interest income	-	242	(242)
Employer contributions	-	3,391	(3,391)
Benefits paid from plan asset	(6,810)	(6,810)	-
Remeasurement gains/(losses) recognized in other comprehensive income	(4,840)	(112)	(4,728)
Settlements	1,231	-	1,231
Currency revaluation	(3,327)	(2,317)	(1,010)
Plan participant contribution etc.	929	929	-
Present value of funded obligations	**31,181**	**21,331**	**9,850**
Adjustment regarding asset ceiling recognized in other comprehensive income at the beginning of the year	-	-	75
Change during the year recognized in other comprehensive income	-	-	(70)
Interest regarding asset ceiling	-	-	(5)
At the end of the year	**31,181**	**21,331**	**9,850**

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 19.6 years (2017: 19.5 years).

3.8 Employee benefit obligations – continued

DKK '000	2018	2017
Assumptions used for valuation		
Discount rate	0.75%	0.75%
Price inflation	1.25%	1.25%
Projected future remuneration increases	1.75%	1.75%
Future increases in social security	1.50%	1.50%

Actuarial valuations are performed annually. The most recent actuarial valuation is dated November 16, 2018.

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	2018	2017
Discount rate increase 0.25%	(758)	(948)
Discount rate decrease 0.25%	845	1,132
Future remuneration increase 1.0%	259	770
Future remuneration decrease 1.0%	(200)	(509)

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	2018	2017
Defined benefit pension obligations	7,590	9,850
Jubilee benefit obligations	4,818	4,410
Long-term bonus plan	3,089	1,137
Total employee benefit obligations, non-current	**15,497**	**15,397**
Provision for long-term incentive and launch incentive programs		
At the beginning of the year	21,694	22,848
Transfer to employees	(21,613)	(9,696)
Additions	461	1,806
Cancelled	(836)	(757)
Fair value adjustments	294	7,493
At the end of the year	**-**	**21,694**
Recognized in the balance sheet as follows:		
Employee benefit obligations, non-current liabilities	-	-
Employee benefit obligations, current liabilities	-	21,694
At the end of the year	**-**	**21,694**

3.9 Contingent consideration

DKK '000	2018	2017
Contingent consideration		
At the beginning of the year	54,345	-
Additions from business combinations	60,407	54,345
Value adjustment	(1,771)	-
Exchange rate adjustment	(266)	-
At the end of the year	**112,715**	**54,345**

Contingent consideration, included under non-current liabilities, relates to acquisition of subsidiaries.

SCALES
The period for the earn-out target for SCALES ends 2019 and will be settled after approval of the annual report for 2019. Earn out target is DKK 52 million with an earn out range of 0 - 125/130% respectively of target depending on performance on three KPIs: EBITDA in SCALES business, total revenue derived from Microsoft Dynamics as well as unmanaged attrition in the SCALES business area. The KPI's are weighted with EBITDA having the highest weight.
At December 31, 2018 the carrying amount is DKK 52.6 million. Based on SCALES EBITDA performance in 2018, which exceed the upper range, we expect the earn-out to be settled close to the carrying amount.

Valiance Partner
The period for the earn-out target for Valiance Partners ends 2021 and the yearly earn-out payments are settled annually after approval of the annual report.
Earn out target is DKK 60.1 million with an earn-out range of 0 - 136% (DKK 0 - 85.9 million).
For a description of the earn-out KPI's, please refer to note 5.5.
At December 31, 2018 the carrying amount is DKK 60.1 million.
Based on a sensitivity range of +/- 10% of target earn-out payment will change within a range of DKK -10.7 million to DKK 6.3 million

3.10 Provisions

DKK '000	2018	2017
Provision for onerous contracts/projects		
At the beginning of the year	-	13,693
Additions	-	-
Utilized	-	(12,484)
Reversed	-	(660)
Transferred to work in progress	-	(549)
At the end of the year	**-**	**-**

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects.
Provision for onerous projects amounting to DKK 1,565 thousand has been offset in work in progress (2017: DKK 2,100 thousand)

	2018	2017
Provision for refurbishment obligation		
At the beginning of the year	24,681	23,519
Exchange rate adjustment	2	(33)
Additions	190	1,195
Adjustment	(297)	-
At the end of the year	24,576	24,681

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

4. Capital structure and financing items

4.1 Financial income and expenses

DKK '000	2018	2017
Financial income		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	8,875	2,799
Value adjustment contingent consideration	1,771	-
Dividends from shares	-	317
Unrealized gain on shares (net)	18	1,607
Realized/unrealized gain on currency	354	-
Realized gain on shares (net)	-	165
Other financial income	185	171
Total financial income	**11,203**	**5,059**
Financial expenses		
Interest related to tax	843	29
Guarantee commission	997	997
Realized loss on shares (net)	28	-
Realized/unrealized loss on currency	-	214
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	2,029
Interest expenses lease liability	8,784	8,994
Other financial expenses	2,829	2,724
Total financial expenses	**13,481**	**14,987**

4.2 Share capital, distribution to shareholder and earnings per share

DKK '000	2018	2017
Net profit for the year	**235,606**	**198,817**
Number '000		
Average number of shares outstanding	24,536	24,343
Dilutive effect of share-based payments	219	597
Average number of shares outstanding, including dilutive effect of share-based payments	**24,755**	24,940
Earnings per share DKK	**9.60**	**8.17**
Diluted earnings per share DKK	**9.52**	**7.97**

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

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

The share capital has a nominal value of DKK 250,000,000, 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)
2018				
Treasury shares				
Holding at the beginning of the year	10	112,627	3%	656
Value adjustment	-	2,900	0%	-
Purchase	10	37,345	1%	203
Disposal	10	(67,850)	2%	(395)
Holding at the end of the year	**10**	**85,022**	**2%**	**464**

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

Retained earnings are accumulated earnings.

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

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

DKK '000	2018	2017
Net cash distribution to shareholders		
Ordinary dividends	63,935	56,418
Interim dividends	49,070	48,687
Total	**113,005**	**105,105**

The proposed dividend at the end of 2017 was DKK 55,990 thousand (DKK 2.30 per share) and in addition in August 2018 an interim dividend of DKK 49,070 thousand (DKK 2.00 per share) was declared and paid out. At the end of 2018, proposed dividends (not yet declared) of DKK 63,935 thousand (DKK 2.6 per share) are recognized in retained earnings.

4.3 Leases

Lease assets

DKK '000	Rental of premises	IT-equipment	Company cars	2018
2018				
Costs at the beginning of the year	608,627	29,185	20,789	658,601
Additions from Business Combinations	2,521	-	-	2,521
Additions	71,834	11,241	8,321	91,396
Disposals	-	-	(9,178)	(9,178)
Exchange rate adjustment	(364)	(1)	8	(357)
Costs at the end of the year	**682,618**	**40,425**	**19,940**	**742,983**
Depreciation and impairment loss at the beginning of the year	259,189	20,229	9,611	289,029
Depreciation	77,763	8,172	6,419	92,354
Depreciation reversed on disposals	-	-	(9,178)	(9,178)
Exchange rate adjustment	(968)	-	4	(964)
Depreciation and impairment loss at the end of the year	**335,984**	**28,401**	**6,856**	**371,241**
Carrying amount at the end of the year	**346,634**	**12,024**	**13,084**	**371,742**
2017				
Costs at the beginning of the year	573,597	25,621	13,801	613,019
Additions	38,112	3,570	6,977	48,659
Disposals	(1,176)	-	-	(1,176)
Exchange rate adjustment	(1,906)	(6)	11	(1,901)
Costs at the end of the year	**608,627**	**29,185**	**20,789**	**658,601**
Depreciation and impairment loss at the beginning of the year	192,897	13,823	4,845	211,565
Depreciation	68,397	6,406	4,726	79,529
Depreciation reversed on disposals	(1,176)	-	-	(1,176)
Exchange rate adjustment	(929)	-	40	(889)
Depreciation and impairment loss at the end of the year	**259,189**	**20,229**	**9,611**	**289,029**
Carrying amount at the end of the year	**349,438**	**8,956**	**11,178**	**369,572**

Lease liabilities

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

DKK '000	2018	2017
Within 1 year	83,013	82,964
Between 1 and 5 years	255,292	266,134
After 5 years	55,000	92,601
Total lease liability, non-discounted	**393,305**	**441,699**
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	298,823	298,810
Current liabilities	83,590	80,539
Total lease liabilities	**382,413**	**379.349**
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	8,784	8,994
Expense relating to short term leases, not capitalized	754	600
Expense relating to leases of low-value assets, not capitalized	969	793
	10,507	**10,387**

In 2018 the Group has paid DKK 98,520 thousand (2017: DKK 86,875 thousand) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 8,784 thousand (2017: DKK 8,994 thousand) and repayment of lease liability amount to DKK 89,736 thousand (2017: DKK 77,881 thousand)

4.4 Financial assets and liabilities

Depending on the purpose of each asset and liability, NNIT classifies these into the following categories:

- Cash and cash equivalents
- Cash flow hedging instruments at fair value
- Financial assets at fair value through the income statement
- Financial assets at amortized cost
- Financial liabilities at fair value through comprehensive income
- Financial liabilities measured at amortized cost

DKK '000	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at fair value through the income statement	Financial assets at amortized cost	Total
2018					
Financial assets by category					
Deposits	-	-	-	32,730	32,730
Trade receivables	-	-	-	500,627	500,627
Work in progress	-	-	-	151,050	151,050
Other receivables and pre-payments	-	-	-	140,135	140,135
Derivative financial instruments	-	9,842	-	-	9,842
Cash and cash equivalents	107,547	-	-	-	107,547
Total financial assets at the end of the year	**107,547**	**9,842**	**-**	**824,542**	**941,931**

DKK '000	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at fair value through the income statement	Financial assets at amortized cost	Total
2017					
Financial assets by category					
Deposits	-	-	-	32,637	32,637
Trade receivables	-	-	-	574,808	574,808
Work in progress	-	-	-	56,069	56,069
Other receivables and pre-payments	-	-	-	164,432	164,432
Shares [1]	-	-	13,950	-	13,950
Derivative financial instruments	-	4,598	-	-	4,598
Cash and cash equivalents	74,577	-	-	-	74,577
Total financial assets at the end of the year	**74,577**	**4,598**	**13,950**	**827,946**	**921,071**

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

4.4 Financial assets and liabilities – continued

DKK '000	Financial liabilities at fair value through comprehensive income	Financial liabilities measured at amortized cost	Total
2018			
Financial liabilities by category			
Lease liability	-	382,413	382,413
Bank overdraft	-	242,675	242,675
Trade payables	-	97,476	97,476
Derivative financial instruments	1,306	-	1,306
Other current liabilities	-	117,207	117,207
Total financial liabilities at the end of the year	**1,306**	**839,771**	**841,077**

DKK '000	Financial liabilities at fair value through comprehensive income	Financial liabilities measured at amortized cost	Total
2017			
Financial liabilities by category			
Lease liability		379,349	379,349
Bank overdraft	-	93,194	93,194
Trade payables	-	58,948	58,948
Derivative financial instruments	1,164	-	1,164
Other current liabilities	-	132,777	132,777
Total financial liabilities at the end of the year	**1,164**	**664,268**	**665,432**

DKK '000	Cash credit	Lease liability	Total
2018			
Financial liabilities included in finance activities			
Financing liabilities included in finance activities at the begining of the year	93,194	379,349	472,543
Installments on lease	-	(89,736)	(89,736)
Ingoing/outgoing payments during the year	149,481	-	149,481
Addition	-	93,096	93,096
Exchange rate adjustment	-	(296)	(296)
Total financial liabilities included in finance activities at the end of the year	**242,675**	**382,413**	**625,088**

DKK '000	Cash credit	Lease liability	Total
2017			
Financial liabilities included in finance activities			
Financing liabilities included in finance activities at the begining of the year	-	410,857	410,857
Installments on lease	-	(77,881)	(77,881)
Ingoing/outgoing payments during the year	93,194	-	93,194
Addition	-	47,564	47,564
Exchange rate adjustment	-	(1,191)	(1,191)
Total financial liabilities included in finance activities at the end of the year	**93,194**	**379,349**	**472,543**

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.

4.4 Financial assets and liabilities – continued

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

The interest-bearing liabilities relate to overdrafts made on NNIT's DKK 540,000 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. The bank overdraft is expected to be reduced through future cash inflow from operating activities.

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

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

Foreign exchange sensitivity analysis
NNIT estimates that, all other variables being constant, a 10% depreciation of the average 2018 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 2018. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only:

DKK '000	2018	2017
CNY	(18,510)	(17,313)
CZK	(10,968)	(9,964)
USD	(1,958)	(6,318)
PHP	(5,961)	(4,561)
CHF	(114)	(859)

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

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

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

At December 31, 2018 NNIT A/S' net balance position (trade receivables minus trade payables) divided on currency amounted to a short term outflow primarily in Chinese yuan, Czech koruna, Swiss franc, British pound and US dollars and a short term inflow in the Euro. A 10% depreciation of the exchange rate of the Danish kroner against NNIT A/S' transaction exposures (net balance position less hedging contracts) will have the below illustrated impact (in Danish kroner) on the net profit before tax for the year ended December 31, 2018.

DKK '000	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity
December 31, 2018					
CNY	-	14,415	(14,415)	(281)	(28)
CZK	-	7,627	(7,627)	2,745	275
CHF	-	(6,049)	(6,049)	(6,049)	(605)
GBP	273	515	(242)	(242)	(24)
USD	10,333	16,579	(6,246)	(6,246)	(625)
EUR [2]	73,607	12,292	61,315	65,602	6,560

[1] Including hedge contracts to be settled in January 2019
[2] PHP is hedged with EUR denominated contracts

DKK '000	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity
December 31, 2017					
CNY	-	15,550	(15,550)	(2,145)	(215)
CZK	-	8,140	(8,140)	(6,165)	(617)
CHF	2,294	344	1,950	1,950	195
GBP	371	423	(52)	(52)	(5)
USD	6,667	10,069	(3,402)	(3,402)	(340)

[1] Including hedge contracts to be settled in January 2018

4.4 Financial assets and liabilities – continued

At December 31, 2018 NNIT A/S' hedge contracts covered the period from January 2019 to February 2020. Taking into account contracts affecting other comprehensive income (equity) (contracts expiring between February 2019 and February 2020), 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 [1]	Of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2018				
CNY	215,858	14,135	201,723	20,172
CZK	146,489	10,372	136,117	13,612
PHP	55,479	4,284	51,195	5,119

[1] Only purchase of foreign currencies

DKK '000	Contract amount [1]	Of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2017				
CNY	188,712	13,405	175,307	17,531
CZK	141,366	7,743	133,623	13,362

[1] Only purchase of foreign currencies

Credit risk
NNIT's credit risk principally arises from trade receivables, which amounted to DKK 500,624 thousand as at December 31, 2018 (December 31, 2017: DKK 574,808 thousand). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. At December 31, 2018, our trade receivables from the Novo Nordisk Group amounted to DKK 152,714 thousand (December 31, 2017: DKK 210,735 thousand). The classification of trade receivables according to maturity date is set out in note 3.6.

Cash management
NNIT is committed to maintaining a flexible capital structure. At December 31, 2018, NNIT had undrawn committed credit facilities in the amount of DKK 297,325 thousand (2017: DKK 306,806 thousand). The credit facility includes financial covenants with reference to the ratio between net debt and EBITDA. At December 31, 2018, NNIT had 'cash and cash equivalents' and 'bank overdraft', net of DKK -242,675 thousand in Denmark and DKK 107,547 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 42.6% (2017: 41.9%).

4.5 Derivative financial instruments

DKK '000	Contract amount, net [3]	Average price	Positive fair value at year-end [4]	Negative fair value at year-end [4]	Current hedge duration (month)
2018					
Cash flow hedges					
CNH [1]	215,858	0.91	6,044	(441)	14
CZK	146,489	0.29	220	(865)	14
PHP [2]	55,479	66.53	3,578	-	14
	417,826		**9,842**	**(1,306)**	

[1] CNY is hedged via CNH
[2] PHP has been hedged since January 31, 2018. PHP is hedged with EUR denominated contracts.
[3] Only purchase of foreign currencies
[4] Of the net fair value December 31, 2018 DKK 1,216 thousand has been transferred to the P/L and DKK 7,320 thousand to equity.

4.5 Derivative financial instruments - continued

DKK '000	Contract amount, net [3]	Average price	Positive fair value at year-end [4]	Negative fair value at year-end [4]	Current hedge duration (month)
2017					
Cash flow hedges					
CNH [1]	188,712	0.95	1,038	(1,054)	14
CZK	141,365	0.40	3,560	(110)	14
USD [2]	-	-	-	-	-
	330,077		**4,598**	**(1,164)**	

[1] CNY is hedged via CNH
[2] PHP is proxy hedged via USD. Hedging was discontinued in March 2016. Last contract has expired in May 2017
[3] Only purchase of foreign currencies
[4] Of the net fair value December 31, 2017 DKK -88 thousand has been transferred to the P/L and DKK 3,521 thousand to equity.

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	2018	2017
Long-term incentive program (LTIP) in Novo Nordisk shares - cash based	-	5,003
Long-term incentive program (LTIP) in NNIT shares - share based	9,310	7,340
Retention Program (RP) in NNIT shares - shares based	6,782	-
Launch incentive program (LIP) - share based (Group Management and Vice Presidents)	-	8,250
Launch incentive program (ELI) - share based (Employees not part of LIP)	(1,380)	5,752
Launch incentive program (ELI) - cash based (Foreign employees not part of LIP)	-	1,420
Incentive program charged to income statement	**14,712**	**27,765**
Recognized in the income statement:		
Cost of goods sold	4,409	11,202
Sales and marketing costs	2,022	2,416
Administrative expenses	8,281	10,562
Financial items	-	3,585
Total	**14,712**	**27,765**

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	2018	2017
Outstanding at the beginning of the year	679	638
Restricted stock units issued to employees		
Launch incentive program (LIP)	-	-
Long-term incentive program (LTIP)	74	63
Retention Program (RP)	112	-
Shares allocated to Group Management	186	63
Cancelled during the year	(477)	(22)
Outstanding at the end of the year (in NNIT shares)	**388**	**679**

5.1 Long-term incentives and launch incentives - continued

Outstanding restricted stock units (in NNIT shares)

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

Number '000	At the beginning of the year	Issued	Cancelled/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
2017						
Outstanding restricted stock units to employees						
2015 restricted stock units (ELI)	221	-	(14)	207	25,875	2018
Total restricted stock units to employees	**221**	**-**	**(14)**	**207**	**25,875**	
Shares allocated to Group Management						
2015 Shares allocated (LTIP)	38	-	(2)	36	5,614	2019
2016 Shares allocated (LTIP)	29	-	(3)	26	4,353	2020
2017 Shares allocated (LTIP)	-	25	-	25	4,702	2021
2015 Shares allocated (LIP)	131	-	(4)	127	15,875	2018
Total shares for Group Management	**198**	**25**	**(9)**	**214**	**30,544**	
Shares allocated to Vice Presidents						
2015 Shares allocated (LTIP)	19	-	(2)	17	2,638	2019
2016 Shares allocated (LTIP)	30	-	(3)	27	4,499	2020
2017 Shares allocated (LTIP)	-	31	-	31	5,786	2021
2015 Shares allocated (LIP)	67	-	4	71	8,923	2018
Total shares for Vice Presidents	**116**	**31**	**(1)**	**146**	**21,846**	
Shares allocated to terminated employees	**103**	**105**	**1**	**112**	**15,823**	

5.1 Long-term incentives and launch incentives – continued

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

Number	At the beginning of the year [1]	Additions during the year	Sold/ transferred during the year	**At the end of the year**	Market value (DKK'000)
2018					
Carsten Dilling	2,740	-	-	2,740	502
Peter H.J. Haahr	-	-	-	-	-
Anne Broeng	2,516	-	-	2,516	461
Eivind Kolding	2,400	-	-	2,400	440
Christian Kanstrup	-	-	-	-	-
Caroline Sefass	-	-	-	-	-
Henrik Vienberg Andersen	-	144	-	144	26
Anders Vidstrup	150	144	(294)	-	-
Total Board of Directors	**7,806**	**288**	**(294)**	**7,800**	**1,429**
Per Kogut	32,664	65,328	(65,328)	32,664	5,984
Carsten Krogsgaard Thomsen	19,248	38,496	(45,773)	11,971	2,193
Total Executive Management	**51,912**	**103,824**	**(111,101)**	**44,635**	**8,177**
Other members of Group Management [2]	8,944	31,232	(13,172)	27,004	4,947
Total	**68,662**	**135,344**	**(124,567)**	**79,439**	**14,553**

[1] Following the changes in the Board of Directors and Group Management, the holding of shares at the beginning of the year has been updated compared with the Annual Report 2017

[2] Other members of Group Management are Brit Kannegaard Johannessen, Jacob Hahn Michelsen, Claus Middelboe Andersen and Ricco Larsen.

5.2 Fee to statutory auditors

DKK '000	2018	2017
Statutory audit	1,285	1,080
Audit-related services	770	1,068
Tax advisory services	-	176
Other services	9	3,272
Total fee to statutory auditors	**2,064**	**5,596**

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

In 2017 PwC performed IT customer-audits (DKK 2,529 thousand). From 2018 the IT customer-audits is performed by KPMG.

5.3 Reversal of non-cash items

DKK '000	2018	2017
Income taxes	69,525	53,558
Amortization and depreciation	247,476	231,797
Scrapping of tangible assets	1,579	19,020
Increase/(decrease) in provisions and employee benefits	(1,942)	(15,314)
Value adjustment contingent consideration	(1,771)	-
Dividends received reclassified to investing activities	-	(317)
Provision share-based payments NNIT shares	14,989	21,342
Provision share-based payments Novo Nordisk shares	-	6,278
Interest paid/received	13,268	12,573
Other adjustments for non-cash items	(1,722)	872
Total	**341,402**	**329,809**

5.4 Statement of cash flows - specifications

DKK '000	2018	2017
Changes in working capital		
Increase/(decrease) in current receivables less tax receivables	33,427	22,364
Increase/(decrease) in current liabilities less provisions and tax payables	(77,162)	(36,003)
- hereof change in trade payables related to investments	(18,105)	2,887
Total	**(61,840)**	**(10,752)**
Purchase of tangible assets		
Purchase of tangible assets	(164,347)	(324,023)
Addition from business combinations	-	313
Change in trade payables related to purchase of tangible assets	18,105	(2,887)
Total	**(146,242)**	**(326,597)**
Additional cash flow information [1]		
Cash and equivalents, assets	107,547	74,577
Bank overdraft	(242,675)	(93,194)
Undrawn committed credit facilities	540,000	400,000
Financial resources at the end of the year	**404,872**	**381,383**
Cash flow from operating activities	438,696	425,081
Cash flow from investing activities	(322,638)	(437,692)
Free cash flow	**116,058**	**(12,611)**

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

NNIT has a credit facility of DKK 540,000 thousand (2017:400,000 thousand) with Danske Bank A/S.

5.5 Acquisition of subsidiaries

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

DKK '000	Valiance Partners LLC	Valiance Partners Ltd	2018	2017
Acquisition cost				
Cash paid	126,324	39,530	165,854	103,837
Consideration in NNIT A/S shares	-	-	-	19,123
Contingent consideration (earn out)	46,027	14,380	60,407	54,345
Total acquisition cost	**172,351**	**53,910**	**226,261**	**177,305**
Fair value of net assets acquired				
Intangible assets	17,027	3,993	21,020	9,200
Lease assets	1,991	530	2,521	-
Other non-current assets	159	-	159	1,772
Trade receivables and work in progress [1]	12,132	2,013	14,145	33,218
Other receivables and pre-payments	117	18	135	1,582
Cash and cash equivalents	1,446	2,155	3,601	5,846
Non-current liabilities	(4,597)	(438)	(5,035)	(2,055)
Prepayments received	(1,652)	-	(1,652)	(7,986)
Lease liablity	(2,067)	(531)	(2,598)	-
Employee costs payable	(2,924)	(1,090)	(4,014)	(15,890)
Other current liabilities	(1,466)	(364)	(1,830)	(16,070)
Net assets acquired	**20,166**	**6,286**	**26,452**	**9,617**
Goodwill	152,185	47,624	199,809	167,688
Acquisition cost	**172,351**	**53,910**	**226,261**	**177,305**
Of which cash and cash equivalents	(1,446)	(2,155)	(3,601)	(5,846)
Consideration in NNIT A/S shares	-	-	-	(19,123)
Contingent consideration (earn out)	(46,027)	(14,380)	(60,407)	(54,345)
Paid acquisition cost, net	**124,878**	**37,375**	**162,253**	**97,991**

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

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

Goodwill relates to the assembled workforce and further revenue in Valiance Partners and in NNIT from synergies.

Recognized goodwill in the US entity is deductible for tax purposes.

Transaction cost of DKK 6 million has been recognized in administrative expenses.

Earn out target is DKK 60.4 million with an earn out range of DKK 0-85.9 million depending on performance on five KPIs: EBITDA in Valiance Partners, additional revenue derived for NNIT A/S, R&D investments, unmanaged attrition as well as successful integration with the NNIT Group. The KPIs are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight. The earn-out period ends 2021 and the yearly earn-out payments are settled annually after approval of the annual report. The earn-out weights are highest at the end of the period.
There have been no changes to the carrying amount of the contingent consideration since the date of the acquisition.

Earnings impact
Revenue and EBIT comprise DKK 3.5 million and DKK 0.7 million, respectively, reported by Valiance Partners since the date of acquisition November 1, 2018.

On a pro forma basis, if the acquisition had been effective from January 1, 2018 Valiance partners would have contributed DKK 81.9 million to revenue and DKK19.8 million to EBIT.

Acquisitions during 2017
On June 1, 2017, NNIT acquired full ownership and control of SCALES in Denmark. SCALES is a leading Danish-based consultancy, who delivers implementations of Microsoft Dynamics 365 ERP solutions (previously: Dynamics AX).

5.6 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2018	2017
Lease agreements of short-term and low-value assets expiring within the following periods from balance sheet date		
Within 1 year	1,013	738
Between 1 and 5 years	1,631	2,257
After 5 years	-	-
Total lease agreements of low-value assets	**2,644**	**2,995**
Total lease payments in the income statement for the year	1,723	1,393

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

	2018	2017
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	21,898	22,259
Between 1 and 5 years	30,398	-
Total	**52,296**	**22,259**
Other contractual obligations recognized as an expense	22,308	21,301

Other contractual obligations include service and construction agreements.

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

There is no contractual obligations with related parties for 2018 (2017: DKK 873 thousand).

Contingent liabilities and legal proceedings
Contingent liabilities
None

Legal proceedings
None

5.7 Related party transactions and ownership

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

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

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

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

DKK '000	2018	2017
Net sales		
Novo Nordisk Group	1,103,350	1,231,209
Novozymes Group	31,421	34,315
Novo Holdings A/S	15,578	2,561
Novo Nordisk Foundation	5,229	-
Total	**1,155,578**	**1,268,085**
Net purchases		
Novo Nordisk Group	5,123	25,226
Total	**5,123**	**25,226**
Trade receivables		
Novo Nordisk Group	152,714	210,735
Novozymes Group	5,393	3,868
Novo Holding A/S	4,759	1,528
Novo Nordisk Foundation	1,016	-
Total	**163,882**	**216,131**
Work in progress		
Novo Nordisk Group	90,547	37,652
Total	**90,547**	**37,652**

5.7 Related party transactions and ownership – continued

DKK '000	2018	2017
Liabilities to related parties		
Novo Nordisk Group	3,364	1,264
Total	**3,364**	**1,264**
Prepayments from related parties		
Novo Nordisk Group	24,315	48,760
Total	**24,315**	**48,760**

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
SCALES A/S	Denmark	2017	DKK 600,000	100
SCALES AS	Norway	2017	NOK 500,000	100
SCALES AB	Sweden	2017	SEK 500,000	100
NNIT IT-Services (Thailand) Limited	Thailand	2017	THB 3,000,000	100
Valiance Partners LLC	USA	2018	USD 1,000	100
Valiance Partners Ltd	Ireland	2018	EUR 100	100

[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.

5.8 Events after the balance sheet date

January, 2019 NNIT extended the infrastructure outsourcing agreement with DSB increasing the backlog for 2019 and 2020, see press release January 22, 2018.

January 29, 2019 NNIT has announced a new strategy, updated long-term targets and a new organization to support the new strategy, please see company announcement 1/2019.

There have been no other events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2018.

Parent company financial statements

Income statement
for the year ended December 31

DKK '000	Note	2018	2017
Revenue		**2,660,912**	**2,601,266**
Cost of goods sold	2.1	2,236,617	2,191,714
Gross profit		**424,295**	**409,552**
Sales and marketing costs	2.1	107,884	114,014
Administrative expenses	2.1	85,676	81,245
Operating profit		**230,735**	**214,293**
Financial income	4.1	32,751	21,617
Financial expenses	4.2	11,811	12,845
Profit before income taxes		**251,675**	**223,065**
Income taxes		53,912	44,703
Net profit for the year		**197,763**	**178,362**
Proposed allocation:			
Interim dividends		49,070	48,687
Dividends		63,935	55,990
Reserve IT-development projects		7,598	7,662
Retained earnings		77,160	66,023
		197,763	**178,362**

Balance sheet at December 31

ASSETS

DKK '000	Note	2018	2017
Intangible assets	3.1	42,363	37,205
Tangible assets	3.2	586,861	565,495
Lease assets	4.3	288,809	314,773
Contract assets		111,070	100,084
Deferred taxes		37,996	55,859
Financial assets	3.3	298,298	243,270
Financial assets - related parties		126,593	-
Total fixed assets		**1,491,990**	**1,316,686**
Inventories		1,633	1,566
Trade receivables		272,821	309,552
Trade receivables - related parties		159,933	204,312
Work in progress		48,353	26,665
Work in progress - related parties		90,547	21,135
Contract assets		52,459	79,246
Other receivables and pre-payments		127,396	154,211
Shares		-	13,950
Derivative financial instruments	4.4	9,842	4,598
Total current assets		**762,984**	**815,235**
Total assets		**2,254,974**	**2,131,921**

Balance sheet at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2018	2017
Share capital		250,000	250,000
Retained earnings		668,210	615,073
Reserve IT-development projects		25,849	18,251
Proposed dividends		63,935	55,990
Total equity		**1,007,994**	**939,314**
Lease liabilities	4.3	232,523	261,640
Employee benefit obligations		7,906	5,548
Contingent consideration		66,891	54,345
Provisions	3.4	22,793	22,602
Total non-current liabilities		**330,113**	**344,135**
Prepayments received		150,515	221,801
Prepayments received - related parties		24,315	51,088
Lease liabilities	4.3	65,834	61,693
Bank overdraft		242,675	93,194
Trade payables		76,722	40,730
Trade payables - related parties		44,222	31,108
Employee costs payable		203,051	211,033
Tax payables		3,327	10,538
Other current liabilities		104,900	112,272
Derivative financial instruments	4.4	1,306	1,164
Employee benefit obligations		-	13,851
Total current liabilities		**916,867**	**848,472**
Total equity and liabilities		**2,254,974**	**2,131,921**

Statement of changes in equity at December 31

DKK '000	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
2018							
Balance at the beginning of the year	**250,000**	**(6,567)**	**618,893**	**18,251**	**2,747**	**55,990**	**939,314**
Net profit for the year	-	-	197,763	-	-	-	197,763
Capitalized IT development projects	-	-	(7,598)	7,598	-	-	-
Transfer of treasury shares	-	1,926	10,250	-	-	-	12,176
Share-based payments	-	-	(34,533)	-	-	-	(34,533)
Deferred tax on share-based payments [1]	-	-	(3,666)	-	-	-	(3,666)
Cash flow hedges	-	-	-	-	3,799	-	3,799
Adjustment to proposed dividend	-	-	(428)	-	-	428	-
Tax on cash flow hedges	-	-	-	-	(1,371)	-	(1,371)
Dividends paid	-	-	-	-	-	(105,488)	(105,488)
Interim dividend	-	-	(49,070)	-	-	49,070	-
Proposed dividends for 2018	-	-	(63,935)	-	-	63,935	-
Total dividends for 2018	**-**	**-**	**(113,005)**	**-**	**-**	**113,005**	**-**
Balance at the end of the year	**250,000**	**(4,641)**	**667,676**	**25,849**	**5,175**	**63,935**	**1,007,994**

DKK '000	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
2017							
Balance at the beginning of the year	**250,000**	**(7,500)**	**524,743**	**10,589**	**(1,031)**	**53,350**	**830,151**
Effect of IFRS 15 and IFRS 16	-	-	(16,177)	-	-	-	(16,177)
Taxeffect of IFRS 15 and IFRS 16	-	-	6,338	-	-	-	6,338
Adjusted balance at the beginning of period	-	-	514,904	-	-	-	820,312
Net profit for the year	-	-	178,362	-	-	-	178,362
Capitalized IT development projects	-	-	(7,662)	7,662	-	-	-
Transfer of treasury shares	-	933	18,190	-	-	-	19,123
Share-based payments	-	-	21,343	-	-	-	21,343
Deferred tax on share-based payments [1]	-	-	(1,567)	-	-	-	(1,567)
Cash flow hedges	-	-	-	-	4,842	-	4,842
Tax on cash flow hedges	-	-	-	-	(1,064)	-	(1,064)
Dividends paid	-	-	-	-	-	(102,037)	(102,037)
Interim dividend	-	-	(48,687)	-	-	48,687	-
Proposed dividends for 2017	-	-	(55,990)	-	-	55,990	-
Total dividends for 2017	**-**	**-**	**(104,677)**	**-**	**-**	**104,677**	**-**
Balance at the end of the year	**250,000**	**(6,567)**	**618,893**	**18,251**	**2,747**	**55,990**	**939,314**

[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.

At group level IFRS 9, 15 and 16 have been implemented as of January 1, 2018. It is only IFRS 15 and 16 which have affected the recognition and measurement of the parent company financial statements for 2018. Both standards have been applied fully retrospectively as of January 1, 2018, thus the 2017 comparative figures have been restated. Please refer to section 1.3 in the consolidated financial statements for further description.

The majority of the group effect of IFRS 16 relates to the Parent Company. For IFRS 15 the effect at group level arise solely from the Parent Company.
The parent company financial statements are continuously presented according to the same practice as the consolidated financial statements, except for the following deviations.

Supplementary accounting policies for the parent company
Financial assets
Dividends from investments in subsidiaries.
Dividends from investments in subsidiaries are recognized as income in the Parent's income statement under financial income in the financial year in which the dividends are declared.

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

Cash flow statement
A separate cash flow statement regarding the parent company is not prepared.
For the group cash flow statement, please refer to page 60.

2. Results for the year

2.1 Employee cost

DKK '000	2018	2017
Wages and salaries	1,055,578	1,093,108
Pensions	104,624	104,961
Other employee costs	29,880	37,146
Total employee costs	**1,190,082**	**1,235,215**
Included in the income statement:		
Cost of goods sold	1,051,702	1,088,446
Sales and marketing costs	85,809	91,176
Administrative expenses	52,571	55,593
Total employee costs	**1,190,082**	**1,235,215**
Average number of full-time employees	1,521	1,564

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

DKK '000	IT development projects	IT development projects under construction	2018	2017
Cost at the beginning of the year	79,468	6,455	85,923	75,644
Adjustment	4,325	(4,325)	-	-
Additions	866	13,417	14,283	10,279
Transfer	785	(785)	-	-
Cost at the end of the year	**85,444**	**14,762**	**100,206**	**85,923**
Amortization and impairment losses at the beginning of the year	48,718	-	48,718	42,337
Amortization	9,125	-	9,125	6,381
Amortization and impairment losses at the end of the year	**57,843**	-	**57,843**	**48,718**
Carrying amount at the end of the year	**27,601**	**14,762**	**42,363**	**37,205**
Amortization period		5-10 years		

3.2 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2018	2017
Cost at the beginning of the year	163,299	870,660	50,364	229,905	1,314,228	1,077,677
Additions	24,910	116,756	789	20,991	163,446	315,784
Disposals	(5,016)	(8,027)	-	(488)	(13,531)	(79,233)
Transfer	189,982	39,436	-	(229,418)	-	-
Cost at the end of the year	**373,175**	**1,018,825**	**51,153**	**20,990**	**1,464,143**	**1,314,228**
Depreciation and impairment losses at the beginning of the year	56,490	658,026	34,217	-	748,733	667,094
Depreciation	19,955	114,249	4,067	-	138,271	141,852
Depreciation reversed on disposals during the year	(3,084)	(6,638)	-	-	(9,722)	(60,213)
Depreciation and impairment losses at the end of the year	**73,361**	**765,637**	**38,284**	-	**877,282**	**748,733**
Carrying amount at the end of the year	**299,814**	**253,188**	**12,869**	**20,990**	**586,861**	**565,495**
Depreciation period	10-50 years	3-10 years	5-10 years			

3.3 Financial assets

DKK '000	Deposits	Investment in subsidiaries	2018	2017
Cost				
Cost at the beginning of the year	25,559	217,711	243,270	65,965
Additions	528	54,500	55,028	178,043
Disposals	-	-	-	(738)
Cost at the end of the year	**26,087**	**272,211**	**298,298**	**243,270**
Carrying amount at the end of the year	**26,087**	**272,211**	**298,298**	**243,270**

Please refer to note 5.7 in the consolidated financial statements for a listing of subsidiaries in the NNIT Group.

3.4 Provisions

DKK '000	2018	2017
Provision for refurbishment obligation (non-current liabilities)		
At the beginning of the year	22,602	22,602
Additions	191	-
At the end of the year	**22,793**	**22,602**

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

Provision for onerous contractes/projects (current liabilities)		
At the beginning of the year	-	13,693
Additions	-	-
Utilized	-	(12,484)
Reversed	-	(660)
Transferred to 'work in progress'	-	(549)
	-	
At the end of the year	**-**	**-**

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.

4. Capital structure and financing items

4.1 Financial income

DKK '000	2018	2017
Interest income from related parties	993	179
Fair value adjustments of financial instruments (net)	8,875	2,799
Value adjustment contingent consideration	1,771	-
Dividends from shares	-	317
Dividends from subsidiaries	19,367	16,463
Unrealized gain on shares (net)	18	1,608
Realized gain on shares (net)	-	165
Realized/unrealized loss on currency	972	-
Interest related to tax	676	-
Other financial income	79	86
Total financial income	**32,751**	**21,617**

4.2 Financial expenses

DKK '000	2018	2017
Interest related to tax	1,518	20
Guarantee commission	997	997
Realized loss on shares (net)	28	-
Realized/unrealized loss on currency	-	186
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	2,029
Interest related to lease	6,485	7,205
Other financial expenses	2,783	2,408
Total financial expenses	**11,811**	**12,845**

4.3 Leases

Lease assets

DKK '000	Rental of premises	IT-equipment	Company cars	2018
2018				
Costs at the beginning of the year	529,803	29,058	17,379	576,240
Additions	28,696	11,241	6,989	46,926
Disposals	-	-	(8,004)	(8,004)
Costs at the end of the year	**558,499**	**40,299**	**16,364**	**615,162**
Depreciation and impairment loss at the beginning of the year	233,156	20,222	8,089	261,467
Depreciation	59,512	8,132	5,246	72,890
Depreciation reversed on disposals	-	-	(8,004)	(8,004)
Depreciation and impairment loss at the end of the year	**292,668**	**28,354**	**5,331**	**326,353**
Carrying amount at the end of the year	**265,831**	**11,945**	**11,033**	**288,809**
2017				
Costs at the beginning of the year	529,803	25,621	12,011	567,435
Additions	-	3,437	5,368	8,805
Costs at the end of the year	**529,803**	**29,058**	**17,379**	**576,240**
Depreciation and impairment loss at the beginning of the year	178,412	13,824	4,216	196,452
Depreciation	54,744	6,398	3,873	65,015
Depreciation reversed on disposals				
Depreciation and impairment loss at the end of the year	**233,156**	**20,222**	**8,089**	**261,467**
Carrying amount at the end of the year	**296,647**	8,836	**9,290**	**314,773**

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

DKK '000	2018	2017
Within 1 year	64,601	62,188
Between 1 and 5 years	196,046	227,590
After 5 years	46,851	90,739
Total lease liability, non-discounted	**307,498**	**380,517**
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	232,523	261,640
current liabilities	65,834	61,693
Total lease liabilities	**298,357**	**323,333**
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	6,485	7,205
Expense relating to short term leases, not capitalized	-	-
Expense relating to leases of low-value assets, not capitalized	781	618
	7,266	**7,823**

In 2018 the Group has paid 78,197 thousand (2017: 69,004 thousand) regarding lease agreements where of interest expenses related to lease liabilities amount to 6,485 thousand (2017: 7,205 thousand) and repayment of lease liability amount to 71,712 thousand (2017: 61,799 thousand)

4.4 Derivative financial instruments

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

5. Other disclosures

5.1 Fee to statutory auditors

DKK '000	2018	2017
Statutory audit	791	641
Other assurance engagements	730	1,028
Tax advisory services	-	116
Other services	9	3,216
Total fee to statutory auditors	**1,530**	**5,001**

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

In 2017 PwC performed IT customer-audits (DKK 2,529 thousand). From 2018 the IT customer-audits is performed by KPMG.

5.2 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2018	2017
Lease agreements of low-value assets expiring within the following periods from balance sheet date		
Within 1 year	756	738
Between 1 and 5 years	1,631	2,257
After 5 years	-	-
Total lease agreements of low-value assets	**2,387**	**2,995**
Total lease payments in the income statement for the year	**781**	**618**

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

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

Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	21,898	22,259
Between 1 and 5 years	30,398	-
Total	**52,296**	**22,259**
Other contractual obligations in the income statement for the year	22,308	21,301

Other contractual obligations include service and construction agreements.

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

5.3 Related party transactions and ownership

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

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

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Design and production: **MeyerBukdahl**
Photography: **Pernille Greve, Morten Jerichau**