

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

Annual Report 2020

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

NNIT

We make a mark

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The Bigger Picture

The Bigger Picture

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NNIT Group at a Glance

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



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

Group Companies:





An NNIT Group Company



An NNIT Group Company



HEALTH SOLUTIONS
AN NNIT GROUP COMPANY

At NNIT, we believe that we can make a mark in business and society together with our customers and partners. Standing firmly on our three core values, this is the NNIT way:



Aspiration

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



Strategy

We provide Winning Solutions based on Proven Concepts delivered Fit for Purpose and First Time Right.



Values

Open and honest
Conscience driven
Value adding

Resilience in a Year of Transformation and a Global Pandemic

2020 was seen as a year of transformation, dedicated to executing on our revised strategy. Our guidance was set accordingly, and we succeeded in delivering on our promise despite business impact from the COVID-19 pandemic causing insecurity and delay in decisions and an overall slowdown in the market.

Growth in Life Sciences and continued strong financial position

We made great headway within the Life Sciences business unit, achieving an impressive annual growth rate of 26% and 14% for Life Sciences International and Life Sciences Denmark, respectively.

As expected, the effects from the loss of two major contracts impacted the 2020 financial performance resulting in a Group revenue

decrease of 7.5%, gross profit margin of 14% and an operating profit margin before special items of 5.8%. Not exactly satisfactory, but in line with expectations, nevertheless.

In addition, due to the underlying cash flow generation and the strong financial position of NNIT, in August, we were able to maintain payment of an interim dividend for 2020 of DKK 2.00 per share, corresponding to DKK 49 million.

Focus on our strategy

Throughout the year, the organization was heavily invested in bringing our strategy and Winning Solutions to the market. This came to fruition with new wins as well as extensions of existing contracts.

We also continued to execute on the pre-announced cost restructuring program by introducing automation initiatives and reducing both employees and administrative costs according to plan.

The cost restructuring program supported a margin improvement in the Life Sciences International, Life Sciences Denmark and Private & Public segments. However, as expected, it was not able to fully compensate for the loss of business from the Novo Nordisk Group.

On November 9, we announced the acquisition of Excellis Health Solutions, delivering on our 2022 strategy to broaden our capabilities within the international life sciences business via M&A. In Excellis, we saw a great business and cultural match from the beginning, and we expect that we will achieve synergies from cross-selling and the mutual international expansion – not least through the added offering of supply chain management services brought to the NNIT Group via Excellis.

Continuing to make our mark in business and society

We believe in our strategy, we believe in our Winning Solutions – and we believe that we can help bring digital transformation to life, to the benefit of our customers and society in general. Digital transformation is more important than ever and, in 2020, we saw this particularly through great traction within

our solutions Veeva Powerhouse for Life Sciences customers, D365 Solutions and Hybrid Cloud.

Together with our customers, we aim to continue to develop our solutions and services, adding value by improving quality and productivity – and to keep vital infrastructure systems up and running.

Corporate Responsibility and safeguarding the NNIT culture

With many people working from home for extended periods of time throughout the year and most on-site events cancelled, safeguarding the NNIT culture was and is a challenge.

Technically, we were able to work from home from day one of the first lock-down, and we assisted many of our customers in successfully making the transition to mostly working online. Even so, working remotely is not the same as physically being there, and we are looking forward to returning to normal and being able to meet in person,

especially with our customers. This is a big part of the NNIT culture.

In addition, NNIT has a strong conscience. In 2020, we continued to focus on corporate responsibility in general, including UN Sustainable Development Goals (SDG), rolling out various initiatives that we will continue in 2021. Our UN SDG focus includes:

- SDG 4: Quality Education
- SDG 5: Gender Equality
- SDG 9: Industry, Innovation and Infrastructure
- SDG 12: Responsible Consumption and Production

For many years, we have had clear policies on Corporate Responsibility, Inclusion and Diversity, stating a zero-tolerance approach to any type of discrimination. The increased focus on gender inequality and sexism in 2020 prompted us to revisit and re-promote these policies together with our Whistleblower program. We will continue to do so in 2021.



CARSTEN DILLING,
CHAIRMAN OF THE BOARD

Our transitional journey continues

While 2020 was a difficult year and a year of transition, we strongly believe that our strategy and our talented people will help us through the challenges we face. We expect that the numbers will show growth and improved profitability in 2021. We will achieve this growth both organically and inorganically, and we remain on the lookout internationally for attractive M&As within life sciences, as well as in Denmark within our Winning Solutions areas.

As always, we owe a huge thank you to our employees who continue to fight to promote our business and workplace with the highest level of professionalism every day. This, of course, is all the more difficult when times

are tough. We appreciate the enormous effort our employees put in daily and we want to take this opportunity to reassure them that it makes a difference, which we believe will manifest as soon as 2021. We would also like to extend a big thank you to our existing customers and a big welcome to our new customers, who we are looking forward to advising and supporting in 2021 and beyond.

Thank you for your continued trust and dedication.

Let's make a mark together in 2021.

Carsten Dilling, Chairman of the Board
Per Kogut, CEO



PER KOGUT, CEO

Main Highlights 2020

Growth in Life Sciences international



26%

Operating profit margin

Before special items



5.8%

Financial strength

Net debt to EBITDA ratio



1.2

Free cash flow

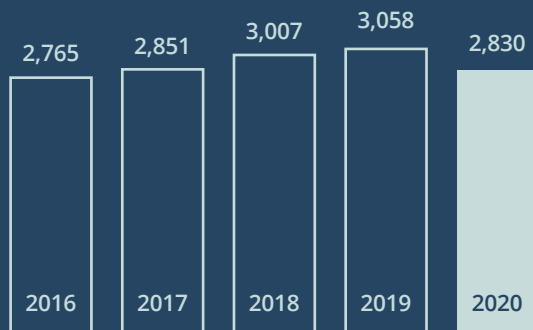
DKK million



143

Revenue

DKK million



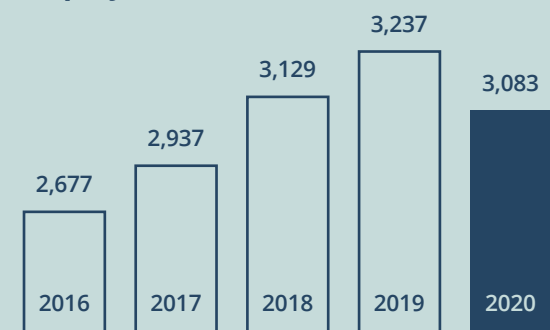
Dividend payout

DKK million

74

2020 dividend payouts corresponds to a dividends yield of 2.5%

Average number of full-time employees



2020 Financial Performance

Revenue decrease of 7.5% to DKK 2,830 million and an operating profit margin before special items of 5.8% in 2020.

NNIT concluded 2020 in-line with the financial guidance with revenue growth of -7.5% to DKK 2,830 million and an operating profit margin before special items of 5.8%.

CAPEX investments of DKK 135 million corresponding to 4.8% of revenue were in the low end of the outlook for 2020.

Revenue development

Life Sciences international and Life Sciences Denmark continued the strong growth in 2020 with revenue increasing 26% and 14% respectively. Despite the strong growth in Life Sciences, total revenue declined by 7.5% mainly due to the expected decline stemming from the loss of the large application maintenance agreement and the renewed operation maintenance agreement with the Novo Nordisk Group. Further, the phasing out of the Pandora contract in Private & Public impacted revenue from Q3 2020.

As a consequence of the declining business with the Novo Nordisk Group the share of NNIT's revenue from customers outside the

Novo Nordisk Group increased to 74% in 2020 from 69% in 2019.

Gross profit, costs and operating profit

In 2020 gross profit decreased by 19% to DKK 387 million leading to a gross profit margin of 14% compared to 16% in 2019. Gross profit was mainly impacted by the loss of business with the Novo Nordisk Group which could not be offset fully by the cost restructuring plan.

Sales and marketing costs decreased by 3.1% and administrative expenses decreased by 9.5% in 2020 due to staff reductions as part of the cost restructuring plan.

In 2020, operating profit before special items ended at DKK 165 million. This corresponds to an operating profit margin before special items of 5.8% in 2020 compared to 7.8% in 2019.

Special items amounted to DKK 43 million and mainly related to severance payments to terminated employees as a consequence of restructurings.

Business and cost restructuring plan

The business and cost restructuring plan has progressed in line with expectations during 2020. Automation initiatives have secured a more efficient operation with less manual

involvement, while both staff- and external costs have been reduced. Compared to 2019 utilization has increased. Measures to further optimize the business, herunder utilization, are constantly put in place.

Income statement

DKK million	2020	2019	Change
Revenue	2,830	3,058	-7.5%
Cost of goods sold	2,443	2,583	-5.4%
Gross profit	387	475	-18.5%
Gross profit margin	13.7%	15.5%	-1.8pp
Sales and marketing costs	127	131	-3.1%
Administrative expenses	95	105	-9.5%
Operating profit before special items*	165	239	-31.0%
Operating profit margin before special items*	5.8%	7.8%	-2.0pp
Special items*	43	24	79.2%
Operating profit	122	215	-43.3%
Operating profit margin	4.3%	7.0%	-2.7pp
Net financials	-20	16	-225.0%
Profit before tax	102	231	-55.8%
Tax	26	48	-45.8%
Effective tax rate	25.5%	20.8%	4.7pp
Net profit	76	183	-58.5%

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

Net financials and tax

Net financials showed an expense of DKK 20 million in 2020 compared to an income of DKK 16 million in 2019. The negative development was primarily due to adjustment of the Valiance earn-out agreement and decrease in gains from hedge instruments.

In 2020, income tax decreased to DKK 26 million compared to DKK 48 million in 2019 mainly due to the lower operating profit. The effective tax rate for 2020 was 25.5%, an increase of 4.7pp compared to 2019 due to an increase in permanent differences regarding special items as well as non-deductible withholding tax regarding dividend received from subsidiaries.

Life Sciences, revenue and profitability review

Revenue from Life Sciences decreased by 6.3% in 2020. Revenue from Life Sciences international and Life Sciences Denmark showed strong growth but could not fully offset the decline in revenue from the Novo Nordisk Group.

Life Sciences international

Revenue from Life Sciences international increased by 26% in 2020. The growth was driven by Veeva related projects, Production IT (Manufacturing Execution System) and by the acquisition of Excellis.

Life Sciences Denmark

Revenue from customers in Life Sciences Denmark increased by 14% in 2020 mainly due to higher activity with existing customers and business with the new customer Orifarm.

Novo Nordisk Group

Revenue from the Novo Nordisk Group declined by DKK 223 million or 23% in 2020, primarily due to the loss of the large application maintenance agreement and the renewed operation maintenance agreement which both impacts the revenue and profitability.

The decline in business with the Novo Nordisk Group had a significant negative impact on the business units gross profit, operating profit and corresponding margins. Operating profit before special items in Life Sciences decreased by 40% to DKK 122 million leading to an operating profit margin of 8.4% compared to 13% in 2019.

Private & Public, revenue and profitability review

Revenue in the Private & Public segment decreased by 8.7% in 2020 due to decreasing activities in the Enterprise and Finance segments. Further, the COVID-19 situation impacted the performance due to the ongoing uncertainty leading to delays of tenders and projects.

Enterprise

Revenue from Enterprise customers decreased by 11% driven by the phasing out of the Pandora contract which could not be fully offset by business from new customers like Radius and Saint-Gobain.

Public

Revenue from Public customers increased by 3.8% mainly due to additional business with existing customers.

Business units

Life Sciences

DKK million	2020	2019	2019-2020
Novo Nordisk Group	732	955	-23.4%
Life Sciences international	456	361	26.3%
Life Sciences Denmark	261	230	13.5%
Life Sciences revenue	1,449	1,546	-6.3%
Operating profit before special items	122	203	-39.9%
Operating profit margin before special items	8.4%	13.1%	-4.7pp

Private & Public

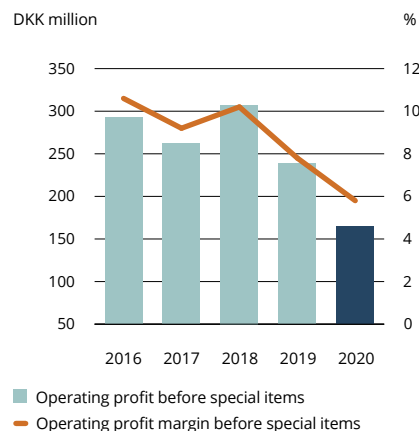
DKK million	2020	2019	2019-2020
Enterprise	712	802	-11.2%
Public	407	392	3.8%
Finance	262	318	-17.6%
Private & Public revenue	1,381	1,512	-8.7%
Operating profit before special items	43	36	19.4%
Operating profit margin before special items	3.1%	2.4%	0.7pp

Finance

Revenue from Finance customers decreased by 18% mainly due lower project revenue from existing customers and the expiry of the contract with Alka (acquired by Tryg).

Operating profit before special items in Private & Public increased by 19% to DKK 43 million leading to an operating profit margin before special items of 3.1%. The margin increase is mainly driven by the cost restructuring program.

Operating profit and margin before special items



Free cash flow

The free cash flow for 2020 was DKK 143 million compared to a free cash flow of DKK 242 million in 2019. The decrease was mainly driven by the acquisition of Excellis and lower net profit, partly countered by postponement of payment of VAT amounting to approx. DKK 100 million.

NNIT paid ordinary dividends of DKK 49 million in March 2020 and interim dividends of DKK 49 million in August 2020.

Balance sheet

At December 31, 2020 total assets was DKK 2,662 million which is an increase of DKK 49 million compared to December 31, 2019. The increase was primarily due to an increase in intangible assets due to the acquisition of Excellis partly countered by a decrease in lease assets and trade receivables.

At December 31, 2020, net cash and cash equivalents amounted to DKK -161 million which is a decrease of DKK 52 million compared to December 31, 2019. The decrease was mainly driven by the acquisition of Excellis (DKK 188 million) and payment of earn-out (DKK 62 million), partly countered by cash flows from operating activities.

At December 31, 2020 equity amounted to DKK 1,134 million which is a decrease of DKK 35 million compared to December 31, 2019.

The decrease was mainly due to payment of dividends and a negative change in cash flow hedges and exchange rate adjustments related to subsidiaries.

Order entry backlog

At the beginning of Q1 2021, NNIT's order entry backlog for 2021 amounted to DKK 1,999 million, which was a decrease of 2.0% compared to last year.

At the same time last year, the considerable price reduction on the prolonged operation maintenance agreement with the Novo Nordisk Group was not known and included in

Order entry backlog



the backlog. Corrected for that, the underlying backlog has increased around 1.5% in the beginning of Q1 2021 compared to Q1 2020.

The backlog from Life Sciences customers excluding the Novo Nordisk Group increased by 38% driven by Life Sciences international and the acquisition of Excellis, while the Novo Nordisk Group declined by 22% (decline of 11% corrected for the price reduction on the prolonged operation maintenance agreement).

Private & Public decreased by 4.5% mainly due to expiry of the Pandora outsourcing contract and delayed order intake as a result of the COVID-19 situation.

The high growth in NNIT's project business with low backlog visibility and a declining/stagnating multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth. Therefore, the backlog for the current year should be interpreted with caution.

Events after the balance sheet date

There have been no events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2020.

Five-Year Performance Highlights

DKK million	2020	2019	2018	2017	2016	2019 -2020
Financial performance						
Revenue:						Change
Novo Nordisk Group	732	955	1,124	1,185	1,238	-23.4%
Life sciences international	456	361	212	153	127	26.3%
Life sciences Denmark	261	230	222	222	231	13.5%
Life sciences	1,449	1,546	1,558	1,560	1,597	-6.3%
Enterprise	712	802	794	684	546	-11.2%
Public	407	392	399	354	385	3.8%
Finance	262	318	256	253	237	-17.6%
Private & Public	1,381	1,512	1,449	1,291	1,168	-8.7%
Total revenue	2,830	3,058	3,007	2,851	2,765	-7.5%
EBITDA before special items	399	498	554	494	437	-19.9%
Depreciation and amortization	234	259	247	232	144	-9.7%
Operating profit before special items ¹	165	239	307	262	293	-31.0%
Special items ¹	43	24	0	0	0	79.2%
Operating profit (EBIT)	122	215	307	262	293	-43.3%
Net financials	-20	16	-2	-10	-13	n.a.
Net profit	76	183	236	199	216	-59.0%
Investment in tangible assets	95	134	146	327	165	-30.7%
Investments in intangible assets and acquisition in subsidiaries	228	87	177	108	14	156.2%
Total assets	2,662	2,613	2,545	2,322	1,591	1.9%
Equity	1,134	1,169	1,085	974	846	-3.0%
Dividends proposed/paid	74	98	113	105	102	-24.5%
Free cash flow	143	242	116	-13	188	-40.9%
Earnings per share						
Earnings per share (DKK)	3.07	7.43	9.60	8.17	8.89	-58.7%
Diluted earnings per share (DKK)	3.04	7.36	9.52	7.97	8.85	-58.7%
Employees						
Average number of full-time employees	3,083	3,237	3,129	2,937	2,677	-4.8%

DKK million	2020	2019	2018	2017	2016	2019 -2020
Financial ratios						
Revenue growth	-7.5%	1.7%	5.5%	3.1%	6.3%	-9.2pp
Gross profit margin	13.7%	15.5%	18.0%	18.0%	19.6%	-1.8pp
EBITDA margin	14.1%	16.3%	18.5%	17.3%	15.8%	-2.2pp
Operating profit margin before special items	5.8%	7.8%	10.2%	9.2%	10.6%	-2.0pp
Operating profit margin	4.3%	7.0%	10.2%	9.2%	10.6%	-3.5pp
Effective tax rate	25.5%	20.8%	22.8%	21.2%	23.0%	4.7pp
Investments/Revenue	4.8%	5.4%	5.3%	11.8%	6.4%	-0.6pp
Return on equity ²	6.6%	16.2%	22.9%	21.8%	27.2%	-9.6pp
Solvency ratio	42.6%	44.7%	42.6%	41.9%	53.2%	-2.1pp
Return on invested capital (ROIC) ^{2,3}	6.1%	10.4%	16.1%	20.8%	37.6%	-4.3pp
Cash to earnings ²	188.2%	132.2%	49.3%	-6.3%	87.3%	56.0pp
Cash to earnings (three-year average)	101.2%	55.8%	44.9%	61.7%	86.6%	-6.7pp
Additional numbers⁴						
Order entry backlog for the coming year	1,999	2,039	2,171	2,213	2,127	-2.0%

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

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

3) Net profit/average invested capital

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

Commercial Highlights 2020

In 2020, we secured several new contracts, while also extending and expanding current contracts. Furthermore, we managed to enter into agreements with a number of new partners and also upgraded several of our existing partnership agreements. Below, you will find a selection of our 2020 key commercial highlights supporting our strategy.

JANUARY / **CONTRACT**

Lundbeck extends collaboration

Four-year extension agreement to maintain and support Lundbeck's global application portfolio, including operations of their SAP environment, Robotic Process Automation and Test Management for life sciences.

JANUARY / **CONTRACT**

Association of Danish Pharmacies extends collaboration

Four-year extension agreement to operate and develop the PharmaNet system, which is the backbone of daily customer service and financial management at more than 365 pharmacies across Denmark.

APRIL / **CONTRACT**

DLG extends and expands collaboration

Five-year extension and expansion agreement, in which NNIT will support DLG's transformation towards a more cloud-based IT infrastructure by utilizing NNIT's Hybrid Cloud solutions.

FEBRUARY / **PARTNERSHIP**

NNIT and Microsoft intensify collaboration

Intensified collaboration to help Danish companies realize their cloud potential and to support digital transformation, as demand for cloud-based standard solutions continues to grow in Denmark and globally.

JUNE / **CONTRACT**

Seven-year agreement with Danish Defence

Seven-year agreement, with the option to extend by up to three years, with Danish Defence, covering operation of the Danish Defence's IT infrastructure and SAP Basis.

JUNE / **CONTRACT**

Five-year agreement with Saint-Gobain

Five-year agreement, in which NNIT will assume responsibility for servers and cloud solutions for Saint-Gobain's businesses in the Nordic & Baltic countries.

APRIL / **CONTRACT**

HK extends and expands collaboration

Five-year extension and expansion agreement with the possibility of up to two years' extension, in which NNIT will take over the operations of HK's entire IT infrastructure, including new areas such as Cybersecurity and Microsoft solutions.

JUNE / **CONTRACT****PFA extends collaboration**

NNIT and PFA extend their decade-long cooperation by another five years, ensuring NNIT will continue to deliver IT infrastructure, operations and consultancy to PFA. Adding to the new agreement is an increased focus on regulatory compliance, security and Hybrid Cloud solutions.

AUGUST / **ORGANIZATIONAL CHANGES****New CFO**

Pernille Fabricius succeeds Carsten Krogsgaard Thomsen as the new Chief Financial Officer in the NNIT Group. Pernille Fabricius has comprehensive financial experience from several global companies.

JULY / **PARTNERSHIP****NNIT becomes Veeva Premiere Services Partner**

NNIT becomes one of the first Premiere Services Partners – the highest partner accreditation awarded by Veeva – for Veeva Development Cloud

SEPTEMBER / **CONTRACT****Four-year agreement with the Danish Ministry of Taxation**

Four-year agreement with the Danish Ministry of Taxation, in which NNIT will support the Ministry's digital transformation, including services such as data & AI, integration, cybersecurity and Hybrid Cloud.

AUGUST / **PARTNERSHIP****NNIT signs Solution Provider Program agreement with Amazon Web Services (AWS)**

NNIT and AWS deepen cooperation with the signing of a Solution Provider Program agreement, as demand for AWS cloud services continues to grow globally.

SEPTEMBER / **CONTRACT****Copenhagen Airport extends collaboration**

Extension of agreement with Copenhagen Airport (CPH), in which NNIT will take over CPH's entire service desk and monitoring projects

SEPTEMBER / **PARTNERSHIP****NNIT enters partnership with NES TECH**

NNIT partners with Danish-based financial technology disruptor NES TECH to challenge the current software environment in the Danish pension industry.

NOVEMBER / **ACQUISITION****NNIT acquires Excellis Health Solutions**

NNIT acquires US-based Excellis Health Solutions, a leading specialized global provider of end-to-end supply chain consulting services to the life sciences industry.

DECEMBER / **CONTRACT****Orifarm selects NNIT as strategic IT partner**

Five-year agreement with Orifarm, in which NNIT will deliver end-to-end IT services.

Outlook 2021

In 2021, growth is expected to return driven by Life Sciences international and traction in Winning Solutions. The backlog for 2021 from life sciences customers excluding the Novo Nordisk Group increased by 38%, compared to same time last year, driven by Life Sciences international and through the acquisition of Excellis

The Private & Public segment is expected to be challenged by delays in project work and tenders partly due to the COVID-19 situation. Hence, we see significant sensitivities despite having secured a solid backlog for 2021.

NNIT's guides a revenue increase of 1-4% for 2021 excluding potential new acquisitions. The operating profit margin before special items is expected to be 6-7%. Investments excluding potential new acquisitions are expected to be 5-7% of revenue.

The guidance is based on a number of important assumptions, including an assumption of no further deterioration in relation to the COVID-19 situation, that business performance, customer and competitor actions will remain stable and that key currency exchange rates will remain at the current (as of January 14, 2021) levels versus Danish kroner.

Summary of current expectations

	Current guidance
Revenue growth	
in reported currencies	1-4%
Operating profit margin before special items	
in reported currencies	6-7%
Investments / revenue	5-7% excluding acquisitions

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 -14 million	14
CZK	DKK -9 million	14
PHP	DKK -7 million	14
CHF	DKK 0 million	-
USD	DKK 10 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 2021 business plan.

Key currency assumptions

DKK per 100	2018 average exchange rates	2019 average exchange rates	2020 average exchange rates	Current exchange rates at January 14, 2020
EUR	745.32	746.60	745.43	743.92
CNY	95.43	96.53	94.70	94.51
CZK	29.06	29.08	28.22	28.43
PHP	11.98	12.88	13.17	12.71
CHF	645.74	671.37	696.32	688.02
USD	631.74	667.03	653.36	611.10

Forward-looking statements

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

similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations

from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Please also refer to the overview of risk factors in the 'risk management' section on page 29-31.

“We are extremely proud to join the NNIT Group and the journey they are on. By joining a global leading provider of IT services to the life sciences industry, the Excellis team will have an opportunity to expand much faster, and we believe that the capabilities that NNIT brings to the market are things our customers will require, and vice versa. The acquisition will support our joint goals as well as our customers’ goals. In the NNIT Group, we see a strong cultural match and we are confident that the shared cultural values will help us leverage the strong synergies between our two companies. Our more than a decade long journey continues now with more than 3,000 new colleagues in the NNIT Group and a vast array of new opportunities.”

GREG CATHCART, CEO AND FOUNDER OF EXCELLIS HEALTH SOLUTIONS



ACQUISITION

Excellis Health Solutions – an NNIT Group Company

In November 2020, NNIT Group acquired US-based Excellis Health Solutions, a leading specialized global provider of end-to-end supply chain consulting services to the life sciences industry.

With the acquisition of Excellis, the NNIT Group strengthened its leading global position within life sciences even further: An area of the NNIT business which has shown average yearly growth of over 35% during the past three years.

Excellis strengthens NNIT’s customer portfolio across the global pharma and biotech industries and enhances the Group’s ability to provide end-to-end life sciences IT services to all customers. This is particularly true

when it comes to the implementation and integration of TraceLink, as Excellis is the primary global reseller and implementation partner of this market-leading supply chain management platform for the pharmaceutical industry.

The acquisition of Excellis is NNIT’s third consecutive life sciences acquisition in two years. In late 2018, NNIT acquired US-based Valiance Partners and, in 2019, NNIT acquired Swiss-based Halfmann Goetsch Partner (HGP), both of which have successfully added significant value to the NNIT Group in terms of capabilities, services, customers and growth.

Excellis was founded in 2010 and is headquartered in New Hope, Pennsylvania in the US. The company employs approximately 100 people, mainly in the US and Europe.

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Market Trends

NNIT's focused strategy is strongly aligned with key market trends.



Digital trust and cybersecurity

Digital trust is critical to organizations, as the number of customers engaging digitally rises. Almost all organizations must extend themselves further into the digital world, increasing both the number and efficacy of customer digital interactions. Ultimately, digitally delivered customer experiences must instill the same confidence and trustworthiness as person-to-person engagements. Most organizational cyber assets are now outside the traditional physical and logical security perimeters. However, as the extended enterprise weakens the ability to control access to our critical digital assets, citizen and consumer expectations about data protection continues to grow. Today, cloud-based security services can help enhance digital trust.



Digital experience

Digital experience is about creating superior experiences by combining the disciplines of customer, employee, partner and user experience. Organizations need a digital experience strategy because they must continuously enhance the experience for customers and employees, especially as these interactions have become more mobile and virtual. Digital experience requires organizations to rethink how they change behavior and technologies by addressing the feelings, emotions and memories that make up the customer and employee experiences, as well as the experiences of partners and other stakeholders.



Accelerated digital transformation

Pre-COVID-19, most organizations were scaling up their digital transformation to grasp digital business opportunities. In most instances, COVID-19 only accelerated this digital transformation. As customers moved from e.g. physical stores to online channels and employees were forced to work from home, the need to accelerate digital transformation became clear and present. The COVID-19 situation created opportunities that require strong execution of digital innovation, while also raising specific challenges posed by the new digital normal. The common ground is that IT solutions can help with both emerging opportunities and challenges.



Resilient organization

2020 showed that in disruption lies opportunity. Many organizations have been exploring a more resilient, adaptable form of business to address such opportunities. It requires a more holistic approach within the organization, with enhanced resilience, to be able to execute under pressure. Specifically, disciplines such as compliance, IT risk assessments, information security, privacy strategies and business continuity become critical. The cloud was built for remote access and the next evolution of the cloud will focus on the location dimension. We expect public cloud services to move to more and different physical locations while operation, governance and the evolution of services remain the responsibility of the public cloud provider. This trend addresses the need for customers to have cloud computing resources closer to the physical location where data and business activities happen.



Data and insights

As COVID-19 accelerated, customers and employees preferred online and virtual interactions over physical engagements. The number of digital touchpoints increased exponentially and so did the number of newly available data points and the underlying required integrations. The combined power of more sophisticated and complex analytics on a greater variety of data has become more strategic and central to the creative thinking required to innovate our way beyond the post-COVID-19 world of global uncertainty and change. The maturity of AI tools and techniques for analyzing content, along with the availability of data, will spur broader adoption and enable a new wave of data-based optimization, reinvention and innovation.



Sustainability

Sustainability is high on society's agenda and we expect this theme to continue in 2021. Sustainability touches every aspect of a company's activities, from the strategy and business model to product/service design and use/consumption. It touches all aspects of business operations, supply chain and end-of-life recovery or disposal. IT has the potential to deliver both direct and indirect sustainability benefits - for example by lowering CO₂ consumption by moving more workloads to more energy-efficient public clouds, or indirect by e.g. lowering energy consumption by using IT to support more efficient and constantly optimized supply chains.

Business Model

<p>Make a mark on business and society</p>	<p>Customers</p> <p>NNIT drives business change and transformation at a high pace while delivering sustainable business results and keeping the business secure and compliant.</p>	<p>Employees</p> <p>NNIT creates jobs and develops talents and careers in all locations where NNIT is present.</p>	<p>Society</p> <p>At NNIT, we want to make a mark and support initiatives that inspire the young generation to explore the potential of IT careers – ultimately strengthening the talent pool, not just for the benefit of NNIT, but for society in general.</p>	<p>Shareholders</p> <p>NNIT intends to deliver a competitive return to its shareholders through a dividend pay-out ratio of at least 45%.</p>
<p>We bring digital transformation to life</p>	<p>Advise</p> <p>As digital solutions and technology are transforming all industries, the opportunities and threats they present are dramatically expanding the role of the information technology executive. NNIT consultants bring a deep understanding of digital solutions and business to enable customers to compete sustainably in the digital age.</p>	<p>Build</p> <p>Within our Winning Solutions areas, we build and deliver proven concepts to our customers. Based on a solid understanding of our customers' business strategy, employees and culture, we develop and implement fit-for-purpose solutions that drive tangible change and benefits.</p>	<p>Operate</p> <p>The world operates 24/7 and relies heavily on digital business-critical services to do so. To that end, NNIT offers infrastructure and application services in a hybrid cloud setup, so that customers can focus more on their business results and less on maintenance and operations.</p>	<p>Support</p> <p>Employee and customer experience is the new battlefield. To enable our customers to succeed in this area, NNIT offers a broad range of support services, providing everything from call center services to full-service desk services.</p>
<p>NNIT</p>	<p></p> <p>People</p> <p>At NNIT, we strongly believe that happy employees make happy customers who buy more. Our aspiration, strategy and culture inspire and guide all employees, providing a strong foundation for further growth. We rely heavily on our highly talented and loyal employees, who are passionate about making a mark. Digital transformation is all about solving real problems for real people.</p>	<p></p> <p>How we work</p> <p>Local presence coupled with a strong and mature global delivery model enables proximity to customers, and we offer delivery using either agile methods or more classic models. We focus on making our deliveries fit for purpose and delivered right the first time, every time.</p>	<p></p> <p>Financial strength</p> <p>With a strong balance sheet, NNIT has access to capital for investments and strategic growth and can ensure customers that we are here for the long run.</p>	

The Industries and Customers We Serve

Our customers around the world are ambitious organizations focused on driving sustainable business change and results. To that end, NNIT makes a mark by successfully delivering a broad range of solutions to enable our customers to reap the benefits of digital transformation and resiliency.

Life Sciences

Life Sciences international



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

Highlights

- Continued strong growth in a market with significant potential
- Regulatory-driven changes
- IT cost to move towards SaaS IT and business transformation
- Acquisitions have strengthened NNIT's position in key areas

Life Sciences Denmark



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

Highlights

- Stable market situation with a high NNIT market share
- Regulatory-driven changes
- IT cost to move towards SaaS IT and business transformation
- Acquisitions have strengthened NNIT's position in key areas

Novo Nordisk Group



NNIT's was born in 1998 as Novo Nordisk IT. The Novo Nordisk Group remains NNIT's largest customer. The Novo Nordisk genes are embedded in our DNA and in our approach to quality and business ethics.

Highlights

- NNIT's largest customer but with declining revenue due to insourcing
- In-depth knowledge of Novo Nordisk business and digital landscape
- Regulatory-driven changes
- IT cost to move towards SaaS IT and business transformation

Private & Public

Finance



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

Highlights

- Strong regulation and compliance requirements fit well with our life sciences DNA
- High security demands
- On-premise data center demands
- Market is being disrupted by new entrants

Enterprise



In the enterprise segment, we leverage our extensive experience in regulated IT to support customers in Retail, Consumer Goods, Logistics and Energy. Our broad range of Winning Solutions align well with these demanding businesses, whether it be within ERP, cybersecurity, Microsoft, general IT system operations, modernization or something else.

Highlights

- Strong customer base of leading brands with a global footprint
- Opportunities to follow Danish customers internationally
- Increasing need for security, digital workplaces and SaaS solutions

Public



The public sector's ambition to modernize and improve the life of citizens align very well with NNIT's ambition to make a mark in society, using our extensive experience in optimizing processes, simplifying work and reducing costs for public sector organizations.

Highlights

- NNIT mainly target regions and central government
- Rigorous contract regime and terms and conditions
- Public tenders regulated by law
- Significant potential in replacing legacy systems

NNIT Group Overview

Group Companies



Europe

Poland

Established: 2019

Ireland

Established: 2018

Czech Republic

Established: 2016

UK

Established: 2015

Switzerland

Established: 2003

Denmark

Established: 1998



1,938

Total head count
end of year

North America

USA

Established: 2001

(Pennsylvania, New Jersey and California)



143

Total head count
end of year

Asia

Singapore

Established: 2019

Thailand

Established: 2017

Philippines

Established: 2009

China

Established: 2007



1,090

Total head count
end of year

Strategy

Value creation through customer centricity, Winning Solutions and a strong heritage are key elements in the NNIT strategy moving forward.

We implemented several changes to our existing strategy at the start of 2020. We shifted focus to specific Winning Solution areas that would fuel the continued growth of NNIT. The expectation is that revenues from Winning Solutions will continually provide a larger share of NNIT's total business.

The impact of COVID-19 on our Winning Solutions areas was, in most cases, minimal. Some Winning Solutions even benefitted positively from the impact, including Hybrid Cloud and employee experience, as more employees were forced to work from home and required cloud-based options.

Moving into 2021, we see that the Winning Solution strategy is working, with strong profitable growth in these areas. The increased investments in Winning Solutions are also being recognized by our customers. We will continue to monitor progress and

accelerate our Winning Solutions areas with increased investments when appropriate.

Strategy highlights:

- Customer focus is the core of everything we do
- Sharp focus on selected growth pockets with Winning Solutions
- M&A Life Sciences and specific technology areas
- Diverse business model with focus on Private & Public in Denmark and Life Sciences internationally
- Operational excellence with restructuring on track

Our ability to execute on the strategy is rooted in our strong values. A successful execution of the strategy will bring us closer to our aspiration to make a mark.



Aspiration

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



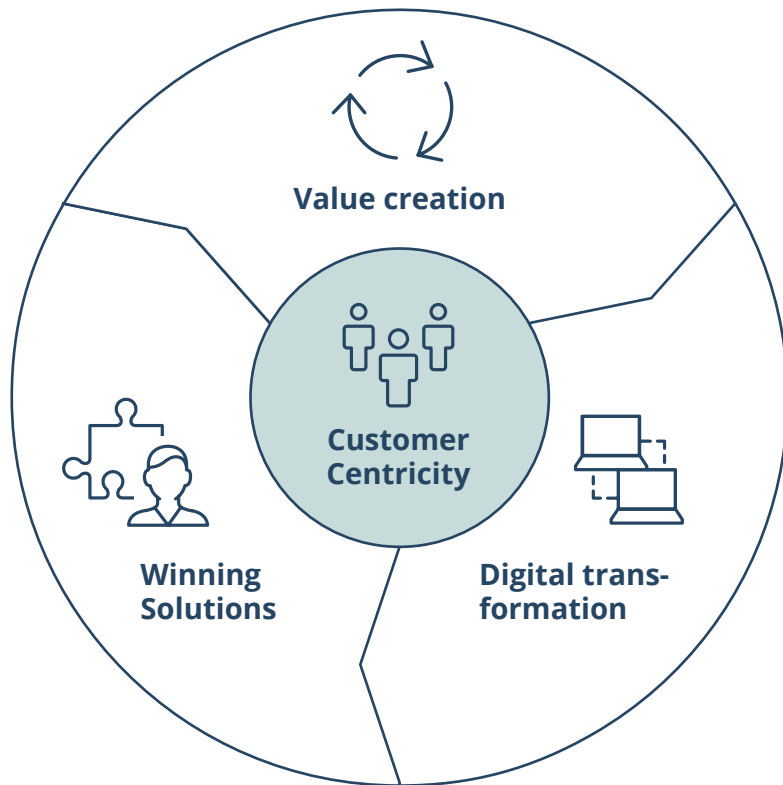
Strategy

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



Values

Open and honest
Conscience driven
Value adding



At the core of our business strategy, we continue to focus on our Life Sciences customers – in Denmark and internationally – and we continue focus on Private & Public customers in Denmark.

As laid out in the Market Trends section, our customers look to create value for their businesses and organizations through digital

business transformation. To that end, NNIT offers a variety of Winning Solutions that enable fast value creation.

The Winning Solutions are successful due to our strong customer understanding - and because the Winning Solutions are delivered as proven concepts that are built fit for purpose and delivered first time right.



Proven concept

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



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



Fit for purpose

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



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



First time right

Customers expect a solution that remedies the specific business pain or supports the exact business potential, without reruns or contract and scope changes.



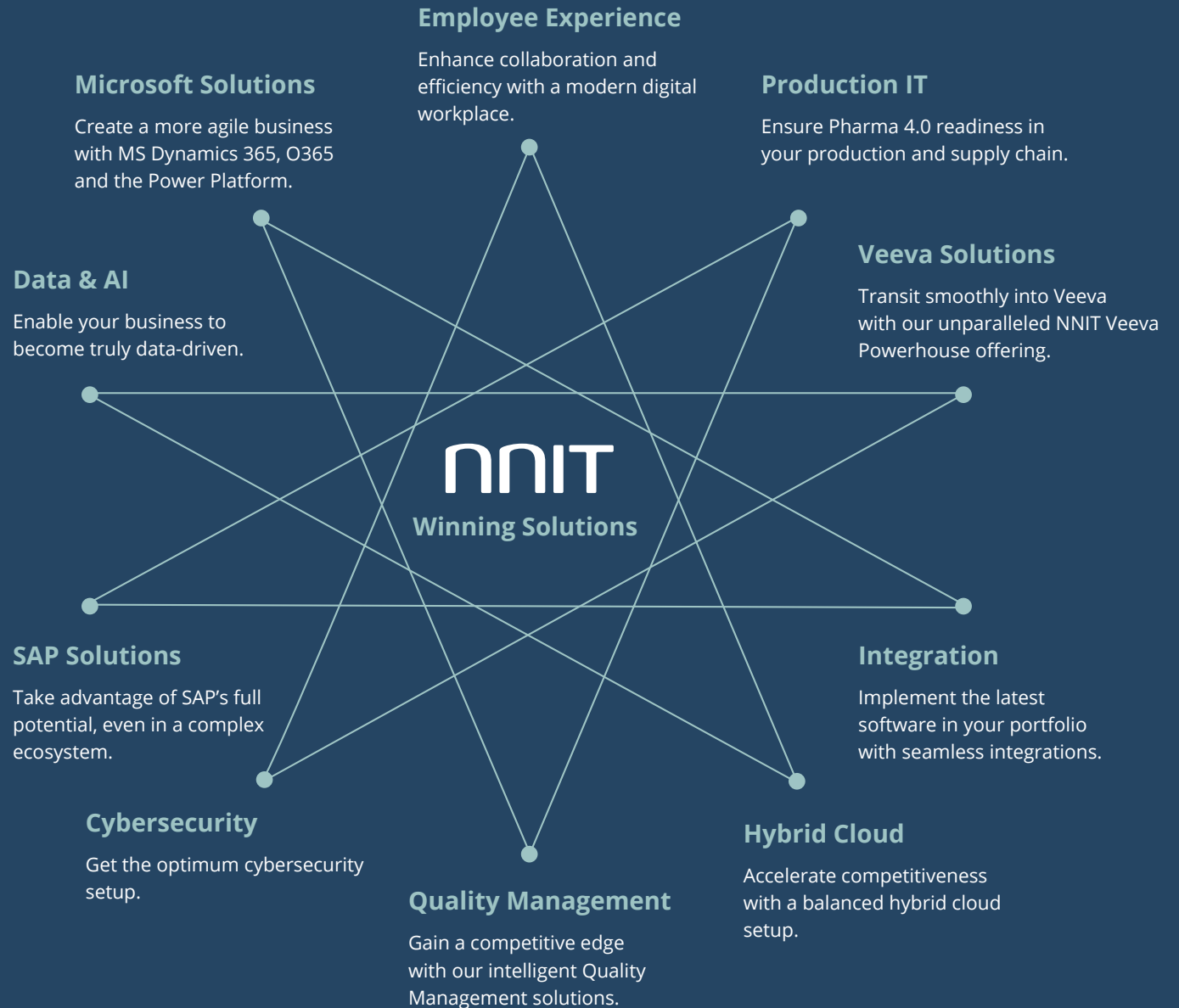
First time right means using proven concepts with a fit-for-purpose scoping that is based on best practice. This requires focus on best practice sharing to ensure fast and friction-free implementation.

Winning Solutions

To enable fast value creation and drive digital transformation, our customers can choose any combination of our Winning Solutions.

For each solution area, NNIT has the ability to advise, build, operate and support the desired customer solution.

To support these solution areas, customers can take advantage of generic Infrastructure and Application Services, as well as services developed specifically for their business, including life sciences.



Our People

NNIT runs on people power. Together, we make the NNIT wheels spin, working in all time zones for customers around the world.

As a business, we are highly dependent on attracting and retaining the right talent, from experienced specialists to the talents of tomorrow. In 2020, we continued to invest in our people and in improving our brand as an employer.

Attracting and developing talents

At NNIT, we believe that one of the prerequisites for thriving at work is to know where you are heading, why, and how you are doing on your way there.

We support this by enabling meaningful and continuous dialogue between employee and leader, and by setting individual targets in our Annual Performance Improvement System (APIS) that fit into our overall business goals and strategy.

Motivated, engaged and passionate people are crucial drivers for NNIT in the pursuit of excellence. The Individual Development Plan (IDP) captures the dialogue to ensure this. The IDP is strength-oriented and zooms in on opportunities and areas where the employee can do what they are best at and enjoy most in their job.

Discover Your Leadership Potential (DYLP) is an annual program aimed at developing talented employees with potential for becoming a people leader. Since NNIT initiated the program in 2007, 328 employees have been enrolled in DYLP.

To be top of mind among future talents in the IT industry, we participate in case competitions at universities, and we invite students to write their master's thesis with us. We invest in students on all levels and offer them insights into the industry and support as they transform their theoretical knowledge into real-life problem solving.

NNIT's Young Professional Community

Students, graduates, interns, juniors and associates working at NNIT: we call them young professionals. The Young Professional Community is a network for NNIT colleagues at the beginning of their careers. Its purpose is to build bridges, share knowledge and create relations across NNIT.



“Being part of Young Professionals at NNIT gives me great insight to the company as well the people employed here. I meet equally ambitious young people who I can reach out to professionally or socially and the network is really valuable. The community is also a way for me to show that I want to succeed at NNIT and that I believe in this company.”

SIGNE THISGAARD PEDERSEN,
JUNIOR CONSULTANT, JOINED NNIT'S GRADUATE PROGRAM
IN 2019



“As a member of the Young Professional Community, I’ve been able to develop interesting and relevant skills that were not a prerequisite to my current job. I’ve learned how important it is to take the lead on initiatives if you want to make a positive change. Finally, I get energized by interacting with highly motivated, inspirational and like-minded peers.”

GURSEWAK SINGH DHALIWAL, JUNIOR CONSULTANT,
JOINED NNIT AS A STUDENT ASSISTANT IN 2019

Our people are wired to make a mark
Working at NNIT means being part of an international team with talented colleagues who all work 'The NNIT Way'; doing their best to make a mark on business and society; bringing digital transformation to life. We work with passion to deliver results and continuously explore new ways of adding value.

The NNIT people are focused and friendly

In August 2020, one of our customers participated in our internal quarterly meeting, which is broadcast to all NNIT offices. The customer was asked to explain why they chose us as a partner. As he answered, he did not read from our people strategy, but he may as well have: NNIT people are very focused on customer needs, they do not try to oversell, and they are truly pleasant people.





NNIT Leadership Values

All 250+ people managers in NNIT lead using three core principles:

Inspire

We challenge and support our people to make their mark in and with NNIT.

Involve

We respect and listen to our people.

Lead

We take the lead to drive our business.

“We believe it’s important to equally challenge and support our people in their development, and we find our leadership principles to be instrumental when creating the potential for talents – at any level – to grow.”

BRIT KANNEGAARD-JOHANNESSEN, SENIOR VICE PRESIDENT OF PEOPLE, COMMUNICATION, MARKETING & QUALITY



Celebrating our people with Club One

Once a year, 18 NNIT employees are selected to join Club One. Club One members are NNIT employees who deserve special recognition. It's the NNIT way of celebrating employees of the year

Half of the members are the nine salespeople who have delivered the best annual results. The other nine members are nominated by colleagues and appointed by NNIT management. Anyone can be nominated, and it can be, but is not necessarily, related to performance. Being a good colleague

or showing an exceptional NNIT attitude, for instance, can qualify you to become a member.

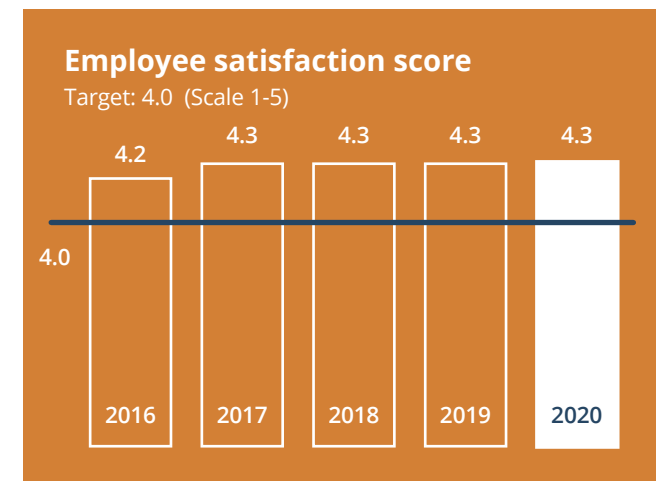
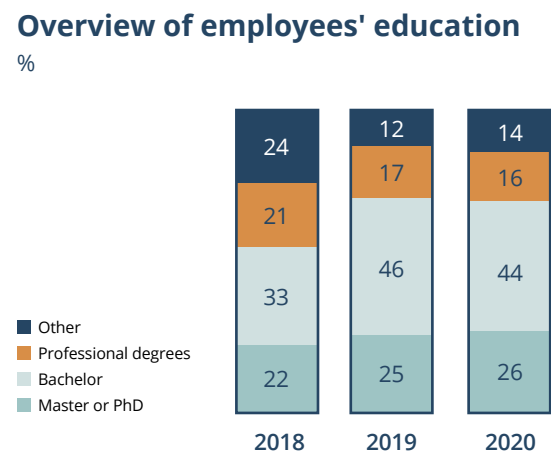
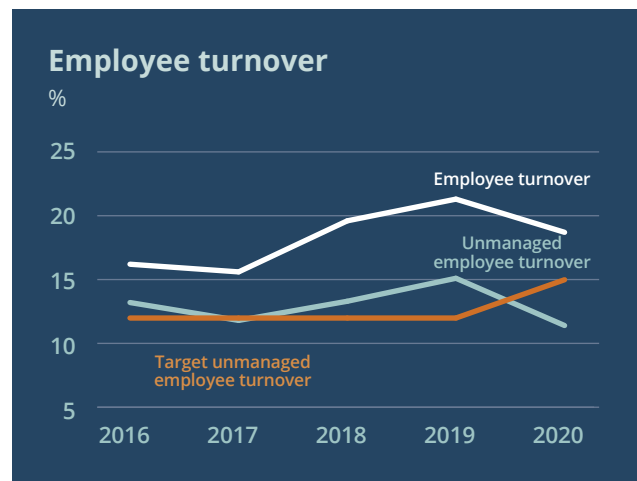
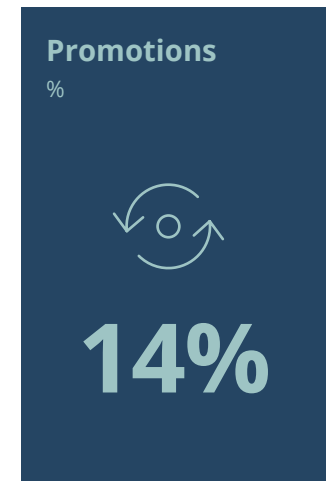
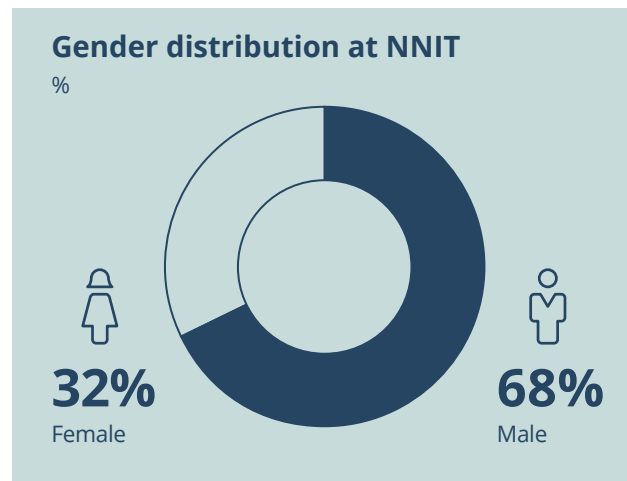
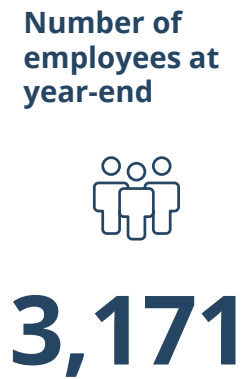
Joining Club One usually includes a trip to an NNIT destination somewhere in the World. That was not possible in 2020, but members were still recognized and invited to be part of the Club One Alumni where members can network across functions and locations.

"Being a Club One member is a great honor.

During Club One trips, I have met a lot of excellent people from different countries. We stay in touch and keep sharing experiences from our NNIT life. At the Club One workshops, I've gained a lot of useful knowledge from NNIT management, and it's great to be able to contribute on that level."

ALEX WEI HE, SENIOR KEY ACCOUNT MANAGER, LIFE SCIENCES SALES, NNIT CHINA. MEMBER OF CLUB ONE FOR FOUR YEARS.

Our People Highlights



Our Responsibility

To us, putting good IT into practice for our customers also means making a more positive mark on society. In 2020, we continued to be a responsible company, and we embarked on several new initiatives contributing to a more sustainable future – for NNIT and our surroundings.

Making a mark

In addition to a general approach to proper and fair business conduct, we support the principles of responsible business in the UN Global Compact and report on our progress annually to the UN.

Digital transformation, on which we build our aspiration, plays a crucial role in the green transition of the global society. At the same time, the IT industry is one of the biggest contributors when it comes to CO₂ emissions.

As a conscience-driven player in the IT industry, we want to explore how IT and digitiza-

tion can lead to a more sustainable future. And we want to enable a dialogue – leading to action – with our stakeholders about the sustainable digital transformation.

The Environmental, Social and Governance (ESG) principles

In 2020, we enhanced our work with ESG reporting and now conduct annual audits with the objective of continuously improving the way we operate

NNIT is committed to the UN Global Compact¹, the Universal Declaration of Human Rights², the UN Convention against Corruption³, the International Labor Organization's

conventions and declarations, including the Rio Declaration on Environment and Development, convention no. 155⁴, and the Declaration on Fundamental Principles and Rights at Work⁵.



WE SUPPORT



¹ <https://www.unglobalcompact.org/>
² <https://www.un.org/en/universal-declaration-human-rights/index.html/>
³ https://www.unodc.org/unodc/en/corruption/tools_and_publications/UN-convention-against-corruption.html
⁴ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/--declaration/documents/publication/wcms_095895.pdf and https://legal.un.org/avl/pdf/ha/dunche/rio_ph_e.pdf
⁵ https://www.ilo.org/wcmsp5/groups/public/---ed_norm/--declaration/documents/publication/wcms_467653.pdf

Our Corporate Responsibility Policy is closely linked to the UN's Sustainable Development Goals (SDGs).

We have identified four SDGs where we see our work adding most value, and we are committed to making a more positive mark on business and society through our activities within this framework.



2020 Milestones



Helping school children navigate in the digital world

NNIT is a founding partner of the Coding Class initiative in Denmark, which aims to open children's eyes to the endless opportunities of technology so that they gain a better understanding of the digital world surrounding us. We collaborate with Coding Class by giving school children an assignment that they have to solve using digital tools and coding. This year, the children invented games to help us sort trash and reduce water and food waste.

Ensuring IT talent development

Our Corporate Vice President Kristine Stenhuus is on the Board of the IT University of Denmark (ITU). The Board is responsible for securing ITU's interests as a leading institution of education and research within IT in Denmark. Our CEO Per Kogut is Chairman of the Board of Digital Hub, whose purpose it is to attract top international talent, customers, and capital to accelerate growth in the Danish digital ecosystem.



Gender distribution in Discover Your Leadership Potential

Since 2018, we have focused on attracting more women to our Discover Your Leadership Potential (DYLP) program to address the gap in gender distribution in leadership positions, an issue faced by the IT industry at large. We will continue this focus in 2021. The gender distribution in DYLP in 2020 was 38% women and 62% men.

Increasing diversity and minimizing gender the gap

We are firm believers in equal rights and opportunities, and we believe that a diverse team performs better and thrives more. Our Diversity Policy serves to increase diversity at all levels across NNIT. In 2020, we reviewed our people policies regarding gender neutrality to ensure equality between all genders (e.g. in relation to parental leave). We also analyzed the gender salary gap at NNIT in Denmark. In 2020, the pay gap between women and men was less than 10%, and we will continue the work to minimize gender salary gaps on both a local and global scale.



“I’ve learned a lot about my personal strengths and how to handle conflicts in a team. One of my favorite sessions was the roleplay in which we faced a typical team conflict and had to take on the role of manager and solve the conflict. I’m also excited about how DYLP offers all new managers at NNIT an experienced manager as mentor. I have had several great talks with my new mentor, Kristine Stenhuus.”

**CAMILLA KRABBE KONGSTED
CHRISTENSEN, LINE MANAGER**

NNIT podcast: *Women in Tech*

In 2020, we introduced our podcast series Women in Tech, in which we invite women in the IT industry to talk about gender equality and their experiences in a male-dominated industry.

“Of course you notice it when you’re the only woman in a meeting with nine other people. In my experience though, we focus on the job we’re here to do, rather than the gender distribution in the room. **The fact that we are a diverse group and we bring our various competencies and insights to the table is what gives the group a cool energy.”**

LOUISE LETH NAKSKOV, ADVANCED BUSINESS CONSULTANT, CITED FROM NNIT'S PODCAST SERIES *WOMEN IN TECH*.



Supporting sustainable development in the IT industry

NNIT participates in networks and organizations working to ensure sustainable development on several parameters in the IT industry.

Through the Danish ICT Industry Association (IT-Branchen), we are a member of the Forum for Sustainability, Digitization and Standardization, where we contribute actively to developing guiding standards for the IT industry.

Improving our own infrastructure

We are reviewing our company car policy with the objective of changing our fleet to electric cars and offering a more sustainable choice for private transportation. We have purchased chargers for electric cars to be placed at our HQ parking lot, and we are collaborating with car sharing service companies to offer our Danish employees the opportunity to take less polluting transportation to and from work.

Innovative solutions

We help our customers lower their CO₂ emissions, for example through our Augmented Reality/Virtual Reality services, which we accelerated in 2020. We offer a number of solutions in this area, including virtual meetings, faster assistance from experts with no transportation and training simulations.



Lowering our CO₂ emissions

In 2020, we began measuring our CO₂ emissions on a global scale, with the intention of lowering them in 2021 and on beyond. This work is extensive, but we find it necessary

Our data centers run on green energy

NNIT owns two data centers and rents a third. Data centers are critical to the future infrastructure of society, enabling digitization and effective utilization of data.

NNIT purchases 100% green energy for all our Danish locations, which means that our energy comes from either wind or hydro power. Furthermore, our own data centers are very energy efficient, ranking well under the European average Power Usage Effectiveness level (1.6), which results in lower energy consumption.

However, we believe we can contribute more in this area. Therefore, we are working on a solution in which the surplus energy generated from our data centers can be used for heating in the local community.



Update on ESG

Environment

	Unit	2020	2019	2018
Global electricity consumption*	kWh	18,672,030	No data	No data
Renewable energy share	%	95%	No data	No data

* Main office sites in China, Czech Republic, Denmark (incl. two data centers), the Philippines, and the US.

Social data

	Unit	2020	2019	2018
Full-time workforce (end of year)	Number	3,171	3,207	3,215
Gender diversity (male/female)	%	68%/32%	67%/33%	68%/32%
Gender diversity management (male/female)	%	69%/31%	73%/27%	71%/29%
Employee turnover rate	%	18.7%	21.3%	19.6%
Unmanaged employee turnover rate	%	11.4%	15.1%	13.3%
Sickness absence	%	1.7%	2.6%	2.6%
Employee satisfaction score	1 to 5	4.3	4.3	4.3

Governance data

	Unit	2020	2019	2018
Gender diversity, Board (male/female)**	%	67%/33%	67%/33%	67%/33%
Board meeting attendance rate	%	98.8%	98.4%	100%

**Gender diversity on the Board in 2020 including the three employee elected members (male/female): 56%/44%

"We are pleased that we in January 2021 have completed a comprehensive rating process with Sustainalitics confirming NNIT as a 'low risk' company. Both in general and compared to peers in own industry, NNIT is performing well."

JENS BINGER, DIRECTOR INVESTOR RELATIONS & TREASURY

For more information about our ESG reporting and rating, please find our Corporate Responsibility Report and UN CoP Report at www.nnit.com



Customer Experience at the Core

In a world of increasing competition, the search for true differentiation is greater than ever. At NNIT, we believe that we can be different and make a mark by investing in our customers' experiences and satisfaction.

A common denominator for all NNIT's customers is the need for competitive solutions that enable them to digitally transform and, in turn, meet the requirements of their customers.

In general, we are proud that our services are well received by our customers. Aside from the many daily interactions we have with our customers and partners, NNIT has an extensive Customer Feedback Program that allows us to check the health of each relationship. This provides a solid base for our continued journey.

Our customer centricity is recognized by our customers

Through our three formal feedback channels, we keep a representative indication of our relationship with our customers across all segments and key stakeholders.

- In general, we are performing at a satisfactory level based on quantitative measures.

- Even though the Annual Experience Survey showed progress on all parameters, we still have room for improvement. Initiatives have been identified to improve the overall score of 3.7.

In addition to the Customer Feedback Program, NNIT is also involved in a formal auditing process to determine whether deliveries meet customer expectations and regulatory requirements. During 41 audits in 2020, including both independent service audits and customer audits, no material findings were identified.

The number of independent service auditor reports was 34 in 2020 compared to 37 in 2019.

In line with ISO 9001 and ISO 27001 certification requirements, including interpretation of FDA and EMA regulations, NNIT conducted internal audits and external supplier audits in 2020.



Equity Story



Top three Danish IT market leader

Based on Gartner IT Services Market Share 2019 and NNIT data.



High dividend payout ratio >45%

Defined as dividends paid on net profit for the previous fiscal year.



>20% historical organic revenue growth outside Denmark

Previous three years' performance in Life Sciences international. Based on average yearly growth from 2017-2020 in Life Sciences international.



Strong employer brand

Rated as one of the most attractive IT workplaces in Denmark. Ranked number five in IT Company Rank 2020 by Version2. Ranked the 15th most attractive IT employer by Universum in 2020 in the category IT, among professionals. **NNIT employee satisfaction score of 4.3 out of 5.**

NNIT



Successful acquisition track record

Four acquisitions in the past four years. SCALES in 2017, Valiance Partners in 2018, Halfmann Goetsch Partner in 2019 and Excellis Health Solutions in 2020.



ESG

NNIT is rated annually by the independent ESG and corporate governance research and rating company, Sustainalytics.



Solutions in strong ecosystems

- Microsoft
- SAP
- Veeva
- Amazon Web Services (AWS)
- TraceLink

NNIT also works with a number of specialized partners in select areas to provide value adding services.



Large potential in Denmark and in international life sciences markets

Our market share in Denmark is around 6% and internationally below 1%. Based on Gartner IT Services Market Share 2019 and NNIT data.



Strong domain knowledge within life sciences

Especially strong knowledge within regulatory affairs, quality management, pharma production IT, Veeva solutions and end-to-end supply chain management.

Insights from the Digital Engine Rooms

Digital transformation has become a top priority on the boardroom agenda and is expected to drive change in organizational structures and operations around the world. But how far have companies really come in terms of embracing digitalization and leveraging the new digital opportunities? And in which ways has the COVID-19 pandemic changed the digital landscape and transformation?

In NNIT, we take great pride in the relationships we have with our customers and the many stakeholders we deal with in the IT industry and in society. For the past four years, we have conducted the NNIT Expectation Barometer, where we measure the status of IT related subjects in our industry by interviewing selected CIO's from large Danish companies and combine it with data provided by +200 survey participants working in the IT industry and our own Subject Matter Experts.

The last two years we have delved into the subject 'Digital at Scale', investigating the abilities of organizations to scale and

streamline digital initiatives so that innovation becomes deeply entrenched.

In the collection of data for the 2020 NNIT Expectation Barometer, we experienced a sudden shift in the answers collected before and during the COVID-19 pandemic. The COVID-19 pandemic not only confirmed the importance of being Digital at Scale, it placed it at the top of the corporate agenda.

Results from the NNIT Expectation Barometer 2020 survey showed that many companies were in fact well prepared when COVID-19 hit. IT proved its worth at a very critical time – when massive changes in

work and data security setups and online video facilities needed to be implemented right away. Even more importantly, we did not witness large-scale IT related security breaches as a result of the crisis, even though cybercriminals tried to take advantage of the chaotic situation.

We believe that we have now reached a point where digital transformation is no longer a choice and we have seen just how important IT is in order to lead a company through a serious crisis.

Please visit our website at www.nnit.com to explore more about the NNIT Expectation Barometer.

"One precaution that takes focus from all the others when talking about digitalization is: safety!"

CLAUS THOMSEN, CIO AT LUNDBECK

"As the NNIT Expectation Barometer 2020 survey took place during the height of the coronavirus crisis, we saw some interesting shifts in the answers to several questions. The impact of the crisis has varied from industry to industry, but across the board we have seen accelerated digital transformation being used as a means to survive the crisis."

BRIAN TROELSEN, BUSINESS DEVELOPMENT DIRECTOR AT NNIT



"The mandate to digitalize is part of our new company DNA, and it is part of the dream of a new and better company."

MORTEN SLOTH O'DONNELL, VICE PRESIDENT, IT DEVELOPMENT AND BUSINESS APPLICATIONS AT NORLYS



Governance

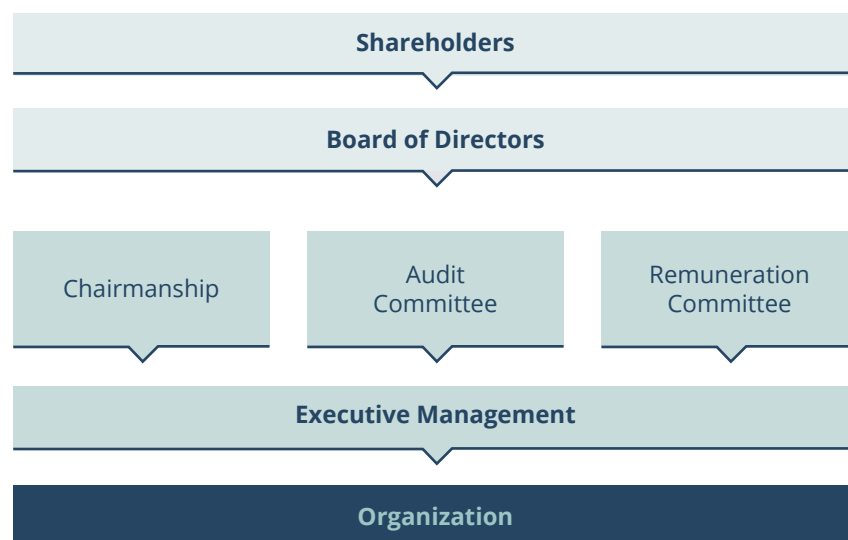
Governance

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Corporate Governance

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

Corporate governance structure



Governance structure

Annual general meetings

The shareholders of NNIT have the ultimate authority over the company and exercise their right to make decisions at general meetings. At the annual general meetings, shareholders approve the annual report and any amendments proposed to the company's Articles of Association. Shareholders also elect board members and the independent auditor. NNIT's Annual General Meeting is held in March each year. The Board of Directors and Executive Management operate under a two-tier management structure wherein powers and responsibilities are distributed between the Board of Directors and the Executive Management.

The Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction, while the Executive Management is in charge of the day-to-day management. The Executive Management has established a Group Management consisting of the chief executive officer, the chief financial officer and senior vice presidents. As per 31 December 2020, NNIT's Board of Directors consisted of six shareholder-elected members and three employee-elected members. One Board member is a member of the Executive Management of Novo Holdings A/S, and one Board member is a former senior vice president of Novo Nordisk A/S.

Both are regarded as representing the interests of a controlling shareholder. The remaining four of the six shareholder-elected board members are independent as defined by the Danish Corporate Governance Recommendations. The composition of the Board of Directors ensures that its members represent the required professional breadth, industry knowledge, diversity and international experience.

Board members elected by the shareholders at the Annual General Meeting serve for a one-year term and are eligible for re-election. Board members elected by employees serve for a statutory four-year term and have the same rights, duties and responsibilities as shareholder-elected board members. In January 2019, the employees of NNIT A/S elected three new employee representatives to the Board of Directors of which one was a reelection. In 2020 an employee-elected board member resigned from NNIT A/S. Consequently, an alternate was found.

Pursuant to the articles of association, Board members must retire at the first annual general meeting after reaching the age of 70.

In 2020, the Board of Directors held six ordinary meetings and one extraordinary meeting. All board members attended all meetings, except for one extraordinary meeting, where one Board member was absent.

Read more about the members of the Board of Directors on pages 47-49.

The Chairmanship

The Annual General Meeting elects the chairman and deputy chairman of the Board of Directors directly. The Chairmanship carries out administrative tasks, such as planning board meetings to ensure a balance between overall strategy-setting and financial and managerial supervision of the company.

At the March 2020 Annual General Meeting, the shareholders re-elected the chairman, Carsten Dilling, independent, and the deputy chairman, Peter Haahr, not independent.

For a detailed view of the Chairmanship's tasks please refer to the Chairmanship Charter on NNIT's website.

The Audit Committee

The Board of Directors has established an Audit Committee, which is responsible for assisting the Board in overseeing the financial reporting process and the effectiveness of the internal control and risk management systems. Furthermore, the Audit Committee is responsible for assisting the Board of Directors in evaluating the effectiveness of NNIT's level of quality management and maturity level of internal security management

In 2020, the Audit Committee conducted five ordinary meetings and certain ad-hoc meet-

ings. The members of the Audit Committee participated in all meetings in 2020.

The Remuneration Committee

The Board of Directors has established a Remuneration Committee, which is responsible for assisting the Board in overseeing the Remuneration Policy for the members of the Board of Directors and Executive Management, including guidelines on incentive pay to Executive Management, the remuneration of the members of the Board of Directors, its committees and the members of Executive Management, as well as the preparation of the annual remuneration report. In 2020, the Remuneration Committee conducted three meetings. All members of the Remuneration Committee participated in all meetings in 2020.

Board evaluation

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

The annual self-assessment in 2020 included an assessment of strategy development and implementation, cooperation between the Board of Directors and the Executive Management, Board composition and dynamics, preparation and accomplishment of board meetings, Committee value contribution and evaluation of the chairman.

Overall, the self-assessment revealed good performance by the Board of Directors as well as good cooperation between the Board of Directors and the Executive Management. The Board found that the initiatives taken during 2020 to further increase the Board's focus on the strategy development and implementation and the monitoring of performance on relevant quantitative indicators, linked to the strategy had strengthened the overall strategy.

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, 2020, 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

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

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.

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 2020 at www.nnit.com/about-us/nnit-leadership/corporate-governance/

Today, NNIT adheres to all but the following recommendation:

- **3.4.6 establishing a separate nomination committee.**

Due to the size of NNIT, the Board of Directors has not found it necessary or appropriate to establish a nomination committee. The tasks of the nomination committee are handled by the Chairmanship. For more information, please refer to the Statutory Corporate Governance Statement 2020.

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 41-43. As part of its risk management, the company has also set up a whistleblower function which, in addition to the usual

control functions, is intended to provide access to report on suspected irregularities in the business.

NNIT's statutory statement on Corporate Social Responsibility (CSR) pursuant to section 99 a, section 99 b and section 107 d of the Danish Financial Statements Act for the financial year 2020 is available from the company's website at www.nnit.com/about-us/corporate-responsibility/cop-reports/



Risk Management

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

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

Committee and the Board of Directors for review and approval.

In the following pages key risks identified as particularly important to NNIT are described. Further, mitigating actions and measures taken to reduce the risks are presented.

NNIT's financial risks such as currency risk, credit risk and interest risk are described in note 4.4.





Service level agreement profitability under pressure

Risk description:

SLA revenue constitutes more than half of NNIT's total revenue. Historically one of the main growth drivers for NNIT has been larger Infrastructure Outsourcing (IO) contracts. However, with a 'product' that is under pressure from new cloud technologies the competition is fierce, and outsourcers have matured in their use of benchmarking and procurement departments as well as legal advisors. The combination has led to increased focus on prices and terms and conditions in which a larger proportion of the risk has been passed on to the IT supplier, i.e. NNIT with margins on SLAs under constant pressure.

Mitigating actions:

Development of new innovative services is aimed at allowing NNIT to differentiate and push NNIT's ability to provide the full range from on-premises to full cloud solutions (hybrid cloud). Further, efficiency/cost reductions and profitability is key focus areas. Innovation of offerings and transformation to the new strategy while maintaining cost competitiveness is necessary to reduce the general cost level and in particular costs associated with SLA services.

The sales and delivery units will drive ongoing contract optimization and profit improving initiatives also supported by a new sales process ensuring that only higher margin SLA's are prioritized.



Transformation to the revised strategy

Risk description:

In order to grow NNIT's business in general and grow business within Winning Solutions in particular, it is more important for NNIT to continuously innovate services to meet customer needs and expectations including cloud services and digital services to be the preferred IT provider.

NNIT is facing fierce competition and the offering of innovative solutions and quality is therefore of utmost importance.

This risk lies within NNIT's ability to innovate and create the right Winning Solutions offerings in order to execute and fully benefit on the updated strategy.

Mitigating actions:

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

NNIT continues to develop and strengthen offerings that match its clients' needs and requirements as well as building partnerships with some of the industry's leading technology providers. NNIT takes a wide range of initiatives to ensure that new offerings, sales, branding and customer experience meet both the clients' and NNIT's needs.

To fast track the innovation agenda we are looking into acquisitions of businesses that bring in new offerings and talent.



Business with the Novo Nordisk Group

Risk description:

In 2020, NNIT generated revenue of DKK 732 million from its largest client, the Novo Nordisk Group, equalling 26% of NNIT's 2020 revenue. However, sales to the Novo Nordisk Group have been declining over the years. While it is NNIT's strategic intent to reduce its dependency on Novo Nordisk business, it constitutes a risk if it happens sooner than new compensating business has been generated

Mitigating actions:

NNIT has initiated a major cost savings plan reducing the cost level on particularly SLA services in order to be able to deliver competitive bids to Novo Nordisk going forward. Further, NNIT will continue to focus on business within the Novo Nordisk line of business where the value-add and specialization yields a better competitive environment and margins. However, due to the scale of the decline in business from the Novo Nordisk Group the main mitigating actions are to gain momentum in the Winning Solutions strategy plan and grow the International Life Science business which also carries attractive margins – this will be achieved partially through acquisitions.



Legal risks, contract management and GDPR policies

Risk description:

Protecting NNIT's long-term business interests is vital to our continued operations. Increasing contract complexity, the influence of legal advisors, procurement professionals and intensified regulatory compliance, disputes leading to arbitration and followingly reputational damage may impact NNIT. Expected changes to EU legislation on data transfers that need to comply with geo-restrictions may also impact NNIT's business and hence pose a risk.

Mitigating actions:

NNIT has implemented a contract management framework to improve the overview of contracts and contractual obligations. Further, NNIT has established a geo-restrictions program with the goal to establish a uniform and operational definition of geo restrictions to increase compliance and to understand NNIT's ability to comply with geo restriction requirements. A robust approach to geo-restrictions may further mitigate the impact of the data transfer restrictions



Cybersecurity

Risk description:

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

Mitigating actions:

NNIT has successfully implemented a security roadmap which has been assessed by an external advisor concluding, that NNIT fulfills the requirements set out by the Board of Directors meaning that NNIT is generally above the Information Security Forum (ISF) benchmark.

NNIT has appointed a Compliance Security information Officer (CSIO) overseeing NNIT's internal cybersecurity.

NNIT will merge customer focused security across the delivery functions and will appoint a Customer Compliance Security Information Officer (CCSIO) with the responsibility of overseeing customer cybersecurity.



Attracting and retaining required talent

Risk description:

NNIT's business is founded on the expertise and innovation of IT specialists. 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.

There is a general shortage of, and significant competition for qualified IT professionals with the advanced technology skills necessary to provide the services and solutions that NNIT offers. This could impact NNIT's aspirations of growing its business profitable.

Mitigating actions:

Our ability to attract new talent and retain and develop current employees is very important and we have a high focus on continuing to build and retain a skilled and engaged workforce.

We are developing comprehensive overviews of needed capabilities to deliver on the ambition within the Winning Solutions on both short and long terms. For each Winning Solution a lead has been identified to define training activities and capabilities that need to be developed. New future specialist programs within our Winning Solutions are identified and are expected to start during 2021.

Key employee identification processes and retention programs has been launched to manage the attraction/retention risks.

Remuneration

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

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

During 2018 the Board of Directors established a Remuneration Committee, which has been tasked with recommending a remuneration policy, making proposals on remuneration for members of the Board of Directors and Executive Management, and assisting

with the preparation of the annual remuneration report.

NNIT's current Remuneration Policy, which is available at the company's website, has been thoroughly revised in 2020. As a result of the revision an updated Remuneration Policy will be put forward at the Annual General Meeting in March 2021. The updated Remuneration Policy includes adjustments to the remuneration components offered to Executive Management, to address the fact that the 3-year Retention Program offered to Executive Management will be released in 2021 and thus lapse in its entirety upon vesting. Consequently, the Remuneration Committee has considered how to replace this major remuneration component, contributing substantially to the remuneration of Executive Management without increasing the overall level of the remuneration. Based on these considerations, including benchmarking of the remuneration structure to relevant peers, the Remuneration Committee propose to replace the Retention Programme with more traditional LTIP

remuneration components for Executive Management, and, as a complement to this, increase the maximum potential level of the STIP, while discontinuing the pension pay component of the STIP. The background for this proposal is an aim to maintain already known remuneration components for Executive Management, while at the same time compensating for the fact that a major contributor to the overall remuneration will cease in 2021.

The revised Remuneration Policy will maintain a strengthened focus and promotion of the long-term interests and sustainability of NNIT and support NNIT's strategy in the short and long term. In addition to the policy for fixed fees or salary and incentive-based remuneration as described above, the Remuneration Policy also set out the principles for pension, other benefits, termination of employment and severance payments.

The revised Remuneration Policy also holds a suggestion to change the base fee for the

Board of Directors

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

Executive Management

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

Chairman of the Board of Directors from 2.5 times the base fee to 3.0 times the base fee, effective from 2021.

Remuneration figures in the annual report are based on the value at grant according to accounting standards. Therefore, no adjustments are made based on the actual share price development. In the annual report 2020 DKK 5.7 million is reported as share based salary for executive management. The remuneration report contains management salary based on actual share price development.

NNIT's Remuneration Principles are available from the company's website at <https://www.nnit.com/about-us/nnit-leadership/corporate-governance/>

Remuneration of the Board of Directors 2020

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

Shareholder Information

NNIT shares were priced at DKK 121.6 per share at December 31, 2020, for a market capitalization of DKK 3,040 million. The share price increased 9.0% in 2020. By comparison, the Nasdaq Copenhagen A/S OMXC20 CAP index increased 29%, while the Nasdaq Copenhagen MidCap index, of which NNIT is a component, was up 22% in the same period. Peer stocks in the Nordic and European IT services markets appreciated by 34% and 7% respectively, in the same period. In 2020 around 9 million NNIT shares were traded, corresponding to an average daily trading volume of DKK 4.0 million.

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 19,836 registered shareholders at December 31, 2020.

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

- Novo Holdings A/S, Gentofte, Denmark 33.50% directly and 51.00% through its holding in Novo Nordisk A/S
- Novo Nordisk A/S, Gladsaxe, Denmark 17.50%
- Chr. Augustinus Fabrikker Akts., Copenhagen, Denmark 10.12%

At December 31, 2020, about 85% of NNIT's shares were held by investors based in Denmark, while 7.9% and 4.4% were held by investors in the US and Europe respectively. The remaining proportion of 2.6% of the registered shares were held by investors in other countries, while the outstanding 2.7% of the shares are not registered by name.

Treasury shares

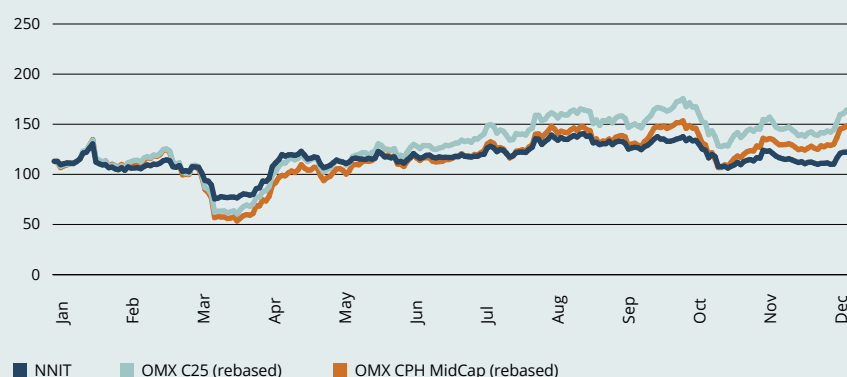
As part of its internal incentive programs NNIT has holds 306,220 shares as of December 31, 2020 for a total value of DKK 37.2 million and transferred 44,000 shares related to incentive programs for a total value of DKK 5.4 million.

Dividend policy and capital structure

NNIT aims to deliver a competitive return to its shareholders through dividend pay-outs. 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%.

NNIT Share price compared to peers

DKK per share



Share information

Stock exchange:	Nasdaq CPH 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):	121.60
Treasury shares:	306,220 (1.2%)

Financial calendar for 2021

March 10	Annual General Meeting
May 7	Interim report for the first three months of 2021
August 12	Interim report for the first six months of 2021
November 3	Interim report for the first nine months of 2021

Due to low leverage and positive cash flow generation, the Board of Directors intends to propose to the shareholders at the annual general meeting that ordinary dividends of DKK 1.00 per share be distributed for the financial year 2020. Including the interim dividend of DKK 2.00 per share in August 2020, this brings the total dividend for the financial year 2020 to DKK 3.00 per share, equal to a dividend payout ratio of 97% of the 2020 net results.

Annual General Meeting

The Annual General Meeting of NNIT A/S will be held on Thursday March 10, 2021 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.

Communication with shareholders

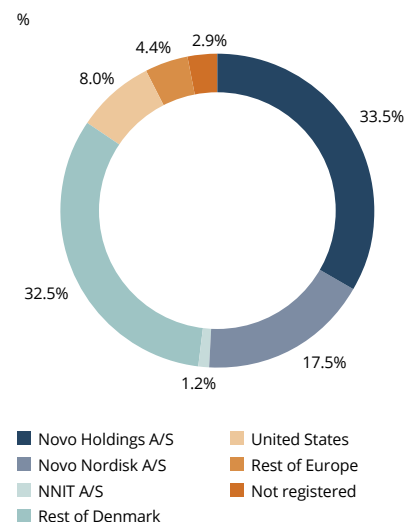
NNIT aims to give investors the best possible insight into the company to ensure fair and efficient pricing of NNIT shares. This is done by pursuing an open dialog with investors and analysts. NNIT's Executive Management hosts conference calls following the release of quarterly financial results. Members of the Executive Management and the Investor Relations participate in relevant seminars and meetings to ensure that investors with significant shareholdings in NNIT can meet with NNIT on a regular basis and to pro-

vide other shareholders and prospective shareholders access to NNIT's Executive Management and investor relations officers. The NNIT stock is currently covered by four financial analysts, who regularly issue research reports on NNIT. A full list of the analysts covering NNIT can be found at www.nnit.com/Pages/investor.aspx together with an overview of all company announcements, press releases, historical financial figures, latest consensus estimates and further information on NNIT. NNIT's share register is managed by VP Securities A/S,

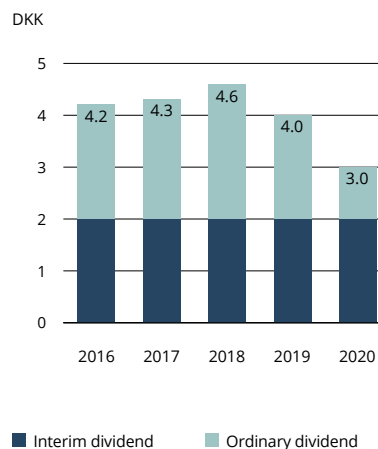
Weidekampsgade 14, 2300 Copenhagen S, Denmark, and shareholders can register their shares by name by contacting their depository bank.

NNIT Investor Relations contact information:
 Jens Binger,
 Head of Investor Relations & Treasury
 Contact +45 3079 9222, jblb@nnit.com
www.nnit.com/Pages/investor.aspx

Shareholder overview



Dividend per share



Board of Directors

Carsten Dilling

Chairman of the Board

Member of the Remuneration Committee

Personal and educational background

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

Member of the Board of Directors since 2016.

Other Directorships

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

Considered independent.

Special competences

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

Attended all board meetings and chairmanship meetings in 2020.



Peter Haahr

Deputy Chairman of the Board

Member of the Remuneration Committee

Personal and educational background

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

Member of the Board of Directors since 2017.

Other directorships

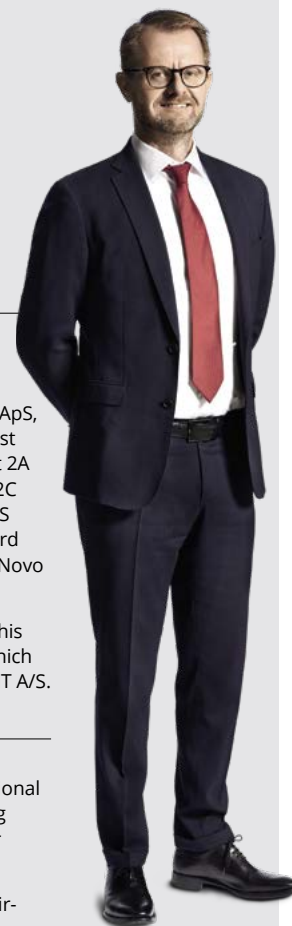
CFO of Novo Holdings A/S. Chairman of the Board of Directors of House of Denmark A/S, Novo Capital Investors ApS, Novo Capital Investors P/S, Novo Invest 1 A/S, Novo Invest 2, A/S, Novo Invest 2A A/S, Novo Invest 2B A/S, Novo Invest 2C A/S, ENV HoldCo A/S, Xellia HoldCo A/S and Sonion HoldCo A/S. CEO and Board member of the Board of Directors of Novo Ventures 1 A/S.

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

Special competences

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 2020.



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, Pension & Livsforsikring A/S and Julius P. Justesen Fond, member of the boards of VKR Holding A/S, Velux A/S, Sleep Cycle AB, ATP, Aquaporin A/S, IFU, Rodinia ApS, and Deputy Chairman of Bruhn Holding ApS.

Considered independent.

Special competences

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

Attended all board meetings except one meeting in 2020 and attended all Audit Committee meetings in 2020.



Christian Kanstrup

Member of the Audit Committee

Personal and educational background

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

Member of the Board of Directors since 2018.

Other Directorships

Executive Vice President of Nordics, Baltics and UK at Mediq. Member of the board of directors of FastPass-Corp A/S.

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

Special competences

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

Attended all board meetings and Audit Committee meetings in 2020.



Anders Vidstrup

Employee-elected representative

Personal and educational background

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

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

Other Directorships

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

Position at NNIT

Subject Matter Expert, Quality & Security

Attended all board meetings in 2020.



Camilla Krabbe Kongsted Christensen

Employee-elected representative

Personal and educational background

Born 1989. Danish citizen. MSc. in Social Sciences in Political Communication and Management, Copenhagen Business School. Line manager at NNIT A/S.

Employee-elected member of the Board of Directors since 2020, joined NNIT in 2016.

Position at NNIT

Line Manager, Consulting Junior Team

Attended all board meetings since being elected in 2020.



Eivind Kolding

Chairman of the
Remuneration Committee

Member of the Audit Committee

Personal and educational background

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

Member of the Board of Directors since 2015.

Other directorships

Chairman of the Board of Directors of Nordic Transport Group (NTG) A/S*, Danmarks Skibskredit A/S, CC Oscar Holding A/S (CASA A/S gruppen) and Den Erhvervsdrivende Fond GI Strand. Deputy Chairman of the Board of Directors of LEO Holding A/S and LEO Fondet, member of the boards of BIQ ApS and Altor Fund Manager AB.

Considered independent.

Special competences

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

Attended all board meetings and Audit Committee meetings in 2020.



Caroline Serfass

Board Member

Personal and educational background

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

Member of the Board of Directors since 2018.

Other Directorships

Senior Vice President and CIO of Canon Europe.

Considered independent.

Special competences

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

Attended all board meetings in 2020.



Trine Io Bjerregaard

Employee-elected
representative

Personal and educational background

Born 1968. Danish citizen. Master in French And International Relations from Aalborg University. Diploma in African Area Studies from Copenhagen University.

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

Position at NNIT

Partner Manager

Attended all board meetings in 2020.



Group Management



Jacob Hahn Michelsen

Senior Vice President,
Private & Public

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



Brit Kannegaard Johannessen

Senior Vice President,
People, Communication,
Marketing & Quality

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



Pernille Fabricius

Executive Vice President
and CFO, Member of the
Executive Management

Born in 1966. Pernille Fabricius joined NNIT in August 2020. She is member of the Board of Directors and Chairman of the Audit Committee of Royal Greenland A/S, MT Højgaard A/S and Gabriel A/S. She holds an MSc in Audit and Accounting, MSc in Finance, LL.M in European Union Law and an MBA, from CBS and Leicester University



Per Kogut

President and CEO,
Member of the Executive
Management

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



Kasper Søndergaard Andersen

Senior Vice President,
Projects, Applications &
Consulting

Born in 1978. Kasper Andersen joined NNIT in 2009, present position since December 2020. Kasper Andersen holds an MSc in Business Administration & Intercultural Management from Copenhagen Business School



Ricco Larsen

Senior Vice President,
Life Sciences

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



Kristian Lomholt

Senior Vice President,
Cloud & Infrastructure
Services

Born in 1979. Kristian Lomholt joined NNIT in April 2014, present position since December 2020. Kristian Lomholt holds a Higher Commercial Examination from Vejle Business School

Financial Statements 2020

Financial Statements 2020

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Management's Statement

The Board of Directors and the Executive Management (the "Management") have today discussed and approved the annual report of NNIT A/S (NNIT A/S together with its subsidiaries the "Group") for the financial year 2020.

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 consoli-

dated financial statements and the parent company financial statements gives a true and fair view of the Group's and the Parent Company's financial position at December 31, 2020 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 2020.

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

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

Soeborg, January 29, 2021

NNIT A/S

EXECUTIVE MANAGEMENT



Per Kogut
President and CEO



Pernille Fabricius
Executive Vice President and CFO

BOARD OF DIRECTORS



Carsten Dilling
Chairman



Peter Haahr
Deputy Chairman



Anne Broeng



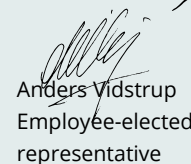
Eivind Kolding



Christian Kanstrup



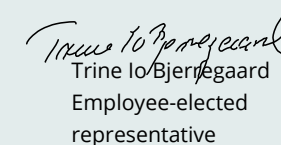
Caroline Serfass



Anders Vidstrup
Employee-elected
representative



Camilla K.K. Christensen
Employee-elected
representative



Trine I. Bjerregaard
Employee-elected
representative

Independent Auditor's Report

To the Shareholders of NNIT A/S

Our opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at 31 December 2020 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2020 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 2020 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2020 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 2020, pp. 56-97, comprise income statement and statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity 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 2020, pp. 98-111, 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 5 years including the financial year 2020.

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 2020. These matters were addressed in the context of our audit of

the Financial Statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter

Revenue recognition

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

The revenue recognition involves judgement related to identifying and assessing performance obligations, and estimation uncertainty related to the stage of completion, which Management determines by reference to the proportion of costs to date to total cost estimate.

Assessments of cost estimates is made periodically following Management review,

which may result in a re-assessment of the percentage of completion as of the date of review. Such re-assessments results in revisions to revenue attributable to work performed up until the date of revision.

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

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

How our audit addressed the Key Audit Matter

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

We assessed the accuracy of the stage of completion assessment, including the key assumptions, and considered the historical accuracy of the assessment of stage of

completion. During the year, we reviewed the run-off on closed projects.

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

Statement on Management's Review

Management is responsible for Management's Review, pp. 1-50.

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, disclos-

ing, 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 skepticism throughout the audit. We also:

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with 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

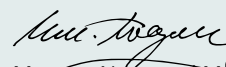
independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

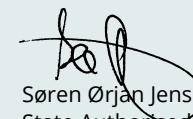
Hellerup, January 29, 2021

PRICEWATERHOUSECOOPERS

Statsautoriseret Revisionspartnerselskab
CVR No. 3377 1231



Mogens Nørgaard Mogensen
State Authorised Public Accountant
mne21404



Søren Ørjan Jensen
State Authorised Public Accountant
mne33226

Consolidated Financial Statements

Income Statement

for the year ended December 31

DKK million	Note	2020	2019
Revenue	2.1	2,830	3,058
Cost of goods sold	2.2, 2.3, 2.4, 5.1	2,443	2,583
Gross profit		387	475
Sales and marketing costs	2.2, 2.4, 5.1	127	131
Administrative expenses	2.2, 2.4, 5.1	95	105
Operating profit before special items		165	239
Special items	2.5	43	24
Operating profit		122	215
Financial income	4.1	11	32
Financial expenses	4.1	31	16
Profit before income taxes		102	231
Income taxes	2.6	26	48
Net profit for the year		76	183
Earnings per share			
Earnings per share (DKK)	4.2	3.07	7.43
Diluted earnings per share (DKK)	4.2	3.04	7.36

Statement of Comprehensive Income

for the year ended December 31

DKK million	Note	2020	2019
Net profit for the year		76	183
Other comprehensive income:			
<i>Items that will not subsequently be reclassified to the income statement:</i>			
Remeasurement related to post employment benefit obligations	3.8	(5)	9
Tax related to post employment benefit obligations	2.6	-	(1)
<i>Items that may be reclassified to the income statement, when specific conditions are met:</i>			
Exchange rate adjustment related to subsidiaries (net)		(25)	1
Tax related to exchange rate adjustments related to subsidiaries (net)		4	-
<i>Recycled to financial items</i>		10	21
<i>Unrealized value adjustments</i>		(22)	(20)
Cash flow hedges		(12)	1
Tax related to cash flow hedges	2.6	2	1
Other comprehensive income, net of tax		(36)	11
Total comprehensive income		40	194

Balance Sheet

as of December 31

ASSETS

DKK million	Note	2020	2019
Intangible assets	3.1, 5.6	781	524
Tangible assets	3.3	552	576
Lease assets	4.3	227	316
Contract assets	3.4	75	69
Deferred taxes	2.6	32	32
Deposits	3.5	33	34
Total non-current assets		1,700	1,551
Inventories		2	2
Contract assets	3.4	36	53
Trade receivables	3.6, 5.8	497	627
Work in progress	3.7	145	140
Other receivables		21	11
Pre-payments		87	84
Tax receivables	2.6	30	11
Derivative financial instruments	4.5	1	12
Cash and cash equivalents	4.4	143	122
Total current assets		962	1,062
Total assets		2,662	2,613

EQUITY AND LIABILITIES

DKK million	Note	2020	2019
Share capital	4.2	250	250
Treasury shares	4.2	(3)	(4)
Retained earnings		879	860
Other reserves		(17)	14
Proposed dividends	4.2	25	49
Total equity		1,134	1,169
Lease liabilities	4.3	171	239
Employee benefit obligations	3.8	29	82
Contingent consideration	3.9	112	43
Provisions	3.10	24	25
Long term loan		21	28
Bank overdraft	4.4	304	231
Total non-current liabilities		661	648
Prepayments received, contract assets	3.4	16	42
Prepayments received, work in progress	3.7, 5.8	111	98
Lease liabilities	4.3	70	90
Trade payables	5.8	108	88
Employee costs payables		277	228
Tax payables	2.6	4	9
Other current liabilities		247	155
Derivative financial instruments	4.4	5	1
Contingent consideration	3.9	28	81
Provisions	3.10	1	4
Total current liabilities		867	796
Total equity and liabilities		2,662	2,613

Statement of Cash Flows

for the year ended December 31

DKK million	Note	2020	2019
Net profit for the year		76	183
Reversal of non-cash items	5.4	228	439
Interest paid/received	4.1	(16)	(16)
Income taxes paid	2.6	(42)	(50)
Cash flow before changes in working capital		246	556
Changes in working capital ¹	5.5	282	(91)
Cash flow from operating activities		528	465
Capitalization of intangible assets	3.1	(40)	(33)
Purchase of tangible assets	3.3, 5.5	(95)	(134)
Acquisition cost refunded		-	2
Contingent consideration payment	3.9	(62)	-
Acquisition of subsidiaries	5.6	(188)	(58)
Cash flow from investing activities		(385)	(223)
Dividends paid		(98)	(113)
Purchase of treasury shares		-	(5)
Instalments on lease liabilities	4.3, 4.4	(89)	(93)
Instalment on long term loan		(8)	(5)
Bank overdraft		73	(12)
Cash flow from financing activities		(122)	(228)
Net cash flow		21	14
Cash and cash equivalents at the beginning of the year		122	108
Cash and cash equivalents at the end of the year	5.5	143	122

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

¹ Of which DKK 45 million relates to factoring (2019: DKK 149 million). Please refer to note 3.6 for more details.

Statement of Changes in Equity

as of December 31

DKK million

2020	Note	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
					Exchange rate adjustments	Cash flow hedges	Tax			
Balance at the beginning of the year		250	(4)	860	7	9	(2)	14	49	1,169
Net profit for the year		-	-	76	-	-	-	-	-	76
Other comprehensive income for the year		-	-	(5)	(25)	(12)	6	(31)	-	(36)
Total comprehensive income for the year		-	-	71	(25)	(12)	6	(31)	-	40
Transactions with owners:										
Transfer of treasury shares		-	1	9	-	-	-	-	-	10
Share-based payments	5.1	-	-	13	-	-	-	-	-	13
Dividends paid		-	-	-	-	-	-	-	(98)	(98)
Interim dividend for 2020		-	-	(49)	-	-	-	-	49	-
Proposed dividend for 2020		-	-	(25)	-	-	-	-	25	-
Balance at the end of the year	4.2	250	(3)	879	(18)	(3)	4	(17)	25	1,134

Statement of Changes in Equity

as of December 31

DKK million

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

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

Notes to the Consolidated Financial Statements

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1. Basis of preparation

1.1 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and further requirements of the Danish financial statements Act. The Consolidated Financial Statements are prepared in accordance with IFRS standards and interpretations applicable to the 2020 financial year.

Measurement basis

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

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

Accounting policies

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

Recognition of revenue

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

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

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

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

Projects

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

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

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

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

Contracts for which progress billings exceed the revenue are recognized as 'prepayments received' under liabilities.

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

Service Level Agreements (SLA)

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

Outsourcing contracts

Outsourcing contracts consist of two activities, preparatory project (such as transition and transformation) 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.

The total contract value of the outsourcing contracts will be split into the different performance obligations depending on the activities to be delivered. NNIT will profit align between the performance obligations within the contract (expected cost plus margin approach).

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

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

Operation

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

Hedge accounting

All currency derivative instruments are initially recognized at fair value and subsequently re-

1.1 Summary of significant accounting policies – continued

measured at fair value at the end of the reporting period.

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

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

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

1.2 Summary of key accounting estimates

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

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

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

Management considers judgements and estimates under the following items as significant to these consolidated financial statements:

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

Impairment test

For the goodwill impairment test, a number of estimates are made on the development in revenues, gross profits, operating margins, future capital expenditures, discount rates and growth

expectations in the terminal period. These estimates are based on assessments of the current and future development in the subsidiary and are based on historical data and assumptions of future expected market developments, including expected long-term average market growth rates.

Work in progress

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

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

1.3 Changes in accounting policies, estimates and disclosures

Adoption of new or amended IFRSs

NNIT has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Definition of a Business – amendments to IFRS 3
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7

The amendment listed above did not have any impact on the amounts recognized in prior and current period and are not expected to significantly affect the future periods

Changes in estimates

As a consequence of an asset review and slower technological development of server components NNIT has increased the useful lifetime for certain servers from 3 years to 5 years. An asset review of Datacenter assets based on the first 9 years of operations in NNIT's data center in Bagsværd has also led to a change in the useful lifetime of data center components from 12-20 years to 20-30 years.

The changes have positively affected net profit for 2020 by DKK 11 million.

1.4 General accounting policies

Principles of consolidation

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

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

Other accounting policies

Acquisition of subsidiaries

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

Translation of foreign currency

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

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

Transactions and balance sheet

Transactions in foreign currencies within the year are translated into the functional currency at the exchange rate at the transaction date. Receiva-

bles and liabilities in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rate at the balance sheet date.

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

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

Exchange differences arising from:

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

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

Costs

Cost of goods sold

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

Sales and marketing costs

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

Administrative expenses

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

Special items

Special items comprise costs or income that cannot be attributed directly to the Group's ordinary

activities and are non-recurring of nature. Such costs and income include the cost related to significant restructuring of the cost base and processes as well as restructuring costs related to resignation of employees due to lost contracts. Further special items include significant cost related to acquisition of subsidiaries or activities, retirement of members of Executive Management, impairment of goodwill and gains and losses regarding disposal of activities or subsidiaries.

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

Financial items

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

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

Tax

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

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

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

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

1.4 General accounting policies – continued

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

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

Intangible assets

Goodwill

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

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

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

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

IT development projects

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

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

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

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

Straight-line amortization over the expected useful life of the asset:

- IT projects: 5-10 years

Intangible assets that are in use and subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Factors that could trigger an impairment test include changes in the economic 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 equipment: 3-10 years
- Leasehold improvements: 5-10 years
- Buildings: 10-50 years

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

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

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

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

Lease assets

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

NNIT has three different types of leases:

- Rental of premises
- IT equipment
- Company cars

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

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

Contract assets

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

Inventories

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

Trade receivables

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

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

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

Other receivables and prepayments

Current receivables

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

1.4 General accounting policies – continued

Prepayments

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

Equity

Treasury shares

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

Dividend

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

Lease liabilities

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

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

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

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

Employee benefits

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

Pensions

NNIT operates a number of defined-contribution pension plans. The costs of these pension plans are recognized in the financial year in which the

relevant NNIT employees provided the related service.

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

Jubilee benefits

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

Long-term incentive and retention programs

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

Long-term incentive program (LTIP)

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

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

LTIP

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

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

Retention program (RP)

Group Management and Vice Presidents 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 Group Management they will be eligible to be granted up to two (2) Restricted Share Units (RSU's) and the Vice Presidents will be eligible to be granted up to one (1) RSU. The shares are subject to a lock up period of three years, following which the RSU's are released if certain vesting targets are met.

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

Contingent consideration (earn-out)

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

Provisions

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

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

Provision for onerous contracts/projects

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

Provision for refurbishment obligation

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

Trade payables

Trade payables are measured at amortized cost.

Other current liabilities

Other current liabilities comprise accrued expenses and VAT.

Cash flow statement

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

Cash flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

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

Cash and cash equivalents

Cash and cash equivalents include cash and deposits.

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

1.5 Financial definitions

Operating profit margin	=	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Return on assets	=	$\frac{\text{Operating profit} \times 100}{\text{Average operating assets}}$
Return on equity	=	$\frac{\text{Net profit after tax} \times 100}{\text{Average equity}}$
Dividend per share for the year	=	$\frac{\text{Proposed dividend}}{\text{The number of outstanding shares}}$
Return on invested capital (ROIC)	=	$\frac{\text{Net profit ex. financials} \times 100}{\text{Average invested capital}^1}$
EBITDA margin	=	$\frac{\text{Operating profit} + \text{depreciation and amortization}}{\text{Revenue}}$
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:

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

Special items

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

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

Backlog

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

Cash to earnings

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

Financial resources at the end of the year

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

Free cash flow

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

Organic growth

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

2. Results for the year

2.1 Segment information

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

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

The Private & Public business unit delivers to clients within the Enterprise, Public and Finance segments in Denmark.

DKK million	2020	2019
Revenue by customer group		
Novo Nordisk Group	732	955
Life sciences international	456	361
Life sciences Denmark	261	230
Life sciences	1,449	1,546
Enterprise	712	802
Public	407	392
Finance	262	318
Private & Public	1,381	1,512
Total revenue	2,830	3,058
Gross profit by business unit		
Life sciences	244	334
Private & Public	143	141
Total gross profit	387	475

DKK million	2020	2019
Operating profit before special items by business unit ¹		
Life sciences	122	203
Private & Public	43	36
Total operating profit before special items	165	239
Amortization, depreciation and impairment losses		
Life sciences	120	122
Private & Public	114	137
Total amortization, depreciation and impairment losses	234	259

¹ When deducting special items and net financials consolidated profit before income taxes is obtained.

The Danish operations generated 78.1% of the revenue in the year ended December 31, 2020 (2019: 81.5%) based on the location of the customer. As a consequence of the predominantly Danish revenue, NNIT will not disclose a geographical revenue split.

99.4% of tangible assets are placed in Denmark (2019: 99.2%).

The Novo Nordisk Group generated 25.9% of the revenue in the year ended December 31, 2020 (2019: 31.2%).

2.2 Employee costs

DKK million	2020	2019
Employee costs comprise:		
Wages and salaries	1,563	1,629
Share-based payments	14	13
Pensions - defined contribution plans	106	121
Pensions - defined benefit obligations (note 3.8)	23	19
Other employee costs	109	115
Total employee costs	1,815	1,897
Included in the income statement under the following headings:		
Cost of goods sold	1,617	1,699
Sales and marketing costs	105	107
Administrative expenses	58	69
Restructuring expenses	35	22
Total employee costs	1,815	1,897
Average number of full-time employees	3,083	3,237

Remuneration of Board of Directors and Group Management

The current policy for the remuneration of the Board of Directors and Executive Management was adopted in 2020 and sets out the general guidelines for the remuneration of the Group's management. The guidelines for the remuneration of the Board of Directors and Executive Management are available on NNIT's website.

In addition to the disclosures provided in this note, more details on the remuneration of Executive Management and Directors are provided in the separate Remuneration report, which is not a part of the audited financial statements. The report is also available on NNIT's website.

Board of Directors remuneration

DKK million	2020	2019
Ordinary board member fee	3.3	3.4
Audit Committee	0.3	0.3
Remuneration Committee	0.2	0.1
Total fee to Board of Directors	3.8	3.8

2.2 Employee costs – continued

Group Management's remuneration and share-based payment

DKK million	2020		Total
	Executive Management ¹	Other members of Group Management ¹	
Fixed base salary	6.9	9.6	16.5
Cash Bonus (STIP and one-off)	2.9	1.9	4.8
One off bonus	1.8	0.4	2.2
Remuneration in connection with redundancy, resignations and release from duty to work	-	0.2	0.2
Pension	2.3	1.8	4.1
Benefits	0.4	0.6	1.0
Share based incentives ²	6.0	3.2	9.2
Group Management total	20.3	17.7	38.0

¹ Remuneration included above are for the period each employee has served as member of Group Management only.

² Includes the annually recognized expense on granted share-based and launch incentive programs, which are not released.

DKK million	2019		Total
	Executive Management ¹	Other members of Group Management ¹	
Fixed base salary	6.8	9.0	15.8
Cash Bonus (STIP and one-off)	2.2	1.6	3.8
Pension	2.1	1.4	3.5
Benefits	0.4	0.6	1.0
Share based incentives ²	5.7	5.3	11.0
Group Management total	17.2	17.9	35.1

¹ Remuneration 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

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 and Vice Presidents 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 Group Management eligible to receive up to two (2) RSU's for each share invested and the Vice Presidents will be eligible to receive up to one (1) RSU for each share invested. The number of RSU's is based on performance for a three year period measured on revenue growth and operating profit margin.

Long-term incentive program (LTIP)

LTIP is designed to promote the collective performance of Group Management and Vice Presidents to align the interests of executives and shareholders.

The program is based on earnings including hedge gains/losses, before interest and tax compared to the targeted level. In addition, the realized free cash flow compared to the targeted level is taken into consideration.

NNIT's Board of Directors approves the financial targets for the coming year, ensuring that the short-term targets are aligned with NNIT's long-term targets and strategy.

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

The shares allocated to the members of Group Management based on the 2017 performance, will be released to the individual participants subsequent to the approval of the Annual Report 2020 by the Board of Directors. Based on the share price at the end of 2020, the value of the released shares is as follows:

DKK million	Number of shares	Market value
Values at December 31, 2020 of shares to be released February 1, 2021:		
Per Kogut	43,292	5
Carsten Krogsgaard Thomsen	24,650	3
Pernille Fabricius	0	0
Executive Management	67,941	8
Other members of Group Management	43,463	5
Group Management total	111,404	13

2.3 Development costs

DKK million	2020	2019
Costs for development of new projects, not eligible for recognition in the balance sheet are charged immediately to the income statement:		
Cost of goods sold	9	9
Total development costs	9	9

2.4 Amortization, depreciation and impairment losses

DKK million	2020	2019
Amortization	26	26
Depreciation	207	233
Total amortization, depreciation, and impairment losses	233	259
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	216	243
Sales and marketing costs	4	4
Administrative expenses	13	12
Total amortization, depreciation, and impairment losses	233	259

2.5 Special items

DKK million	2020	2019
Special items relates to:		
Restructuring cost	33	24
Retirement of members of Executive Management	1	-
Cost regarding acquisition and disposal of subsidiaries	9	-
Total special items	43	24
If special items had been recognized in operating profit before special items, they would have been included in the following line items:		
- Cost of goods sold	28	22
- Sales and marketing costs	4	2
- Administrative expenses	11	-
Total special items	43	24

2.6 Income taxes

DKK million	2020	2019
Current tax	33	47
Deferred tax	(10)	4
Adjustments recognized for current tax of prior periods	(11)	(3)
Adjustments recognized for deferred tax of prior periods	12	-
Withholding tax not deductible	2	-
Income taxes in the income statement	26	48
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%)	(0.3%)
Other adjustments to taxable income	1.4%	0.4%
Adjustment of current and deferred tax regarding previous years	0.4%	(1.3%)
Withholding tax not deductible	1.8%	-
Effective tax rate	25.5%	20.8%
Tax on other comprehensive income for the year	6	-

Tax on other comprehensive income for the year relates to tax on exchange rate adjustments and deferred tax of cash flow hedges.

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

2.6 Income taxes – continued

Deferred taxes

DKK million	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2020								
Deferred tax asset								
At the beginning of the year	(14)	44	(30)	14	(4)	(1)	23	32
Adjustments related to previous years	-	7	(11)	(7)	-	-	(1)	(12)
Movements within the year	(5)	1	(3)	1	1	-	15	10
Movements in equity	-	-	-	-	-	2	-	2
At the end of the year	(20)	52	(44)	8	(3)	1	37	32

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

2.6 Income taxes – continued

DKK million	2020	2019
Tax payable/receivable		
Tax payable/receivable at the beginning of the year	2	(6)
Adjustment hereto	-	2
Income tax paid during the year	46	47
Tax paid related to previous years	(6)	(1)
Withholding taxes paid during the year	2	4
Current tax on profit for the year	(33)	(47)
Adjustments related to previous years	11	3
Tax payable/receivable at the end of the year	22	2
Tax payable/receivables are recognized in the balance sheet as follows:		
Tax receivables	30	11
Tax payable	(4)	(9)
Tax on equity	(4)	-
Total tax	22	2

3. Operating assets and liabilities

3.1 Intangible assets

DKK million	Goodwill	Other intangible assets	IT development projects	IT development projects under construction	2020
2020					
Cost at the beginning of the year	448	34	105	28	615
Additions from business combinations	266	2	-	-	268
Additions	-	-	-	40	40
Transfer	-	-	6	(6)	-
Disposals	-	-	(16)	-	(16)
Exchange rate adjustment	(24)	(3)	-	-	(27)
Cost at the end of the year	690	33	95	62	880
Amortization and impairment losses at the beginning of the year	-	21	70	-	91
Amortization	-	12	14	-	26
Amortization reversed on disposals	-	-	(16)	-	(16)
Exchange rate adjustment	-	(2)	-	-	(2)
Amortization and impairment losses at the end of the year	-	31	68	-	99
Carrying amount at the end of the year	690	2	27	62	781
Amortization period		2-5 years	5-10 years		

IT development projects mainly include NNIT's ERP system which is used as the basis for the Group's day-to-day operations.

IT development projects under construction consist of both internal IT-systems and developed applications for customer services.

3.1 Intangible assets - continued

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

IT development projects mainly include NNIT's ERP system which is used as the basis for the Group's day-to-day operations.

IT development projects under construction consist of both internal IT-systems and developed applications for customer services.

3.2 Impairment test

Goodwill

The carrying amount of goodwill is impairment tested by comparison to the recoverable amount. The recoverable amount for Excellis is determined based on fair value less cost to sell. For the remaining CGU's the fair value is determined based on its value in use. The value in use is calculated using certain key assumptions for the expected future cash flows and applied discount factor.

Net cash flows for the year 2021-2025 are determined based on key assumptions and expectations and estimates based on growth and profit margin expectations based on past experience and in accordance with NNIT business plans. From 2025 onwards, NNIT expects the growth rate to remain in line with the expected long-term average growth rate for the industry. The uncertainty associated with these expectations is reflected in the discount rate used.

Goodwill has been tested for impairment at December 31, 2020. The tests did not result in any impairment of carrying amounts. The assumptions used are stated in the following.

DKK million	CGU	Business unit	Carrying amount	Annual revenue growth rate	Discount rate	Terminal period growth rate
2020						
SCALES	SCALES	P&P	168	10-20%	8.5%	2%
Valiance Partners	Valiance Partners	LS	182	10-20%	8.5%	2%
HGP Group	LS EU outside DK ex. Valiance	LS	85	5-20%	8.5%	2%
Excellis	Excellis	LS	255	10-32%	9.0%	2%
2019						
SCALES	SCALES	P&P	168	15-35%	8.5%	2%
Valiance Partners	Valiance Partners	LS	195	20-25%	8.5%	2%
HGP Group	LS EU outside DK ex. Valiance	LS	85	5-20%	8.5%	2%

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

3.3 Tangible assets

DKK million	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2020
2020					
Cost at the beginning of the year	373	781	55	46	1,255
Additions	13	56	-	26	95
Disposals	-	(148)	-	-	(148)
Transfer	-	46	-	(46)	-
Exchange rate adjustment	-	(1)	-	-	(1)
Cost at the end of the year	386	734	55	26	1,201
Depreciation and impairment losses at the beginning of the year	92	544	43	-	679
Depreciation	16	95	5	-	116
Depreciation reversed on disposals	-	(146)	-	-	(146)
Exchange rate adjustment	-	1	(1)	-	-
Depreciation and impairment losses at the end of the year	108	494	47	-	649
Carrying amount at the end of the year	278	240	8	26	552
Depreciation period	10-50 years	3-10 years	5-10 years		

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

3.3 Tangible assets – continued

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

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

3.4 Contract balances

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

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

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

DKK million	Opening balance	New additions	Revenue recognized from liabilities opening balance	Amortized cost	Closing balance
2020					
Contract assets	122	44	-	(55)	111
Prepayments received, contract liabilities	(42)	(13)	39	-	(16)

Contract assets are recognized in the balance sheet as follows:

Contract assets, non-current					75
Contract assets, current					36
Total contract assets					111

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

Contract assets are recognized in the balance sheet as follows:

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

3.4 Contract balances – continued

Future contract obligations

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

DKK million	2020	2019
Aggregated amount of transaction price allocated to contracts that will be satisfied in the future as at December 31	4,061	4,196

Management expects that DKK 1,999 million (2019: DKK 2,039 million) of the transaction price allocated to the future contract obligations as of December 31, 2020 will be recognized during 2021. The remaining part will be recognized as revenue within 2-3 years. The amount disclosed above includes both fixed and variable consideration.

3.5 Deposits

DKK million	2020	2019
Cost at the beginning of the year	34	33
Additions	-	1
Disposal	(1)	-
Carrying amount at the end of the year	33	34

3.6 Trade receivables

DKK million	2020	2019
Total trade receivables (gross)	499	627
Adjustment of allowances for bad debt in the year	(2)	-
Total trade receivables (net)	497	627

In 2020 NNIT has continued the commercial use of factoring where a financial institution purchases outstanding invoices on some of NNIT's largest customers with a strong credit profile. The benefits of this program include improved liquidity and improved financial ratios. NNIT is less sensitive on long payment terms while the cost of factoring is less than the current revolving credit facility. The effect as of December 31, 2020 is DKK 194 million (2019: DKK 149 million). NNIT still carries an immaterial the risk in relation to late payments as a result of performance.

3.6 Trade receivables – continued

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

To minimize credit losses NNIT makes a credit evaluation before entering into a contract with a new customer. NNIT customer portfolio primarily consists of large national and international companies. The credit quality of trade receivables as of December 31, 2020 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 as of December 31, 2020 was DKK 1.8 million (2019: DKK 0.2 million).

DKK million	2020	2019
Aging of non-impaired trade receivables:		
Non-invoiced trade receivables	136	125
Not due at balance sheet date	295	397
Overdue between 1 and 30 days	44	76
Overdue between 31 and 60 days	12	9
Overdue by more than 60 days	12	20
Total trade receivables	499	627

Trade receivables include receivables from related parties amounting to DKK 194 million gross of factoring (2019: DKK 146 million).

Part of the non-invoiced trade receivables are regarding finished transformation projects and other long-term projects, where the amount will be invoiced to the customer over the operation period which is more than one year. The long-term project amount to DKK 85 million as of December 31, 2020 (2019: DKK 81 million), of these DKK 39 million will be invoiced in 2021.

3.7 Work in progress

DKK million	2020	2019
Cost of work in progress	520	460
Gross profit	153	136
Work in progress at sales value	673	596
Received payments on account	(639)	(554)
Work in progress at the balance sheet date (net)	34	42
Recognized in the balance sheet as follows:		
Work in progress, current assets	145	140
Prepayments, liabilities	(111)	(98)
Work in progress at the balance sheet date (net)	34	42

3.8 Employee benefit obligations

Defined benefit pension obligations

DKK million	Pension liability	Plan asset	Net liability
2020			
At the beginning of the year	73	54	19
Current service costs	4	-	4
Employer contributions	-	3	(3)
Benefits paid from plan asset	(4)	(4)	-
Remeasurement gains/(losses) recognized in other comprehensive income	6	1	5
Plan participant contribution etc.	-	2	(2)
At the end of the year	79	56	23

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

The defined benefit plans are usually funded by payments from Group companies and by employees to funds independent of NNIT. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet. NNIT does not expect the contributions over the next five years to differ significantly from current contributions. The weighted average duration of the defined benefit obligation is 14.2 years (2019: 14.0 years).

3.8 Employee benefit obligations – continued

	2020	2019
Assumptions used for valuation¹		
Discount rate	0.37%	0.25%
Price inflation	0.91%	1.25%
Projected future remuneration increases	1.78%	1.75%
Future increases in social security	0.00%	1.50%

¹ Assumptions are calculated and presented as a weighted average of the Defined Benefit Plans in NNIT Switzerland AG and NNIT Philippines Inc.

Actuarial valuations are performed annually. The most recent actuarial valuation is dated November 2020.

DKK million	2020	2019
Defined benefit pension obligations	23	19
Jubilee benefit obligations	2	2
Long-term bonus plan	4	20
Obligation to vacation foundation "Lønmodtagernes Feriemidler"	-	41
Total employee benefit obligations, non-current	29	82

3.9 Contingent consideration

DKK million	2020	2019
Contingent consideration		
At the beginning of the year	124	113
Additions from business combinations	77	19
Payout cash	(62)	-
Payout shares	(4)	-
Value adjustment	13	(10)
Exchange rate adjustment	(8)	2
At the end of the year	140	124

Contingent consideration relates to acquisition of subsidiaries.

Contingent consideration are recognized in the balance sheet as follows:

Non-current liabilities	112	43
Current liabilities	28	81
Total liability	140	124

3.9 Contingent consideration – continued

SCALES

In March 2020 the earn-out regarding SCALES was settled at an amount of DKK 55.8 million whereof DKK 51.6 was paid in cash and DKK 4.2 million in shares.

Valiance Partner

The earn-out period for Valiance Partners ends 2021 and the yearly earn-out payments are settled annually after approval of the annual report.

In March 2020 the first payment was settled at an amount of DKK 8.4 million.

The remaining expected earn-out payments are DKK 56.3 million with an earn-out range of 0 – 136% (DKK 0 – 97.5 million) depending on performance on five KPI's: EBITDA in Valiance Partners, additional revenue derived for NNIT, R&D investments, unmanaged attrition as well as successful integration with NNIT Group. The KPI's are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight.

As of December 31, 2020 the carrying amount is DKK 55.9 million based on the expected earn-out payment. Based on a sensitivity range of +/- 10% of target earn-out payment will change within a range of DKK -3.9 million to DKK 3.1 million.

HGP Group

The earn-out period for HGP ends 2022 and the yearly earn-out payments are settled after approval of profit during April/May.

In December 2020 the first payment was settled at an amount of DKK 1.9 million.

The remaining expected earn-out payments are DKK 15.1 million with an earn-out range of DKK 0 - 26.4 million dependent upon one KPI based on gross profit for the European life sciences business as well as business from HGP units in Singapore and Indonesia.

As of December 31, 2020 the carrying amount is DKK 10.1 million, based on the expected earn-out payment. Based on a sensitivity range of +/- 10% of target the earn-out payment will change within a range of DKK -6.0 million to DKK 6.4 million.

Excellis

The earn-out period for Excellis ends in 2023 and the yearly earn-out payments are settled after approval of the financial statement for the given year. The estimated earn-out target is DKK 76.3 million (USD 12.6 million) with an earn-out range of 0-136% (DKK 0 – 108.9 million) of target depending upon performance on five KPI's: EBITDA in Excellis, additional revenue derived for NNIT, service development, unmanaged attrition as well as successful integration with NNIT Group. The KPI's are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight.

As of December 31, 2020 the carrying amount is DKK 73.4 million, based on the expected earn-out payment. Based on a sensitivity range of +/- 10% of target the earn-out payment will change within a range of DKK -29.9 million to DKK 6.6 million.

3.10 Provisions

DKK million	2020	2019
Provision for onerous contracts/projects		
At the beginning of the year	4	-
Additions	-	6
Utilized	(3)	-
Transferred to work in progress	-	(2)
At the end of the year	1	4

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects. Provision for onerous projects amounting to DKK 0.2 million has been offset in work in progress (2019: DKK 1.9 million).

Provision for refurbishment obligation

At the beginning of the year	25	25
Addition from business combinations	-	1
Exchange rate adjustment	(1)	(1)
At the end of the year	24	25

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

Provisions are recognized in the balance sheet as follows:

Non-current liabilities	24	25
Current liabilities	1	4
Total liability	25	29

4. Capital structure and financing items

4.1 Financial income and expenses

DKK million	2020	2019
Financial income		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	10	21
Value adjustment contingent consideration	-	10
Realized/unrealized gain on currency	-	1
Other financial income	1	-
Total financial income	11	32
Financial expenses		
Guarantee commission	1	1
Realized/unrealized loss on currency	2	-
Value adjustment contingent consideration	13	-
Interest expenses lease liability	7	9
Other financial expenses	8	6
Total financial expenses	31	16

4.2 Share capital, distribution to shareholder and earnings per share

DKK million	2020	2019
Net profit for the year	76	183
Number '000		
Average number of shares outstanding	24,694	24,591
Dilutive effect of share-based payments	236	211
Average number of shares outstanding, including dilutive effect of share-based payments	24,930	24,802
Earnings per share DKK	3.07	7.43
Diluted earnings per share DKK	3.04	7.36

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

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

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

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

DKK	Nominal value	Market value (million)	As % of share capital	Number of shares (thousand)
2020				
Treasury shares				
Holding at the beginning of the year	10	46	2%	409
Value adjustment	-	10	0%	-
Disposal	(10)	(19)	0%	(103)
Holding at the end of the year	10	37	1%	306

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

Retained earnings are accumulated earnings.

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

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

DKK million	2020	2019
Net cash distribution to shareholders		
Ordinary dividends	25	49
Interim dividends	49	49
Total	74	98

The proposed dividend at the end of 2019 was DKK 49 million (DKK 2.0 per share) and in addition in August 2020 an interim dividend of DKK 49 million (DKK 2.00 per share) was declared and paid out. At the end of 2020, proposed dividends (not yet declared) of DKK 25 million (DKK 1.0 per share) are recognized in retained earnings.

4.3 Leases

Lease assets				
DKK million	Rental of premises	IT-equipment	Company cars	
2020				
Costs at the beginning of the year	711	40	20	771
Additions	2	-	8	10
Disposals	(17)	(12)	(7)	(36)
Exchange rate adjustment	(4)	-	-	(4)
Costs at the end of the year	692	28	21	741
Depreciation and impairment loss at the beginning of the year	411	35	9	455
Depreciation	80	5	6	91
Depreciation reversed on disposals	(11)	(12)	(7)	(30)
Exchange rate adjustment	(2)	-	-	(2)
Depreciation and impairment loss at the end of the year	478	28	8	514
Carrying amount at the end of the year	214	-	13	227
2019				
Costs at the beginning of the year	683	40	20	743
Additions from Business Combinations	2	-	-	2
Additions	33	-	5	38
Disposals	(9)	-	(5)	(14)
Exchange rate adjustment	2	-	-	2
Costs at the end of the year	711	40	20	771
Depreciation and impairment loss at the beginning of the year	336	28	7	371
Depreciation	83	7	6	96
Depreciation reversed on disposals	(9)	-	(4)	(13)
Exchange rate adjustment	1	-	-	1
Depreciation and impairment loss at the end of the year	411	35	9	455
Carrying amount at the end of the year	300	5	11	316

4.3 Leases – continued

Lease liabilities

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

DKK million	2020	2019
Within 1 year	76	97
Between 1 and 5 years	182	249
After 5 years	4	1
Total lease liability, non-discounted	262	347

Lease liabilities are recognized in the balance sheet as follows:

Non-current liabilities	171	239
Current liabilities	70	90
Total lease liabilities	241	329

Recognized in the profit and loss statement

Interest expenses related to lease liabilities	7	9
Expense relating to short term leases, not capitalized	-	1
Expense relating to leases of low-value assets, not capitalized	1	1
	8	11

In 2020 the Group has paid DKK 96 million (2019: DKK 102 million) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 7 million (2019: DKK 9 million) and repayment of lease liability amount to DKK 89 million (2019: DKK 93 million).

As of 31 December 2020, the lease liability excludes DKK 219 million (undiscounted) of potential lease payments related to lease term extension rights on properties, which were not considered reasonably certain to be exercised.

4.4 Financial assets and liabilities

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

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

DKK million	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at amortized cost	Total
2020				
Financial assets by category				
Deposits	-	-	33	33
Trade receivables	-	-	497	497
Work in progress	-	-	145	145
Other receivables	-	-	21	21
Pre-payments	-	-	87	87
Derivative financial instruments	-	1	-	1
Cash and cash equivalents	143	-	-	143
Total financial assets at the end of the year	143	1	783	927

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

4.4 Financial assets and liabilities – continued

DKK million	Financial liabilities at fair value through Profit and loss	Financial liabilities measured at amortized cost	Total
2020			
Financial liabilities by category			
Lease liability	-	241	241
Bank overdraft	-	304	304
Trade payables	-	108	108
Derivative financial instruments	5	-	5
Other current liabilities	-	247	247
Contingent consideration	140	-	140
Total financial liabilities at the end of the year	145	900	1,045

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

¹ Fair value measurement level 3

4.4 Financial assets and liabilities – continued

DKK million	Bank overdraft ¹	Lease liability	Contingent consideration	Total
2020				
Financial liabilities included in finance activities				
Financing liabilities included in finance activities at the beginning of the year	231	329	124	684
Cash flows:				
Instalments on lease	-	(89)	-	(89)
Ingoing/outgoing payments during the year	73	-	-	73
Payout in cash	-	-	(62)	(62)
Non-cash flows:				
Additions from business consideration	-	-	77	77
Payout in shares	-	-	(4)	(4)
Addition	-	10	-	10
Disposals	-	(6)	-	(6)
Value adjustment	-	-	13	13
Exchange rate adjustment	-	(3)	(8)	(11)
Total financial liabilities included in finance activities at the end of the year	304	241	140	685

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

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

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).

4.4 Financial assets and liabilities – continued

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

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

Financial risks

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

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

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

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

Foreign exchange sensitivity analysis

NNIT estimates that, all other variables being constant, a 10% depreciation of the average 2020 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 2020. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only:

DKK million	2020	2019
CNY	(14)	(19)
CZK	(9)	(11)
USD	10	6
CHF	-	(1)
PHP	(7)	(7)

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

4.4 Financial assets and liabilities – continued

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.

As of December 31, 2020 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, 2020.

DKK million	Trade Receivables	Trade Payables	Net balance position	Transaction exposure ¹	10% sensitivity ²
December 31, 2020					
CNY	-	6.8	(6.8)	(6.8)	(0.7)
CZK	-	15.9	(15.9)	(15.8)	(1.6)
CHF	-	5.0	(5.0)	(5.0)	(0.5)
USD	2.1	7.0	(4.9)	(4.9)	(0.5)
EUR ³	6.1	1.9	4.2	4.2	0.4

¹ Including hedge contracts to be settled in January 2021

² The sensitivity for EUR is based on 2.25% due to the EMR2 agreement stating that DKK cannot deviate more than +/- 2.25% from the EUR/DKK central rate.

³ PHP is hedged with EUR denominated contracts

DKK million	Trade Receivables	Trade Payables	Net balance position	Transaction exposure ¹	10% sensitivity ²
December 31, 2019					
CNY	-	15.4	(15.4)	(0.6)	(0.1)
CZK	-	15.0	(15.0)	0.4	-
CHF	-	3.2	(3.2)	(3.2)	(0.3)
GBP	-	-	-	-	-
USD	2.9	2.0	0.9	0.9	0.1
EUR ³	11.7	2.1	9.6	15.6	1.6

¹ Including hedge contracts to be settled in January 2020

² The sensitivity for EUR is based on 2.25% due to the EMR2 agreement stating that DKK cannot deviate more than +/- 2.25% from the EUR/DKK central rate.

³ PHP is hedged with EUR denominated contracts

4.4 Financial assets and liabilities – continued

As of December 31, 2020 NNIT A/S' hedge contracts covered the period from January 2021 to February 2022. Taking into account contracts affecting other comprehensive income (equity) (contracts expiring between February 2021 and February 2022), a 10% depreciation of the exchange rate of the Danish kroner, will result in an unrealized hedge gain as illustrated below.

DKK million	Contract amount ¹	Of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2020				
CNY	117	11	106	11
CZK	92	7	85	8
PHP	62	5	57	6

¹ Only purchase of foreign currencies

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

¹ Only purchase of foreign currencies

Credit risk

NNIT's credit risk principally arises from trade receivables, which amounted to DKK 497 million as of December 31, 2020 (December 31, 2019: DKK 627 million). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. As of December 31, 2020, our trade receivables from the Novo Nordisk Group amounted to DKK 176 million (December 31, 2019: DKK 135 million). The classification of trade receivables according to maturity date is set out in note 3.6.

Cash management

NNIT is committed to maintaining a flexible capital structure. As of December 31, 2020, NNIT had undrawn committed credit facilities in the amount of DKK 596 million (2019: DKK 669 million). The credit facility includes financial covenants with reference to the ratio between net debt and EBITDA. The facility matures on January 31, 2023 with an option, at lenders discretion, to extend the maturity one additional year. The debt is classified as long-term debt, as the maturity of the debt is beyond one year from reporting date. As of December 31, 2020, NNIT had 'cash and cash equivalents' and 'bank overdraft', net of DKK 303 million in Denmark and DKK 142 million outside Denmark.

4.4 Financial assets and liabilities – continued

Capital management

NNIT monitors capital on the basis of the solvency ratio, which is calculated on the basis of total equity as a percentage of total equity and liabilities. At the end of the year, the solvency ratio was 42.6% (2019: 44.7%).

4.5 Derivative financial instruments

DKK million	Contract amount, net ³	Average price	Positive fair value at year-end ⁴	Negative fair value at year-end ⁴	Current hedge duration (month)
2020					
Cash flow hedges					
CNH ¹	127	0.92	0.6	(2.3)	14
CZK	101	0.28	0.8	(0.7)	14
PHP ²	66	58.16	-	(1.7)	14
	294		1.4	(4.7)	

¹ CNY is hedged via CNH.

² PHP is hedged with EUR denominated contracts.

³ Only purchase of foreign currencies.

⁴ Of the net fair value as of December 31, 2020 DKK 0 million has been transferred to the P/L and DKK 3 million to equity.

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

¹ CNY is hedged via CNH.

² PHP is hedged with EUR denominated contracts.

³ Only purchase of foreign currencies.

⁴ Of the net fair value as of December 31, 2019 DKK 2 million has been transferred to the P/L and DKK 8 million to equity.

5. Other disclosures

5.1 Long-term incentives

Long-term share-based incentive program

Group Management and the Vice Presidents are included in a long-term share-based incentive program.

For more information regarding the long-term share-based incentive program, please refer to note 2.2 'Employee costs'

Share-based payments are recognized at the following amounts:

DKK million	2020	2019
Long-term incentive program (LTIP) in NNIT shares - share based	6	6
Retention Program (RP) in NNIT shares - shares based	7	7
Incentive program charged to income statement	13	13
Recognized in the income statement:		
Cost of goods sold	7	5
Sales and marketing costs	1	-
Administrative expenses	5	8
Total	13	13

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	2020	2019
Outstanding at the beginning of the year	296	388
Long-term incentive program (LTIP)	51	13
Retention Program (RP)	44	9
Allocated shares during the year	95	22
Forfeiture during the year	(72)	(114)
Outstanding at the end of the year (in NNIT shares)	319	296

5.1 Long-term incentives - continued

Outstanding restricted stock units (in NNIT shares)

Number '000	At the beginning of the year	Issued	Forfeiture/ transferred	Outstanding	Value at launch date (DKK'000)	Vesting year
2020						
Shares allocated to Group Management						
2016 Shares allocated (LTIP)	27	-	(27)	-	-	2020
2017 Shares allocated (LTIP)	27	1*	(1)	27	5,029	2021
2018 Shares allocated (LTIP)	34	2*	(6)	30	5,422	2022
2019 Shares allocated (LTIP)	5	-	(1)	4	749	2023
2020 Shares allocated (LTIP)	-	33	-	33	3,574	2024
2018 Shares allocated (RP)	108	-	(15)	93	16,898	2021
Total shares for Group Management	201	36	(50)	187	31,672	
Shares allocated to Vice Presidents						
2016 Shares allocated (LTIP)	17	-	(17)	-	-	2020
2017 Shares allocated (LTIP)	23	(1)*	(5)	17	3,166	2021
2018 Shares allocated (LTIP)	31	(2)*	(6)	23	4,157	2022
2019 Shares allocated (LTIP)	4	-	(1)	3	562	2023
2020 Shares allocated (LTIP)	-	15	-	15	1,625	2024
2020 Shares allocated (RP)	-	44	-	44	4,123	2024
Total shares for Vice Presidents	75	56	(29)	102	13,931	
Shares allocated to terminated employees	20	3	7	30		

* LTIP 2017 and 2018 shares of Kristian Lomholt and Kasper Søndergaard Andersen were transferred to "Shares for Group Management" as a result of promotions.

5.1 Long-term incentives - continued

Outstanding restricted stock units (in NNIT shares)

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

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

Number	At the beginning of the year ¹	Additions during the year	Sold/ transferred during the year	At the end of the year	Market value (DKK'000)
2020					
Carsten Dilling	2,740	-	-	2,740	333
Peter H.J. Haahr	-	-	-	-	-
Anne Broeng	2,516	-	-	2,516	306
Eivind Kolding	2,400	-	-	2,400	292
Christian Kanstrup	-	-	-	-	-
Caroline Serfass	-	-	-	-	-
Brankica Markovic	144	-	-	144	17
Anders Vidstrup	-	-	-	-	-
Trine Io Bjerregaard	192	-	-	192	23
Camilla K. K. Christensen	5	-	-	5	1
Total Board of Directors	7,997	-	-	7,997	972
Per Kogut	32,890	12,461	-	45,351	5,515
Carsten Krogsgaard Thomsen ²	12,034	6,047	-	18,081	2,199
Pernille Fabricius	-	454	-	454	55
Total Executive Management	44,924	18,962	-	63,886	7,769
Other members of Group Management ²	34,665	7,795	-	42,460	5,163
Total	87,586	26,757	-	114,343	13,904

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 2019.

² Carsten Krogsgaard Thomsen left the position as CFO on August 3, 2020 but remains under contract with NNIT until the end of January 2021.

³ Other members of Group Management are Brit Kannegaard Johannessen, Jacob Hahn Michelsen, Ricco Larsen, Kristian Lomholt and Kasper Søndergaard Andersen.

5.3 Fee to statutory auditors

DKK million	2020	2019
Statutory audit	1.9	2.0
Audit-related services	0.2	0.2
Tax advisory services	0.2	0.1
Other services	-	0.6
Total fee to statutory auditors	2.3	2.9

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

5.4 Reversal of non-cash items

DKK million	2020	2019
Income taxes	26	48
Amortization and depreciation	234	259
Scrapping of tangible assets	2	16
Increase/(decrease) in provisions, non-current contract assets and employee benefits	(63)	51
Value adjustment contingent consideration	13	(10)
Provision share-based payments NNIT shares	13	13
Allowances for bad debt	2	
Third party financing agreement	-	41
Interest paid/received	16	16
Other adjustments for non-cash items	(15)	5
Total	228	439

5.5 Statement of cash flows - specifications

DKK million	2020	2019
Changes in working capital		
Increase/(decrease) in current receivables less tax receivables	156	(12)
Increase/(decrease) in current liabilities less provisions and tax payables	126	(78)
- hereof change in trade payables related to investments	-	(1)
Total	282	(91)

Purchase of tangible assets

Purchase of tangible assets	(95)	(135)
Change in trade payables related to purchase of tangible assets	-	1
Total	(95)	(134)

Additional cash flow information ¹

Cash and equivalents, assets	143	122
Bank overdraft	(304)	(231)
Undrawn committed credit facilities	900	900
Financial resources at the end of the year	739	791
Cash flow from operating activities	528	465
Cash flow from investing activities	(385)	(223)
Free cash flow	143	242

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

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

5.6 Acquisition of subsidiaries

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

DKK million	2020	2019
Acquisition cost		
Cash paid	190	68
Contingent consideration (earn-out)	77	19
Total acquisition cost	267	87
Fair value of net assets acquired		
Intangible assets	2	4
Lease assets	-	2
Other non-current assets	-	1
Trade receivables and work in progress ¹	22	17
Other receivables and pre-payments	4	1
Cash and cash equivalents	2	10
Non-current liabilities	(3)	(1)
Prepayments received	(12)	-
Lease liability	-	(3)
Defined benefit pension obligation	-	(18)
Employee costs payable	(8)	(3)
Other current liabilities	(6)	(8)
Net assets acquired	1	2
Goodwill	266	85
Acquisition cost	267	87
Of which cash and cash equivalents	(2)	(10)
Contingent consideration (earn-out)	(77)	(19)
Paid acquisition cost, net	188	58

¹ All contractual receivables are expected to be collected.

Acquisitions during 2020

On November 16, 2020, NNIT acquired full ownership and control of Excellis, a leading specialized global provider in end-to-end supply chain consulting services to the life sciences industry. The acquisition of Excellis will strengthen NNIT's customer portfolio across the global pharma and biotech industries and enhance the Group's ability to provide end-to-end life sciences IT services to all customers.

Goodwill relates to expected synergies regarding additional revenue in NNIT and know-how accumulated by the workforce in Excellis. Recognized goodwill in the US entity is deductible for tax purposes.

Transaction cost of DKK 4 million has been recognized in special items.

Earn-out target is DKK 80 million (USD 12.6 million) with an earn-out range of DKK 0-114 million depending on performance on five KPIs: EBITDA in Excellis, additional revenue derived for NNIT, service development, unmanaged attrition as well as successful integration with NNIT Group. The KPI's are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight. The earn-out period ends 2023 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 EBITDA comprise DKK 14 million and DKK 1.7 million, respectively, reported by Excellis since the date of acquisition November 16, 2020.

On a pro forma basis, if the acquisition had been effective from January 1, 2020 Excellis would have contributed DKK 107 million to revenue and DKK 15 million to EBITDA.

Acquisitions during 2019

On April 24, 2019, NNIT acquired full ownership and control of Halfmann Goetsch Partner AG (HGP), a Swiss based consultancy business within the life sciences industry.

5.7 Contingent liabilities, other contractual obligations and legal proceedings

DKK million	2020	2019
Lease agreements of short-term and low-value assets expiring within the following periods from balance sheet date		
Within 1 year	1	1
Between 1 and 5 years	-	1
Total lease agreements of low-value assets	1	2
Total lease payments in the income statement for the year	1	1

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

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

Within 1 year	17	22
Between 1 and 5 years	-	9
Total	17	31
Other contractual obligations recognized as an expense	20	23

Other contractual obligations include service and construction agreements.

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

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

5.8 Related party transactions and ownership

Ownership

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

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

Related party transactions

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

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

DKK million	2020	2019
Net sales		
Novo Nordisk Group	713	934
Novo Holdings A/S	18	18
Novo Nordisk Foundation	1	3
Total Novo Nordisk Group	732	955
Novozymes Group	35	27
Total Novo Group	767	982
Net purchases		
Novo Nordisk Group	1	1
Total	1	1
Trade receivables		
Novo Nordisk Group	176	135
Novozymes Group	14	11
Novo Holding A/S	3	-
Novo Nordisk Foundation	1	-
Total	194	146
Work in progress		
Novo Nordisk Group	55	54
Total	55	54

5.8 Related party transactions and ownership – continued

DKK million	2020	2019
Liabilities to related parties		
Novo Nordisk Group	2	-
Total	2	-
Prepayments from related parties		
Novo Nordisk Group	45	20
Total	45	20

Companies in the NNIT Group:

	Country	Year of incorporation/ acquisition	Share capital	Percentage of shares owned
NNIT (Tianjin) Technology Co.Ltd.	China	2007	CNY 10,804,229	100
NNIT Philippines Inc.	Philippines	2009	PHP 24,000,002	100
NNIT Switzerland AG ¹	Switzerland	2010	CHF 500,000	100
NNIT Germany GmbH	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. ²	UK	2015	GBP 50,000	100
SCALES A/S ³	Denmark	2017	DKK 600,000	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
NNIT Poland Sp. Z o.o.	Poland	2019	PLN 5,000	100
NNIT Singapore Holdings Pte. Ltd. ⁴	Singapore	2019	SGD 546,278	100
NNIT Singapore Pte. Ltd. ⁵	Singapore	2019	SGD 66,700	100
PT. Halfmann Goetsch Partner	Indonesia	2019	IDR 10,500,000,000	100
Excellis Health Solutions LLC	USA	2020	USD 250,000	100
Excellis Europe Ltd. ⁶	UK	2020	GBP 100	100

¹ NNIT Switzerland AG has been merged with HGP Holding AG as of January 1, 2020.

² 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.

³ Scales AB was sold on April 1, 2020 and Scales AS has been liquidated as of October 31, 2020.

⁴ The company has changed name from HGP Asia Holding Pte. Ltd. to NNIT Singapore Holdings Pte. Ltd.

⁵ The company has changed name from HGP Asia Pte. Ltd. to NNIT Singapore Pte. Ltd.

⁶ Excellis Europe Ltd., registration number 09184253, is exempt from the UK requirements relating to the audit of financial statements under section 479A of the Companies Act 2006.

5.9 Events after the balance sheet date

There have been no other events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position as of December 31, 2020.

Parent Company Financial Statements

Income Statement

for the year ended December 31

DKK million	Note	2020	2019
Revenue		2,255	2,521
Cost of goods sold	2.1	2,014	2,218
Gross profit		241	303
Sales and marketing costs	2.1	127	113
Administrative expenses	2.1	99	90
Operating profit before special items		15	100
Special items	2.2	31	15
Operating profit		(16)	85
Financial income	4.1	94	69
Financial expenses	4.2	33	13
Profit before income taxes		45	141
Income taxes		(4)	18
Net profit for the year		49	123
Proposed allocation:			
Interim dividends		49	49
Ordinary dividends		25	49
Reserve IT-development projects		23	20
Retained earnings		(48)	5
		49	123

Balance Sheet

as of December 31

ASSETS

DKK million	Note	2020	2019
Intangible assets	3.1	89	63
Tangible assets	3.2	548	571
Lease assets	4.3	182	247
Contract assets		76	69
Deferred taxes		31	30
Financial assets	3.3	432	390
Financial assets - related parties		281	127
Total fixed assets		1,639	1,497
Inventories		2	2
Trade receivables		253	363
Trade receivables - related parties		97	136
Work in progress		68	69
Work in progress - related parties		54	54
Contract assets		36	53
Other receivables		14	9
Pre-payments		76	73
Tax receivables		30	15
Derivative financial instruments	4.4	1	12
Total current assets		631	786
Total assets		2,270	2,283

EQUITY AND LIABILITIES

DKK million	Note	2020	2019
Share capital		250	250
Retained earnings		643	678
Reserve IT-development projects		69	46
Proposed dividends		25	49
Total equity		987	1,023
Lease liabilities	4.3	143	187
Employee benefit obligations		4	57
Contingent consideration		18	20
Provisions	3.4	23	23
Loan external party		18	28
Bank overdraft		304	280
Total non-current liabilities		510	595
Prepayments received		34	102
Prepayments received - related parties		34	12
Lease liabilities	4.3	50	70
Trade payables		85	68
Trade payables - related parties		115	37
Employee costs payable		226	180
Other current liabilities		213	129
Derivative financial instruments	4.4	5	1
Contingent consideration		10	62
Provisions		1	4
Total current liabilities		773	665
Total equity and liabilities		2,270	2,283

Statement of Changes in Equity

as of December 31

DKK million

2020	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Reserve cash flow hedges	Proposed dividends	Total
Balance at the beginning of the year	250	(4)	675	46	7	49	1,023
Net profit for the year	-	-	49	-	-	-	49
Capitalized IT development projects	-	-	(23)	23	-	-	-
Transfer of treasury shares	-	1	9	-	-	-	10
Share-based payments	-	-	13	-	-	-	13
Cash flow hedges	-	-	-	-	(12)	-	(12)
Tax on cash flow hedges	-	-	-	-	2	-	2
Dividends paid	-	-	-	-	-	(98)	(98)
Interim dividend	-	-	(49)	-	-	49	-
Proposed dividends for 2020	-	-	(25)	-	-	25	-
Balance at the end of the year	250	(3)	649	69	(3)	25	987

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

Statement of Changes in Equity

as of December 31

DKK million

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

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

Notes to the Parent Company Financial Statements

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1. Basis of preparation

1.1 Accounting policies

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

Special items are shown separately in the parent company to give a true and fair presentation of the company's ordinary operations and to facilitate a better understanding of the financial statement.

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 53.

2. Results for the year

2.1 Employee cost

DKK million	2020	2019
Wages and salaries	1,029	1,120
Pensions	99	104
Other employee costs	25	20
Total employee costs	1,153	1,244
Included in the income statement:		
Cost of goods sold	996	1,083
Sales and marketing costs	84	90
Administrative expenses	50	57
Restructuring expenses	23	14
Total employee costs	1,153	1,244
Average number of full-time employees	1,400	1,497

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

2.2 Special items

DKK million	2020	2019
Special items relates to:		
Restructuring cost	24	15
Retirement of members of Executive Management	1	-
Cost regarding acquisition and disposal of subsidiaries	6	-
Total special items	31	15
If special items had been recognized in operating profit before special items, they would have been included in the following line items:		
- Cost of goods sold	16	13
- Sales and marketing costs	4	2
- Administrative expenses	11	-
Total special items	31	15

3. Operating assets and liabilities

3.1 Intangible assets

DKK million	IT development projects	IT development projects under construction	2020	2019
Cost at the beginning of the year	105	28	133	100
Additions	-	40	40	33
Disposals	(16)	-	(16)	-
Transfer	6	(6)	-	-
Cost at the end of the year	95	62	157	133
Amortization and impairment losses at the beginning of the year	70	-	70	58
Amortization	14	-	14	12
Amortization reversed on disposals	(16)	-	(16)	-
Amortization and impairment losses at the end of the year	68		68	70
Carrying amount at the end of the year	27	62	89	63
Amortization period	5-10 years			

3.2 Tangible assets

DKK million	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2020	2019
Cost at the beginning of the year	373	775	39	46	1,233	1,464
Additions	13	55	-	26	94	134
Disposals	-	(147)	-	-	(147)	(365)
Transfer	-	46	-	(46)	-	-
Cost at the end of the year	386	729	39	26	1,180	1,233
Depreciation and impairment losses at the beginning of the year	92	541	29	-	662	877
Depreciation	16	95	4	-	115	134
Depreciation reversed on disposals during the year	-	(145)	-	-	(145)	(349)
Depreciation and impairment losses at the end of the year	108	491	33	-	632	662
Carrying amount at the end of the year	278	238	6	26	548	571
Depreciation period	10-50 years*	3-10 years	5-10 years			

*Land is not depreciated

3.3 Financial assets

DKK million	Deposits	Investment in subsidiaries	2020	2019
Cost				
Cost at the beginning of the year	26	364	390	298
Additions	-	12	12	92
Adjustment	-	30	30	-
Cost at the end of the year	26	406	432	390
Carrying amount at the end of the year				
	26	406	432	390

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

3.4 Provisions

DKK million	2020	2019
Provision for refurbishment obligation (non-current liabilities)		
At the beginning of the year	23	23
At the end of the year	23	23

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

Provision for onerous contracts/projects (current liabilities)

At the beginning of the year	4	-
Additions	-	6
Utilized	(3)	-
Transferred to 'work in progress'	-	(2)
At the end of the year	1	4

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects. Provision for onerous projects amounting to DKK 0.2 million has been offset in work in progress (2019: DKK 1.9 million).

4. Capital structure and financing items

4.1 Financial income

DKK million	2020	2019
Interest income from related parties	3	5
Fair value adjustments of financial instruments (net)	10	21
Value adjustment contingent consideration	-	5
Dividends from subsidiaries	81	34
Realized/unrealized gain on currency	-	4
Total financial income	94	69

4.2 Financial expenses

DKK million	2020	2019
Value adjustment contingent consideration	1	-
Guarantee commission	1	1
Interest related to lease	5	6
Bank charges and fee	3	5
Realized/unrealized gain on currency	18	-
Other financial expenses	5	1
Total financial expenses	33	13

4.3 Leases

Lease assets

DKK million	Rental of premises	IT-equipment	Company cars	2020
2020				
Costs at the beginning of the year	579	40	16	635
Additions	-	-	6	6
Disposals	-	(12)	(6)	(18)
Costs at the end of the year	579	28	16	623
Depreciation and impairment loss at the beginning of the year	346	35	7	388
Depreciation	61	5	5	71
Depreciation reversed on disposals	-	(12)	(6)	(18)
Depreciation and impairment loss at the end of the year	407	28	6	441
Carrying amount at the end of the year	172	-	10	182
2019				
DKK million	Rental of premises	IT-equipment	Company cars	2019
Costs at the beginning of the year	559	40	16	615
Additions	29	-	4	33
Disposals	(9)	-	(4)	(13)
Costs at the end of the year	579	40	16	635
Depreciation and impairment loss at the beginning of the year	293	28	5	326
Depreciation	62	7	5	74
Depreciation reversed on disposals	(9)	-	(3)	(12)
Depreciation and impairment loss at the end of the year	346	35	7	388
Carrying amount at the end of the year	233	5	9	247

4.3 Leases – continued

Lease liabilities

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

DKK million	2020	2019
Within 1 year	55	74
Between 1 and 5 years	152	194
After 5 years	4	1
Total lease liability, non-discounted	211	269
Lease liabilities are recognized in the balance sheet as follows:		
Non-current liabilities	143	187
Current liabilities	50	70
Total lease liabilities	193	257
Recognized in the profit and loss statement		
Interest expenses related to lease liabilities	5	6
Expense relating to leases of low-value assets, not capitalized	1	1
	6	7

In 2020, NNIT has paid DKK 75 million (2019: DKK 80 million) regarding lease agreements where of interest expenses related to lease liabilities amount to DKK 6 million (2019: DKK 6 million) and repayment of lease liability amount to DKK 71 million (2019: DKK 74 million).

The lease obligation does not include extension options amounting to DKK 206 million regarding rental of premises.

4.4 Derivative financial instruments

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

5. Other disclosures

5.1 Fee to statutory auditors

DKK million	2020	2019
Statutory audit	1.5	1.4
Other assurance engagements	0.1	0.2
Tax advisory services	0.2	0.1
Other services	0.0	0.4
Total fee to statutory auditors	1.8	2.1

Fees for services other than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Company consists of review of interim balance and other accounting and tax services.

5.2 Contingent liabilities, other contractual obligations and legal proceedings

DKK million	2020	2019
Lease agreements of low-value assets expiring within the following periods from balance sheet date		
Within 1 year	1	1
Between 1 and 5 years	-	1
Total lease agreements of low-value assets	1	2
Total lease payments in the income statement for the year	1	1

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

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

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

DKK million	2020	2019
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	17	22
Between 1 and 5 years	-	9
Total	17	31
Other contractual obligations in the income statement for the year	20	23

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.

Headquarter

NNIT A/S

Oestmarken 3A
DK-2860 Soeborg
Denmark

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

Denmark

NNIT A/S

Hedeager 1, 2. sal
DK-8200 Aarhus N
Denmark

NNIT A/S

Oerstedsvej 3
DK-8600 Silkeborg
Denmark

SCALES A/S

Automatikvej 1
DK-2860 Soeborg
Denmark
Tel: +45 3271 3622

International

NNIT Switzerland AG

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

NNIT Germany GmbH

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

NNIT UK Ltd.

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

NNIT Inc.

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

Excellis Health Solutions LLC.

4 E Bridge St, New Hope
Pennsylvania 18938,
USA
Tel: +1 (215) 8168125

Excellis Europe Ltd

Alexandra House,
Queen Street, Leek,
Staffordshire,
ST13 6LP, UK

NNIT (Tianjin) Technology Co. Ltd.

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

Shanghai Branch

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

NNIT Philippines Inc.

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

Valiance Partners LLC

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

Valiance Partners Europe, Ltd.

22, Northumberland Road
Ballsbridge,
IE-Dublin 4, D04 ED73
Tel: +353 1 4693722

NNIT Czech Republic s.r.o

Explora Jupiter
Bucharova 2641/14 2.NP
CZ-158 00 Prague 5
Tel: +420 277 010 010

NNIT Poland sp. z o.o.

Józefa Sarego Street 18/5,
PO-31-047 Kraków

NNIT Singapore Pte. Ltd.

110A Telok Ayer Street,
SG-Singapore 068579