



# Annual Report 2014

**nnit**

Conscience driven. Value adding

# Contents

## Management review

**3**

Letter from Jesper Brandgaard, Chairman of the Board	6
Letter from Per Kogut, CEO	8
Performance highlights	10
2014 financial performance and outlook	12
NNIT in brief	17
IT services market in brief	18
Strategic objectives	23
Key strengths	24
NNIT customer group	26
Business areas	30
Go-to-market approach	31
Offerings	32
Delivery model	34
Risk overview	36
Non-financial results in 2014	40
Processes and organization	40
Customers	41
Employees	42
Non-financial key figures 2012-2014	44
Accounting policies for non-financial key figures	45
Board of Directors	48
Management	49

## Financial statements 2014

**52**

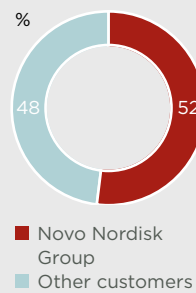
<b>Statements</b>	
Management's statement	54
Independent auditor's report	55
<b>Consolidated financial statements</b>	
Income statement and statement of comprehensive income	57
Balance sheet	58
Statement of cash flow	60
Statement of changes in equity	61
Notes	62
<b>Parent financial statements</b>	
Income statement	89
Balance sheet	90
Notes	92

# Conscience driven. Value adding.

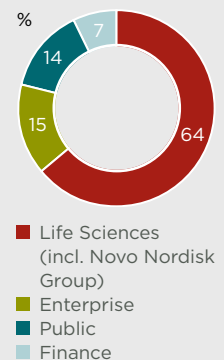
NNIT supplies IT services that meet customers' requirements for high quality, security and standardization.

For more than a decade, we have applied the latest advances in technology to make IT operations, software development, business processes and communication more effective.

SHARE OF NET TURNOVER



NET TURNOVER BY CUSTOMER GROUP



## 2014 financial performance

# 2,410

Net turnover, DKK million

# 11.0%

Operating profit margin

# 9.3%

Net turnover organic growth

# 153

Free cash flow, DKK million

# Dedicated to life sciences

Niels Buch Leander is managing consultant in LS Advisory; a department that offers specialized consultancy and solutions for life sciences customers. NNIT was born as the internal IT department of Novo Nordisk and this background has given us a very strong understanding of the IT requirements of the life sciences industry.







Letter from  
Jesper Brandgaard,  
Chairman of the Board

# Decision to seek listing of NNIT

After thorough analysis and preparation, Novo Nordisk has decided to seek a listing of NNIT on Nasdaq Copenhagen. NNIT's Board of Directors sees NNIT as a robust company, well-positioned for growth, and ready for a change of the ownership structure.

In January, 2014 Novo Nordisk asked NNIT's Board of Directors to initiate an investigation into the potential for a listing of NNIT through an initial public offering (IPO) of the NNIT shares. Novo Nordisk is satisfied with NNIT's growth and performance, and the share of NNIT's net turnover from customers outside of the Novo Nordisk Group is approaching 50 percent. Novo Nordisk has concluded that a change of the ownership structure will better support continued development and value creation as well as improve NNIT's market position in Denmark and internationally.

Based on the outcome of the IPO investigation and NNIT's strong performance, Novo Nordisk decided to seek a listing of NNIT on Nasdaq Copenhagen. It is expected that a listing will facilitate NNIT's growth strategy and further diversify the company's net turnover base. A listing is also expected to improve NNIT's access to the capital markets, increase awareness of the NNIT brand, attract and retain key employees, and support NNIT's continual focus on clients and investors.

### Well-positioned for growth

NNIT has been on a fantastic journey since 1994, when Novo Nordisk divested its internal IT function as a stand-alone business unit. NNIT has undergone a successful transition from being an internal IT division of Novo Nordisk to becoming a leading provider of IT services in Denmark, servicing large Danish customers and large, international life sciences customers.

A broad range of IT services and solutions, the company's size, local presence and brand, and exceptional experience within regulated industries have enabled NNIT to become a trusted provider of IT services in Denmark for life sciences and enterprise customers as well as for financial and public sector customers – and enables NNIT to bid for most of the larger Danish IT projects.

Over the past ten years, NNIT has, on average, delivered double-digit operating profit margins based on its strong offerings to customers in combination with a global delivery model and economies of scale. Net turnover growth has been organic and consistently above market average. Consequently, NNIT has continuously increased its share of the Danish market for IT services to more than 6 percent, which makes NNIT the third largest IT services vendor in Denmark in 2013. (Source: IDC Denmark IT Services Vendor Shares 2014)

Many of NNIT's larger contracts are long term (three to five years), which increases the visibility of NNIT's future net turnover and profitability.

### The coming years

NNIT's growth is expected to continue. NNIT's strategy for the coming years remains focused on exploiting possibilities for more business from existing customer groups in Denmark and the life sciences customer group internationally. NNIT is led by an experienced

management team with proven results from the IT industry. This has been instrumental in the recent part of NNIT's development from an internal IT division to a trusted IT services provider.

The management team is supported by NNIT's strong company culture and deep-rooted values. NNIT's employees are highly skilled professionals and their satisfaction with NNIT as a workplace has been consistently high over the years. The Board of Directors wishes to acknowledge the considerable effort that NNIT's management team and employees have made in 2014 and we are confident that this will continue in the years to come.

### Changes in the Board of Directors

The composition of the Board of Directors has changed in 2014 as part of the preparation for a potential initial public offering of the NNIT shares.

Mr. Per Valstorp has left the Board of Directors and I want to express my thanks for Per's dedicated contribution to NNIT's development over the past decade.

Mr. Carsten Krogsgaard Thomsen has resigned as Deputy Chairman of the Board of Directors to join NNIT's executive management as Chief Financial Officer. His experience from previous positions as CFO as well as from preparing a company for listing on the stock exchange is perceived to be of great value for NNIT.

Ms. Anne Broeng has joined the Board of Directors and brings extensive experience from senior management positions and board positions in significant Danish companies. Anne Broeng is independent and is designated by the Board of Directors as a financial expert as defined by the Danish recommendations on corporate governance. She is also able to chair an NNIT Audit Committee.



Letter from  
Per Kogut,  
the CEO

# Stable organic growth

2014 was another good year for NNIT. Net turnover increased by 9.3 percent. Operating profit increased by 7.7 percent, corresponding to an operating profit margin of 11.0 percent. The results have been achieved through organic growth and exceed our strategic targets of at least 5 percent net turnover growth and 10 percent operating profit margin.

NNIT's results in 2014 add another chapter to our history of stable organic growth based on a well-defined and well-executed strategy. NNIT remains a robust company offering a broad range of IT services for customers that operate under strict regulatory requirements or depend on high quality services for complex IT systems. Both NNIT's business areas, IT Operation Services and IT Solution Services, have contributed to growth. As in previous years, approximately two thirds of our net turnover derives from IT infrastructure operations, while one third is generated from application outsourcing and consultancy projects in our solutions business.

#### Increased market share

NNIT's growth in 2014 was once again above the market average and we continued to expand our market share in Denmark.

As expected, NNIT approached a 50/50 distribution of net turnover between the Novo Nordisk Group and other customers in 2014. We succeeded in growing our net turnover from the Novo Nordisk Group by 7.7 percent, of which half came from non-recurring orders. Net turnover from other customers increased by 11.2 percent. This lifted the share of our total net turnover from other customers to 48 percent, which is 1 percentage point more than in 2013.



In 2014, NNIT made important progress in all customer groups while maintaining a high operating profit margin. We renewed two large contracts in the finance customer group and several important contracts with the Novo Nordisk Group. In the life sciences customer group outside of Novo Nordisk, NNIT signed contracts with Danish customers as well as a large international customer in line with our strategic objectives. In the enterprise customer group, NNIT executed another important transition of a large new customer's IT systems into our data center. The public customer group was the only group for whom net turnover decreased in 2014 due to the reversal of previously recognized net turnover from a disputed contract. However, this was offset by contracts with customers from the public customer group with potential for future growth.

#### High customer satisfaction

High customer satisfaction is a strategic goal for NNIT and again in 2014 we carried out three different types of surveys to gain insight into our customers' satisfaction with individual deliveries as well as our overall service.

In 2014, we reached our goal for customer satisfaction in two out of the three surveys. We will continue our efforts to improve customer satisfaction with an agile and quality-oriented organization.

#### Continued internationalization

NNIT's global delivery model integrates local, near-shore and offshore resources. The number of employees outside of Denmark grew to 882 in 2014, or 36 percent of NNIT's employees. The global delivery model enables NNIT to take advantage of the different time zones and salary levels in order to deliver 24/7 service at competitive prices. Our international presence also grants access to a wider recruitment base of highly skilled IT professionals and offers opportunities to increase local sales.

A major step in NNIT's continued internationalization was the establishment of the company's third large global sourcing center in January 2014; this time in

Prague, the Czech Republic. We can now offer the benefits of global sourcing to customers who do not permit their data or IT systems to leave the European Union for regulatory or other reasons. The combination of NNIT's delivery centers in China, the Philippines and the Czech Republic and our Danish resources enable us to deliver a broad variety of services that match the requirements of very different customers.

#### Satisfied employees

At the end of 2014, NNIT employed 2,434 highly skilled people. This represents an increase of 250 employees in one year and is twice the number of employees in 2007. NNIT expects to continue hiring talented people at all locations, including Denmark, to support the company's continued growth.

Satisfied employees are a prerequisite for delivering good services. In NNIT's 2014 survey, overall employee satisfaction across NNIT was rated at the same high level as in previous years.

The 2014 Universum survey among IT professionals ranked NNIT as the third most attractive IT workplace in Denmark, which confirms that NNIT is a great place to work. (Source: Universum Ideal Employers Survey Denmark 2014)

#### Ready for 2015

NNIT's stable growth and positive outlook shows that NNIT is a robust company with the potential to become a listed company. The IPO investigation has also prepared the organization for welcoming new owners to NNIT.

But most importantly, NNIT will focus on executing its strategy. Our primary goals are to remain focused on customers' needs and continue organic growth.

We wish to thank NNIT's employees, business partners and, not least, our new and existing customers for their trust and support during 2014. We look forward to continuing our relationship in 2015.

# Performance highlights

DKK '000	2014	2013	2012	2011	2010	2013-2014
<b>Financial performance</b>						
Net turnover:						Change
Life sciences	1,546,824	1,409,647	1,372,526	1,320,775	1,252,192	9.7%
Hereof Novo Nordisk Group	1,260,270	1,170,042	1,153,622	1,101,905	1,074,574	7.7%
Hereof other life sciences	286,554	239,605	218,904	218,871	177,618	19.6%
Enterprises	371,253	291,478	133,675	101,079	86,142	27.4%
Public	326,065	344,844	357,030	215,803	176,270	(5.4)%
Finance	166,254	158,563	164,326	157,475	139,166	4.9%
Net turnover by customer group	2,410,396	2,204,532	2,027,557	1,795,133	1,653,770	9.3%
IT Operation Services	1,667,104	1,495,686	1,359,852	1,131,848	1,070,927	11.5%
IT Solution Services	743,292	708,846	667,705	663,285	582,843	4.9%
Net turnover by business area	2,410,396	2,204,532	2,027,557	1,795,133	1,653,770	9.3%
Depreciation and amortization	124,016	107,808	89,948	62,544	45,135	15.0%
Operating profit (EBIT)	265,347	246,461	216,748	194,392	207,683	7.7%
EBITDA	389,363	354,269	306,696	256,936	252,818	9.9%
Net financials	2,377	(11,317)	(22,189)	(13,088)	(3,839)	n/a
Net profit for the year	209,283	185,566	143,999	134,104	156,453	12.8%
Equity	684,252	765,344	682,232	617,060	577,648	(10.6)%
Free cash flow	152,658	199,704	(65,473)	21,550	42,960	(23.6)%
Total assets	1,282,410	1,276,319	1,228,534	1,084,590	991,277	0.5%
Investment in tangible and intangible assets	155,227	104,249	174,811	109,958	217,772	48.9%
Dividends paid	290,000 <sup>1</sup>	108,000	68,000	79,000	76,000	168.5%
<b>Earnings per share<sup>2</sup></b>						
Earnings per share (DKK)	8.37	7.42	5.76	5.36	6.26	12.8%
Diluted earnings per share (DKK)	8.37	7.42	5.76	5.36	6.26	12.8%
<b>Employees</b>						
Average number of full-time employees	2,276	2,047	1,813	1,534	1,430	11.2%
<b>Financial ratios<sup>3</sup></b>						
Operating profit margin	11.0%	11.2%	10.7%	10.8%	12.6%	
EBITDA margin	16.2%	16.1%	15.1%	14.3%	15.3%	
Gross profit margin	19.9%	20.4%	20.5%	21.3%	22.7%	
Return on equity	28.9%	25.6%	22.2%	22.4%	29.0%	
Solvency ratio	53.4%	60.0%	55.5%	56.9%	58.3%	
Effective tax rate	21.8%	21.1%	26.0%	26.0%	23.2%	
<b>Long-term financial targets</b>						
Operating profit margin	11.0%	11.2%	10.7%	10.8%	12.6%	Target ≥ 10%
Net turnover growth	9.3%	8.7%	12.9%	8.5%	4.2%	≥ 5%
Return on invested capital (ROIC) <sup>3</sup>	39.9%	35.9%	32.6%	46.3%	90.9%	30%
Cash to earnings <sup>3</sup>	72.9%	107.6%	(45.5)%	16.1%	27.5%	
Cash to earnings (three-year average) <sup>3</sup>	45.0%	26.1%	(0.6)%	64.6%	92.9%	80%
<b>Additional numbers</b>						
Order entry backlog for the following year <sup>4</sup>	1,915,796	1,803,400	1,643,200	1,337,300	1,118,000	6.2%
Order entry backlog for the following year 2+3 <sup>5</sup>	2,532,842	2,233,200	1,962,600	1,237,000	n/a	13.4%

1) Includes payment of an extraordinary interim dividends of DKK 150 million in September 2014.

2) In 2014 NNIT expanded its capital from 1,000 to 25,000,000 shares. Additionally, a stock split was carried out in which the nominal value of the NNIT shares was changed from DKK 1,000 to DKK 10. Comparison figures are recalculated.

3) Please see page 68 for definitions.

4) Backlog represents anticipated net turnover from contracts or orders executed but not yet completed or performed in full, and the net turnover that is expected to be recognized in a future financial year.

5) Year 2+3 represents 2016 and 2017 in the 2014 column and 2015 and 2016 in the 2013 column, etc.

# Accelerated development

Karima Katja El-Kedim is part of NNIT's Graduate Program. This intensive 18 month program makes ten promising graduates a lot more knowledgeable about IT services in practice. When they have completed the program they are qualified to hold challenging positions in NNIT and continue their fast development.

# 2014 financial performance and outlook

NNIT delivered stable organic net turnover growth of 9.3 percent in 2014 and an operating profit margin of 11.0 percent. During the past year, NNIT has built a strong order book for the future by winning important new contracts as well as extending key contracts with current customers.

## Net turnover development

Organic net turnover in 2014 increased by 9.3 percent, despite the fact that the Danish IT services market experienced a growth of around 2 percent. NNIT remains competitive and continues to gain market share within its business areas.

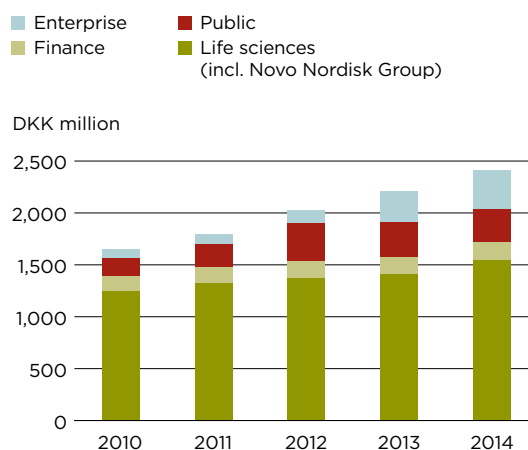
## Customer groups

In 2014 net turnover from the life sciences customer group increased by 9.7 percent driven by an increase of 19.6 percent from non-Novo Nordisk Group customers. Net turnover from the enterprise customer group increased by 27.4 percent primarily due to a new large outsourcing contract. Net turnover from the finance customer group increased by 4.9 percent. Net turnover from the public customer group decreased by 5.4 percent, due to the reversal of previously recognized net turnover on a disputed contract, which has been referred to arbitration.

In 2014, NNIT continued to win contracts with the Novo Nordisk Group and net turnover generated from these contracts increased by 7.7 percent compared

with 2013. The increase includes non-recurring net turnover of around DKK 30 million from the sale of IT services in connection with the IT separation between Novo Nordisk and NNIT as well as hardware and software sales to Novo Nordisk.

## Net turnover by customer group





Total net turnover generated from non-Novo Nordisk Group customers increased by 11.2 percent in 2014 compared with 2013, primarily due to two new large contracts: one in the enterprise customer group and one in the life sciences customer group.

Compared with 2013 the share of NNIT's net turnover from non-Novo Nordisk Group customers increased by 1 percentage point, reaching a total of 48 percent in 2014.

#### Development in order entry backlog

NNIT's order entry backlog for 2015 amounts to DKK 1,916 million, which is an increase of 6.2 percent compared with the backlog of contracts for 2014. The increase is primarily due to new contracts with customers in the public and life sciences customer groups as well as extensions and expansions of infrastructure and support contracts with the Novo Nordisk Group and two customers in the financial customer group.

The order entry backlog at 31 December 2014 for 2016 and 2017 was 13.4 percent higher than it was at 31 December 2013 for 2015 and 2016 and thereby supports NNIT's long-term target of net turnover growth of at least 5 percent. The large increase in the order entry backlog is due to extensions/expansions of contracts with the Novo Nordisk Group, new contracts with customers in the public, life sciences and enterprise customer groups complemented by

extensions/expansions of existing contracts with two customers in the finance customer group.

#### Development in gross profit, costs and operating profit

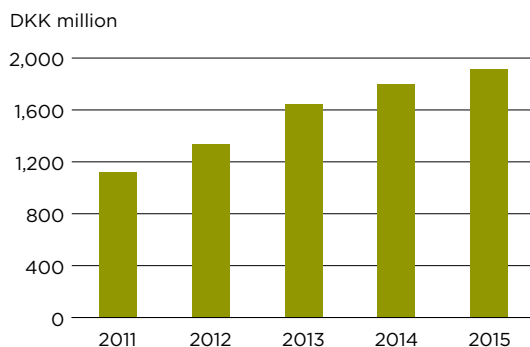
Gross profit increased by 6.9 percent slightly less than net turnover as a consequence of the reversal of net turnover on a disputed contract in the public customer group. This led to an increase in costs of goods sold greater than the increase in net turnover. Costs of goods sold consists primarily of employee-related costs, but also hardware and software costs, costs for line and network connections and costs for external consultants and subcontractors.

Total costs increased by 9.5 percent in 2014, compared with 2013. This was mainly due to the costs of sales explained above and administration costs, which increased by 18.6 percent due to additional costs relating to the IPO investigation. This included the establishment of new functions such as treasury, investor relations and legal compliance, as well as consultant fees for strategy assessments. Costs directly linked to preparation of the potential listing such as banks, lawyers and listing fees will be covered by Novo Nordisk A/S and has or will therefore not impact the 2014 or future financial performance of NNIT. Sales and marketing costs were unchanged compared with 2013.

Operating profit increased by 7.7 percent in 2014, leading to an operating profit margin of 11.0 percent in line with last year.

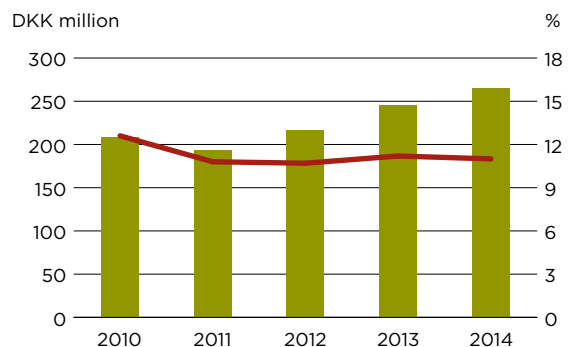
## Order entry backlog

■ Contracts for delivery in the year at 31 December of the previous year



## Operating profit and margin

■ Operating profit margin  
■ Operating profit



### Business areas – net turnover and profitability

An increasing share of NNIT's net turnover is derived from long-term (3-5 years) outsourcing contracts within IT operation and application outsourcing, which makes a larger part of net turnover in the coming years more predictable. This makes NNIT less vulnerable to fluctuations in new sales, which can be impacted by macroeconomic and other trends.

IT Operation Services net turnover increased by 11.5 percent in 2014, compared with 2013, mainly due to a 14.0 percent increase in net turnover from non-Novo Nordisk Group customers, while Novo Nordisk Group net turnover increased by 9.2 percent (includes non-recurring net turnover), both compared with 2013. The operating profit margin increased by 2.0 percentage points to 11.3 percent in 2014, compared with 2013. Operating profit in 2013 was negatively influenced by several large transition projects.

IT Solutions Services net turnover increased by 4.9 percent in 2014, compared with 2013, due to a 5.3 percent increase in net turnover from non-Novo Nordisk Group customers despite the reversal of previously recognized net turnover on a disputed contract in the public customer group. Net turnover from the Novo Nordisk Group increased by 4.5 percent (includes non-recurring net turnover). The operating profit margin in IT Solution Services decreased by 4.8 percentage points to 10.4 percent in 2014 also due to the reversal of net turnover.

### Development in net financials and tax

Net financials were DKK 2.4 million due to a favorable development in exchange rates and dividends received from the Novo Nordisk A/S share portfolio. Net financials in 2014 improved by DKK 14 million compared with 2013, primarily due to a lower impact from the value adjustment of obligations related to the share-based incentive program for key employees, which in 2014 was fully hedged, whereas this obligation was only partly hedged in 2013.

Income tax amounted to DKK 58 million in 2014, which is an increase of DKK 9 million compared with 2013. The effective tax rate for 2014 was 21.8 percent, which is an increase of 0.7 percentage points compared with 2013. The increase is in part caused by an adjustment of the taxation of the share-based incentive program for key employees. This is to some extent countered by the gradual lowering of the corporate tax rate in Denmark (0.5 percentage point).

### Development in free cash flow and capital expenses

Investments in 2014 amounted to DKK 157 million compared with DKK 104 million in 2013. The increase is mainly related to higher investments in hardware in connection with the conclusion of a number of new large outsourcing contracts.

Free cash flow in 2014 was DKK 153 million, which is DKK 47 million less than in 2013 primarily due to higher investments. As NNIT paid dividends of DKK

## Business areas

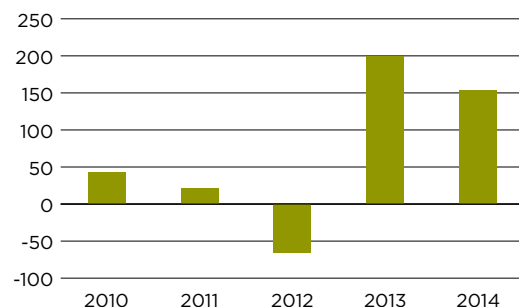
DKK '000

	2014	2013	2013-2014
<b>IT Operation Services</b>			
Net turnover	1,667,104	1,495,686	11.5%
Operating profit	188,388	138,671	35.9%
Operating profit margin	11.3%	9.3%	2.0pp
<b>IT Solution Services</b>			
Net turnover	743,292	708,846	4.9%
Operating profit	76,959	107,790	(28.6)%
Operating profit margin	10.4%	15.2%	(4.8)pp

## Free cash flow

Free cash flow

DKK million



140 million in the first quarter of 2014 and interim dividends of DKK 150 million in the third quarter, the total cash flow in 2014 was negative DKK -137 million compared with DKK 91 million in 2013.

#### **Development in equity**

Equity in 2014 decreased by DKK 81 million, from DKK 765 million in 2013 to DKK 684 million at the end of 2014 primarily due to payment of an interim dividends of DKK 150 million.

#### **Development in long-term financial targets**

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

Both individually and in combination, these four targets guide NNIT towards competitive performance compared with the IT services industry as a whole.

The target level for operating profit margin is at least 10 percent. This target positions NNIT among the most profitable companies in the IT services industry in Denmark and still allows for deviations according to business opportunities. In 2014, NNIT's operating profit margin reached 11.0 percent.

The target level for net turnover growth is at least 5 percent and reflects the expectation that NNIT will continue to grow faster than the market by attracting new customers and retaining and building on our existing customer relationships. In 2014, NNIT realized a net turnover growth of 9.3 percent.

The target level for return on invested capital of at least 30 percent mirrors NNIT's expected increase in investments in operational capacity to accommodate new and existing customers going forward. In 2014, NNIT realized a return on invested capital of 39.9 percent.

The target level for the three-year average cash-to-earnings ratio is 80 percent or higher. In 2014, NNIT reached a cash-to-earnings ratio of 72.9 percent and consequently a three-year average of 45.0 percent. The three-year average is below target due to significant investments made in major outsourcing contracts in 2012.

# Outlook

Our outlook for 2015 is based on the increase in order-backlog for 2015 and expected net turnover from our pipeline of potential orders.

The expectations are based on certain important assumptions, including that relevant macroeconomic trends will not significantly change business conditions for NNIT during 2015, business performance, customer and competitor actions will remain stable and that currency exchange rates, especially the Chinese yuan, euro, Czech koruna, Philippine peso, American dollar and the Swiss franc will remain at the assumed level versus Danish kroner.

The foreign exchange risk arising on NNIT's activities stems primarily from costs incurred in local currencies in NNIT's delivery centers in China, the Philippines and the Czech Republic and sales offices in Switzerland and the US, while the substantial majority of NNIT's net turnover is earned in Danish kroner.

## Summary of current expectations

	Current guidance	Long-term targets
<b>Net turnover growth</b>		
In constant currencies*	5-8%	≥ 5%
As reported**	Around 0.6pp higher	-
<b>Operating profit margin</b>		
In constant currencies*	Around 11%	≥ 10%
As reported**	Around 1.2pp lower	-
Investments / net turnover***	5-6%	5-6%

\* Constant currencies measured using average 2014 exchange rates.

\*\* Based on exchange rates at January 31, 2015, as illustrated below.

\*\*\* Capex for re-investments and new client investments in the near term is expected to be 5-6 percent of total revenue. If NNIT decides to establish another data center to support growth, NNIT expects additional Capex of around DKK 250 million over a three-year period.

## Currency sensitivities

	Estimated annual impact on NNIT's 2015 operating profit of a 10 percent increase in the outlined currencies against DKK*	Hedging period from January 31, 2015 (months)
CNY	DKK (14) million	11
EUR	DKK 11 million	-
CZK	DKK (4) million	-
PHP	DKK (3) million	11
USD	DKK (1) million	11
CHF	DKK (1) million	-

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

NNIT has hedged net currency exposure for first quarter 2015 using the USD as a proxy at an average exchange rate of 599.37. For second to fourth quarter of 2015 NNIT has hedged 90% of the net currency exposure in CNY and PHP as well as contracted USD exposure in week five, 2015. The CNY was hedged using the offshore Chinese yuan (CNH) and the PHP was proxy hedged in USD. The average exchange rate for the CNH hedge was 103.26 and for the USD 655.95.

## Key currency assumptions

DKK per 100	2013 average exchange rates	2014 average exchange rates	YTD 2015 average exchange rates at January 31, 2015	Exchange rates at January 31, 2015
CNY	91.34	91.19	102.99	105.38
EUR	745.80	745.47	744.06	744.40
CZK	28.72	27.08	26.67	26.78
PHP	13.24	12.65	14.38	14.91
USD	561.66	561.76	640.54	658.47
CHF	605.95	613.79	685.04	711.12



# NNIT in brief

NNIT was born as the internal IT department of Novo Nordisk, but has now grown to become one of Denmark's leading IT service providers and consultancies, providing a wide range of IT services to customers using fully integrated international delivery capabilities.

We help customers build stronger businesses by assisting them to innovate, integrate and orchestrate their IT services. Our services include advising, building, implementing, managing and supporting IT solutions and operating IT systems.

Many of our customers operate in the life sciences sector (including our major customer, the Novo Nordisk Group, a world leading life sciences group, which comprises Novo Nordisk A/S and subsidiaries), but we also provide services to customers in the public, enterprise and finance sectors. Our long-term objective is

to become the preferred IT service partner in Denmark and to become a leading international partner to life sciences companies.

We are headquartered in Copenhagen (Denmark) and have sales offices in Zurich (Switzerland) and Princeton, New Jersey (United States). Our primary offshore delivery center is in Tianjin (China), from which we also target sales to companies in the Chinese life sciences industry. In addition, we operate delivery centers in Manila (the Philippines) and Prague and Olomouc (the Czech Republic).

# IT services market in brief

NNIT operates in the IT services market. IT services accounts for approximately half of the total IT market, the other areas being hardware and software.

## Key trends in the IT services market



### Security

When company data become business critical assets, data security and the ability to secure access becomes even more important. NNIT offers a range of security services that cover these needs.



### Mobility

Mobile devices and the development of the 'internet of things' where all machines are connected to exchange information requires mobile solutions, which are often delivered by vendors such as NNIT.



### Analytics (big data)

The huge amounts of data inside and outside a company offers fantastic business opportunities if the company knows how to utilize them. NNIT offers the necessary analytical tools and increased computing power.



### Cloud

Cloud computing is changing the IT landscape. Software, development platforms and infrastructure are delivered 'as a service', which means that standardized solutions are delivered from multi-tenant clouds and paid according to usage. To system integrators such as NNIT, this opens new opportunities to deliver orchestration of hybrid cloud solutions, across public and private clouds as well as legacy systems in the customers' own data centers or in NNIT's data center.

In 2013, the size of the Danish IT services market was DKK 34.5 billion and it is expected to grow 1.1 percent annually between 2013 and 2018. (Source: IDC Nordic IT Services 2013 Market Analysis and 2014-2018 Forecast, Q4 update) The global life sciences IT services market amounted to USD 19.3 billion in 2013 and is expected to grow to USD 24.0 billion in 2015, representing a compound annual growth rate (CAGR) of 4.5 percent. (Source: Gartner Vertical Forecast Worldwide Q4 2014)

IT services can be split into IT operations and IT solutions. IT operations includes operation of IT infrastructure on behalf of customers and support for the infrastructure functions. IT solutions covers management consulting, building and implementing IT solutions and management of customers' applications hosted locally or in the cloud.

Both infrastructure operation and the application management are usually sold on long-term contracts,

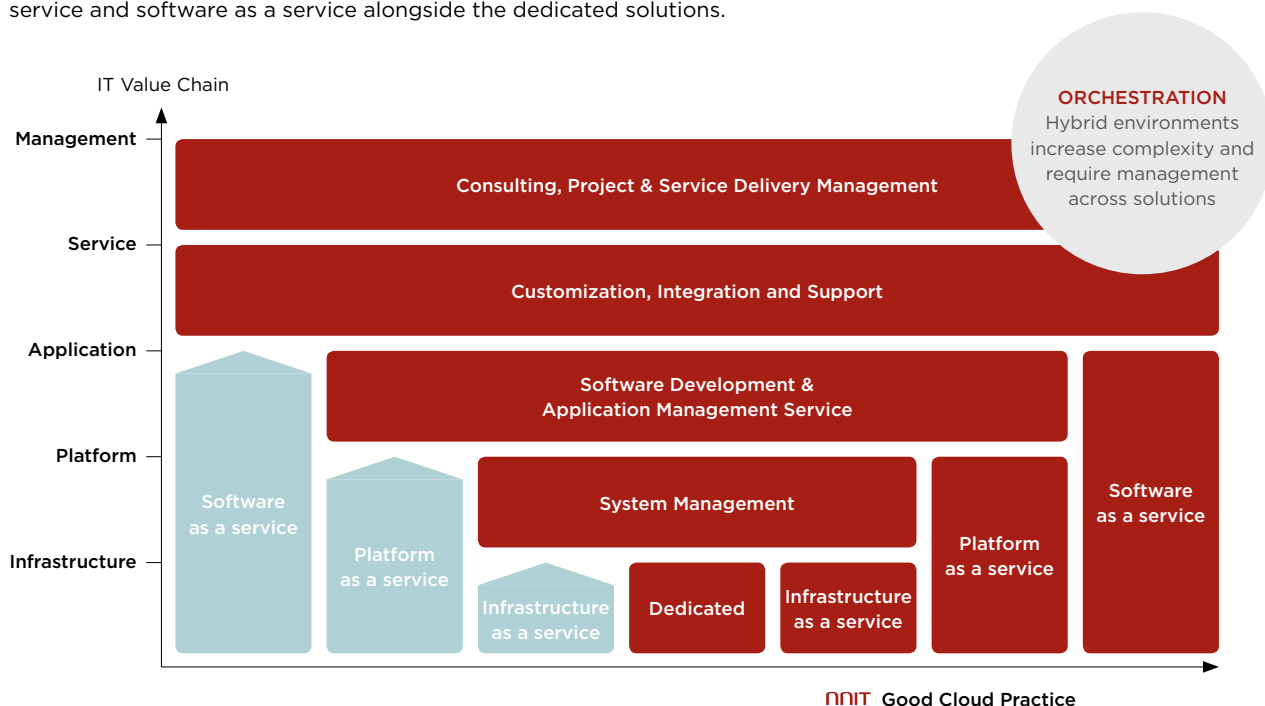
typically five years, while consulting and building and implementing solutions are sold as projects with a set scope and timeline. These contracts can be priced either as fixed price, based on time and material or a combination of both.

While the basic services – outsourcing and projects – remain the same, the IT services market is constantly developing. Key trends such as security, mobility, analytics (big data) and cloud add to the complexity of the market.

Life sciences companies face increasing regulatory, innovative, and competitive pressures. Technology such as big data is playing a major role in enabling life sciences companies to confront these challenges. The development of targeted cloud solutions have also begun to address security concerns, which are the primary reason why life sciences companies have been slower in adopting cloud solutions than companies in other industries.

## NNIT's cloud solutions vs. competitors

The NNIT Halfpipe™ shows the IT services stack from infrastructure at the base to management services at the top. It illustrates the complexity of IT services with the introduction of infrastructure as a service, platform as a service and software as a service alongside the dedicated solutions.



A photograph of a data center aisle. A technician in a red jacket and dark pants is standing on the left, working on a server rack. The racks are filled with server equipment, and there are many black cables hanging from the top. The lighting is bright, and the floor is light-colored.

# Uninterrupted operations



**NNIT data center**

NNIT's data center is designed to ensure uninterrupted operations for our customers.

It applies leading technology and features full redundancy, which means that all components are doubled to secure 100% uptime, even in case of failure. This goal has been achieved in 2012, 2013 and 2014.

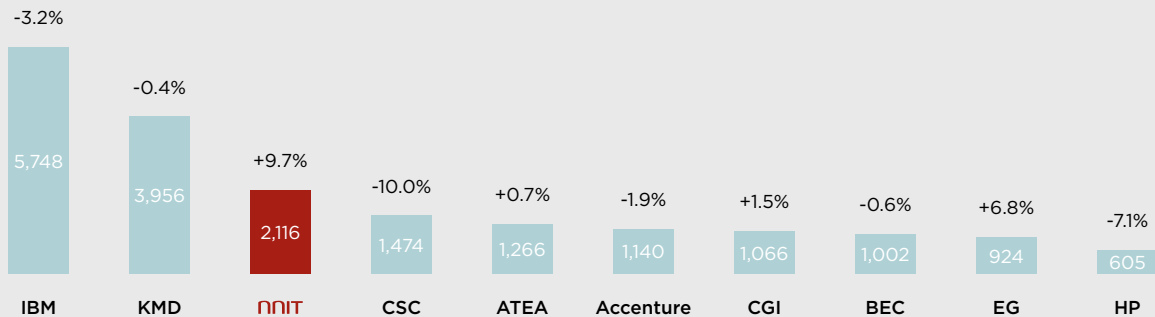


# A competitive Danish IT services market

The Danish IT services market is competitive. NNIT is the fastest-growing large IT services vendor in Denmark and the third-largest measured by net turnover. The chart below shows the top 10 vendors in Denmark by net turnover and their year-on-year net turnover growth from 2012 to 2013.

## Danish IT services market – top ten vendors

Danish IT services market (2013 net turnover) – DKKm (latest available data)  
 Percentual growth in net turnover 2012-2013  
 Source: IDC Denmark IT Services Vendor Shares 2014



NNIT's competitors can be divided into four categories:



### The global players

such as Accenture, IBM, Atos and CGI



### The offshore players

such as Tata Consultancy Services, Cognizant and HCL



### Local players

such as KMD, Atea, EG and Netcompany



### Other competitors

such as pure cloud providers (like Amazon), software providers (like Microsoft), specialized life sciences software providers (like Oracle), business process outsourcers (such as Visma) and accounting firms (such as Deloitte)

# Strategic objectives

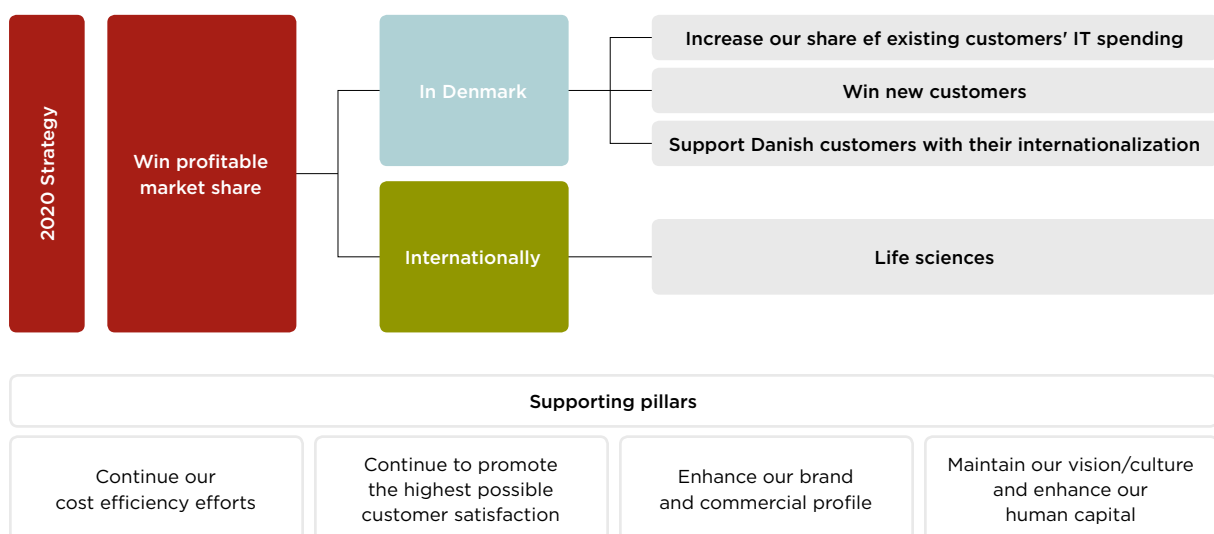
It is our aspiration that by 2020 quality and value-adding IT services will make us:

- Denmark's preferred IT outsourcing partner
- A leading international IT partner dedicated to life sciences

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

In particular, we seek to achieve this goal by targeting growth in net turnover of at least five percent per year while maintaining an operating profit margin of at least ten percent. NNIT's management intends to accomplish our principal objective by continuing to focus on the following key elements of our strategy:

- Continue to expand our market share in Denmark
- Support Danish customers' internationalization
- Leverage our strong industry-specific expertise in life sciences internationally
- Continue to enhance and deepen our expertise and service
- Offerings through specialization and standardization
- Continue to increase industrialization of service delivery
- Maintain our culture and enhance our human capital
- Continue to promote customer satisfaction



# Key strengths

As a high-quality IT services provider, NNIT competes in a global market. Our competitors are global and given the increasing standardization of basic IT services, it is crucial to be able to differentiate through a focused portfolio of services. But even more important: we must differentiate in the way we deliver our services. NNIT's culture and values are what make the difference to our customers. We live our values - open and honest, conscience driven and value adding. In other words, we meet the customer eye to eye in a no-nonsense dialog, and we take care of our customers' IT as if it were our own.

We believe that our strengths will help us maintain and extend our leading position in the Danish IT services market and strengthen our position in the international life sciences IT services market.

## **NNIT's values**

Open and Honest.  
Conscience Driven.  
Value adding.



# Key strengths of NNIT

## Strong record in gaining market share in the growing Danish IT services market

Since NNIT was founded, we have delivered, on average, double-digit organic net turnover growth rates, outperforming the growth of the Danish IT services market over this period.

## Double-digit operating profit margin

Our close customer relationships, together with our global delivery centers and scale-driven operating leverage, have helped us to deliver double-digit operating profit margins on average over the last ten years. At the same time, we have diversified our customer base and grown our share of net turnover from customers other than the Novo Nordisk Group from 35 percent in 2010 to 48 percent in 2014.

## Strong and differentiated expertise in the attractive life sciences IT services market

NNIT was born in the life sciences industry as the internal IT department of Novo Nordisk. This background has given us a very strong understanding of the application landscape as well as the regulatory requirements of the life sciences industry.

## Well-positioned to continue to gain market share in Denmark

Our scale, focus on quality and strong market position in Denmark allow us to compete for most large IT projects in Denmark.

## High visibility in net turnover streams

The long-term nature of many of our major contracts gives us high visibility of future net turnover.

## Integrated global delivery model

We believe that our integrated local, nearshore and offshore service delivery model enables us to provide our services and solutions in a comprehensive and well-managed way, with enhanced timely delivery, significant cost advantages, quality control and improved customer satisfaction, as well as overhead cost savings compared with contracting out these activities.

## An experienced management team with proven track record supported by the NNIT culture and values

NNIT's management team has a strong track record in the IT industry. We believe that our strong NNIT culture gives us a key competitive advantage through the committed and responsible way in which we engage with each other and our customers.

## Flexible labor market and favorable workforce planning

Operating within the Danish private sector, we benefit from a relatively flexible labor market where it is possible to make adjustments to the Danish workforce as required by business opportunities.

# NNIT customer groups

NNIT offers a broad range of IT services to four selected customer groups.



## Life sciences

NNIT's life sciences customer group comprises pharmaceutical companies, medical device companies, clinical research organizations and biotech companies as well as the Novo Nordisk Group. Five of the ten largest global pharmaceutical groups (measured by market cap) are NNIT customers.

We estimate that our target market of 40 selected life sciences companies was worth DKK 16 billion in 2014, while the global life sciences IT services market was DKK 111 billion in 2012. (Source: IDC Worldwide Life Science IT Spending Guide 2013) This market is characterized by increased focus on cost, which drives higher outsourcing acceptance, a strong regulatory environment that drives IT investments, and high entry barriers because of the complexity of GxP (quality guidelines and regulations) as well as audit readiness.

We build our position in the life sciences customer group on our Novo Nordisk heritage, which gives us a unique familiarity with relevant processes, requirements and terminology.

### Novo Nordisk

The Novo Nordisk Group is a global leader in diabetes care. NNIT sells its services on 'arm's length basis', which means that we compete for business with the Novo Nordisk Group against other service providers. We deliver services and solutions from our entire service portfolio to the Novo Nordisk Group.



## Public

Our public customer group primarily comprises customers in Danish central and regional government as well as government-owned companies. Customers in the public customer group include DSB (the Danish railways), Region Hovedstaden (the Capital Region of Denmark) and Digitaliseringsstyrelsen (the Agency for Digitisation).

We estimate that our addressable market in the public sector was DKK 5.7 billion in 2014.

The public market is characterized by mature use of IT as well as many investments in digital government, healthcare IT and local government solutions. Data protection requirements and the public tender processes mean that the market is dominated by Danish-based suppliers.

Our offerings in this customer space include the full span of offerings from NNIT, including certain services and solutions that are particularly relevant to public customers, such as IT project excellence services, business intelligence solutions, portal solutions, document management and the full range of infrastructure operation and support.

### DSB

DSB (the Danish railways) became an NNIT customer in 2012 when it entered a substantial five-year contract. It covers DSB's entire IT infrastructure, including network, telecommunication, service desk, data center services and end-user support.

## Enterprise

NNIT's enterprise customer group comprises large Danish companies not included in other customer groups, including companies in the manufacturing and food industries. Our enterprise customers include, among others, Arla Foods, Vestas Wind Systems, Danish Crown and Bang & Olufsen.

We estimate that our addressable market in the enterprise sector was DKK 6.6 billion in 2014.

Enterprise is characterized by customers with significant experience with IT outsourcing as well as customers new to the outsourcing approach.

Though our enterprise customers purchase services and solutions from both NNIT's business areas in recent years, the substantial majority of our sales to this customer group have been derived from our operations business.

### Arla Foods

Arla Foods, the global dairy company, became an NNIT customer in 2012. NNIT provides Arla with a range of IT services, including hosting and operation of Arla's data center, operation of Windows®, SAP®, Domino®/Notes®, service desk in English, Danish, German, Swedish and more languages, as well as operation of Arla's desktop environment.

## Finance

Our finance customer group comprises customers in the finance industry and currently all of our customers in this group are from the banking, insurance, pension and life insurance sectors. Our finance customers include PFA Pension, PenSam and Alka, among others.

As financial institutions are to an increasing degree required to document and report business transactions, NNIT leverages its experience working with customers in other regulated industries to better serve finance customers.

We estimate that our addressable market in the finance customer group was DKK 1.8 billion in 2014.

All our offerings are relevant to our finance customers, including security and compliance consulting, project and program management, hosting of business critical applications, cloud services and, in particular, the full range of infrastructure outsourcing services.

### PFA

PFA is the largest pension company in Denmark with over one million customers. The initial contract between PFA and NNIT was signed in 2009 and renewed and expanded in 2013. NNIT is responsible for PFA's IT infrastructure, including data center, networks, service desk, end-user services and application management.

# Value-adding services



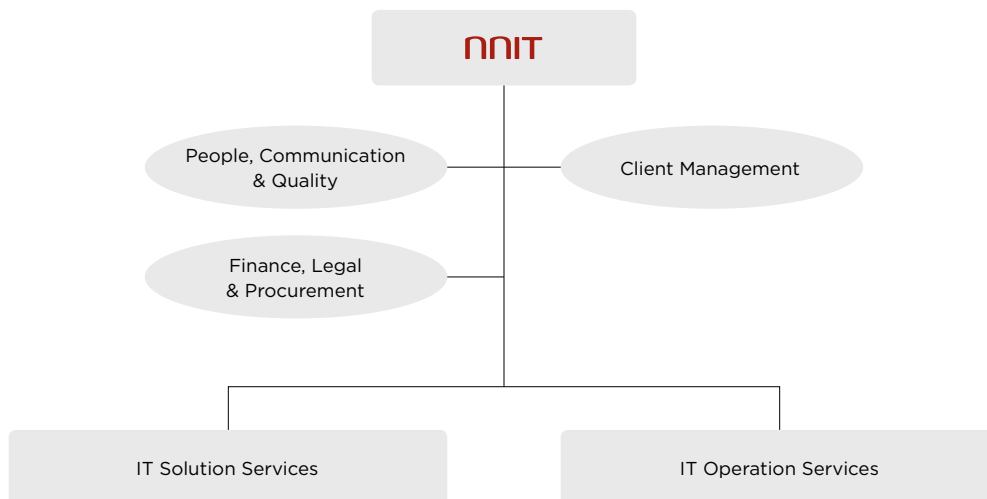
Samir Daif is advanced support center analyst in Novo Nordisk Service Desk; one of the many teams in NNIT Service Desk that offer our customers multi-lingual 24/7 support. NNIT provides global support services out of Denmark, China and the Czech Republic. In 2014, the end-users rated their satisfaction with the performance of the Service Desk at 4.3 on a scale from 1-5, where 5 is best.



# Business areas

NNIT has two major business areas:

- IT Operation Services, or "Operations", provides IT infrastructure outsourcing services, including data storage, server and network operation, application hosting, service desk and service delivery management.
- IT Solution Services, or "Solutions", provides management consulting (which we call Advisory), the building and implementation of IT solutions (which we call Business Solutions) and application management services (which we call Application Outsourcing).



# Go-to-market approach

NNIT has a focused go-to-market approach: we bring our suite of offerings to market in Denmark, Western Europe, the US and China. Outside Denmark, we only target the life sciences industry; in Denmark, we target all of our four customer groups.

NNIT's client management team of 90 people works according to well-established sales processes that ensure we invest in the right bids. The result is high win rates, and together with a trust-gaining upselling approach to existing customers, collaborative partnerships with leading technology vendors and supporting marketing activities, NNIT is positioned to continue to win market share.

We use the tagline "conscience driven - value adding" in the Danish market, in line with our corporate values. Internationally, we are "IT for life sciences", in line with our targeted international go-to-market approach.

# Offerings

NNIT provides high-quality IT services to our four customer groups. We are a wall-to-wall provider, which implies that we deliver services from all categories: advisory services, business solutions, application outsourcing and infrastructure outsourcing and support.

We believe that the scope of our offering is comprehensive and meets the current needs of our customers and positions us well to win new customers. However, our industry is dynamic and constantly evolving, and in order to stay competitive we must invest in the de-

velopment of offerings to match the demands of our customers. We will continue to enhance and deepen our expertise and service offerings through specialization and standardization.

## NNIT's offerings

### Advisory services

Management consulting services to bridge business and IT: optimization of IT impact, advice on IT outsourcing and security. We also provide industry-specific consulting to the life sciences industry through our GxP consulting practice.

### Business solutions

Building and implementing IT solutions on a number of standard platforms, including SAP®, Microsoft Dynamics AX®, EMC Documentum® and Microsoft SharePoint® as well as a large number of specialized applications for the life sciences industry. We also build completely customized solutions based on, for instance, Microsoft .NET®.

### Application outsourcing

Management of applications once they are implemented, typically on three to five year contracts. We provide application management based on the same technologies as our solutions.

### Infrastructure outsourcing

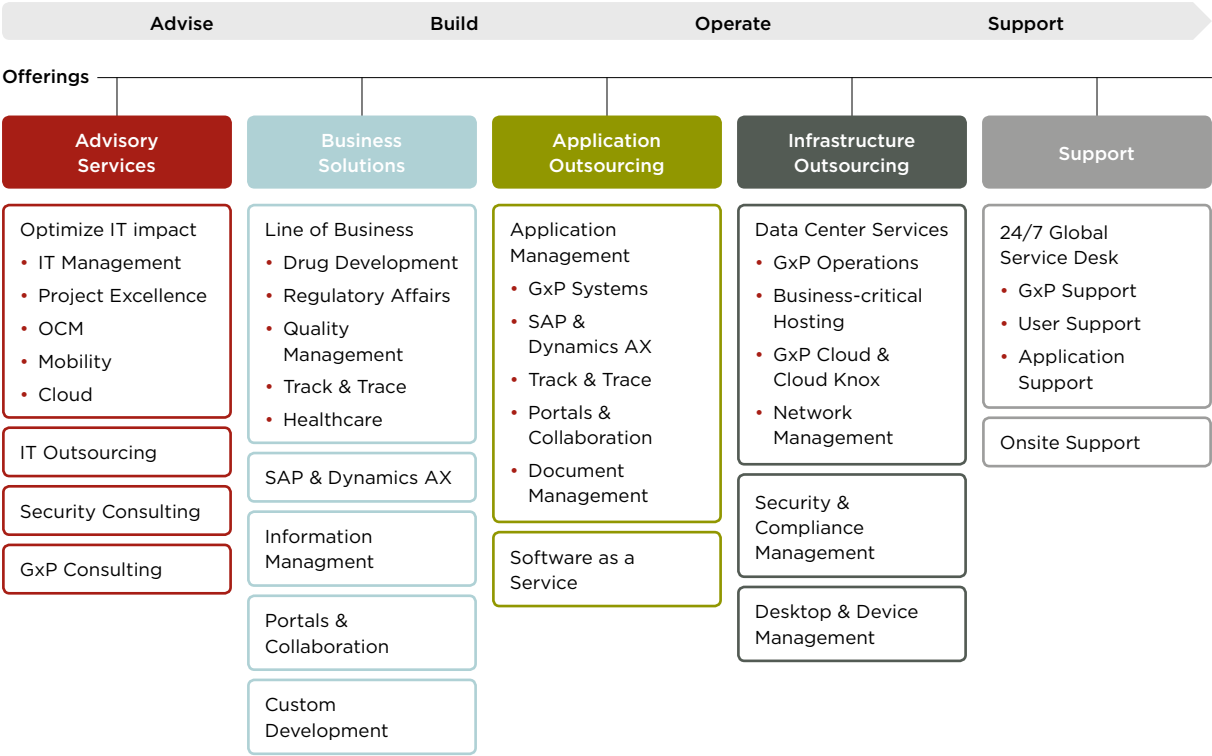
Operation of all or parts of the customer's IT infrastructure, such as network, storage and servers, and including system management and hosting of applications. This is NNIT's largest offerings area.

### Support

NNIT provides a multi-lingual global service desk to customers.

# Innovate. Integrate. Orchestrate

NNIT's offerings cover the whole value chain from advisory services over the development and management of IT solutions to outsourcing and support of IT infrastructure.



## Regulation drives IT investments

Regulation continues to affect the life sciences industry. Recent regulation such as the new standards for identification of medical products (ISO IDMP) and serialization legislation have far-reaching ramifications for IT decisions and investment priorities of impacted

companies. To remain compliant, life sciences companies need to create, identify and track new types of data or documents and report on existing data on a more granular level than before, all of which require significant additional IT resources.

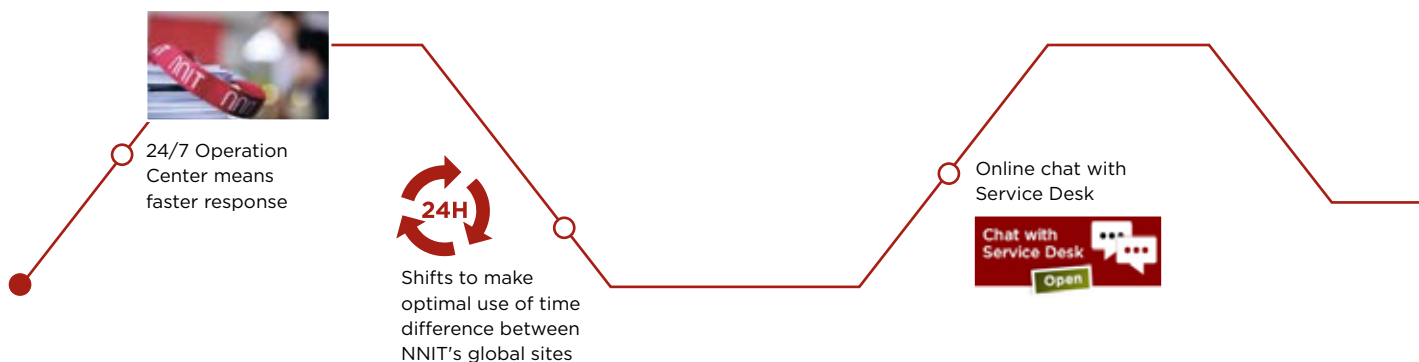
# Delivery model

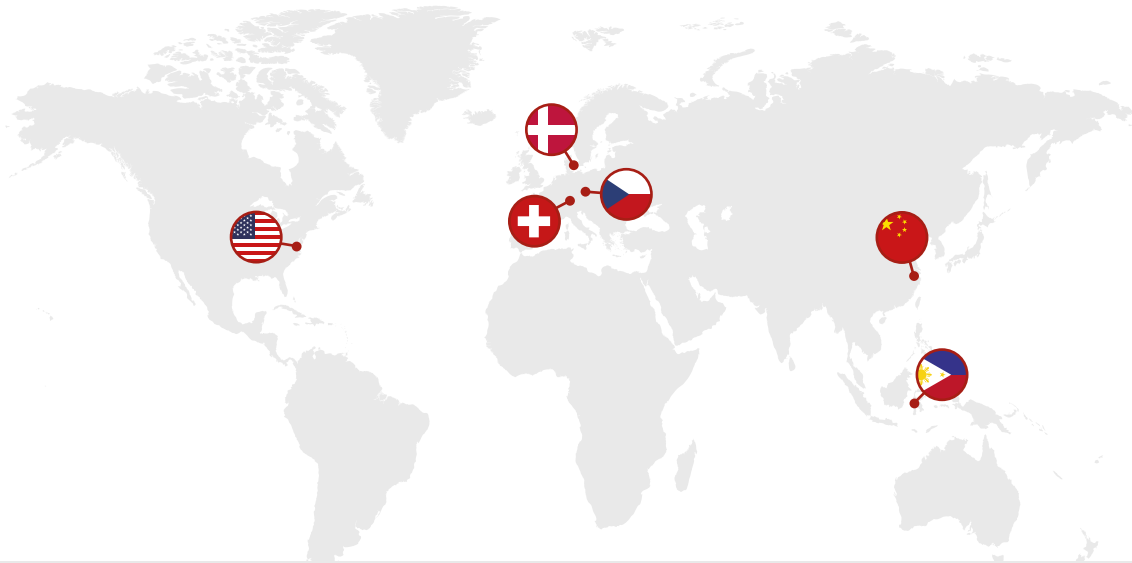
NNIT operates with a well-integrated global delivery model with delivery centers located in Denmark, China, the Philippines, the Czech Republic, Switzerland and the US. This global presence enables us to stay competitive against offshore-based vendors and to deliver 24/7 customer support making optimal use of normal work hours in different time zones.

Our delivery teams function across the delivery centers to enable seamless customer service. Instead of "subcontracting" to our own delivery centers, we work in integrated teams that meet in daily video conferences to plan their shared tasks or hand-over between shifts.

## NNIT infrastructure outsourcing services

Our infrastructure outsourcing services are based on our own state-of-the-art Denmark-based data center.





## NNIT data center

- High energy efficiency: Power Usage Effectiveness (PUE) of 1.3 enabled by a state-of-the-art cooling system
- Flexibility: high capacity in own data center; additionally, NNIT leases space in a second data center
- Full redundancy: hot swap of all components in case of any failure
- Leading technology: Cisco Nexus Technology, HP Blade System and HP Virtual Connect Technology
- Fast deployment and no data center downtime (100 percent uptime in 2014, 2013 and 2012)
- Security: separate battery system supported by generators
- Compliance: local data center that can be audited at any time
- Built for regulated industries: dedicated environments for security and compliance-aware industries

Employees spend time together



Live interactions through video

Truly global, integrated teams

Team wall - family wall





# Risk overview

The key risks and uncertainties potentially impacting NNIT are described below. These are the risks that management currently views as most material but they are not the only risks that the company faces and additional risks may arise and become even more material.

NNIT considers risk management a necessity to sustain profitable growth.

The section below contains a brief description of the key risks that NNIT finds of particular importance to the business.

## Market risks

NNIT operates in a highly competitive and rapidly changing global marketplace.

NNIT is well-established in Denmark, whereas its presence in markets outside of Denmark, in which NNIT is targeting life sciences companies, is less established than competitors.

Both in Denmark and internationally, NNIT is faced with competing vendors that have greater financial, marketing or other resources as well as a lower cost base than NNIT. This allows them to offer more favorable contractual terms or compete on pricing in a manner in which NNIT is not willing or able to match on a sustained basis due to the company's size and financial condition.

Many of NNIT's customers, particularly the largest customers, are international companies with global operations. Danish and international political and macroeconomic conditions affect NNIT's customers' businesses, which may have a consequential effect on

their IT spending and thus their demand for NNIT's solutions and services.

Changes in applicable laws and regulations, particularly regulations on data protection and anti-offshoring legislation, might increase costs or threaten NNIT's ability to continue to serve certain markets.

In order to mitigate the risk of increased competition, especially from offshore-based vendors, NNIT has continued focus on price competitiveness by leveraging the low-wage delivery centers in China, the Philippines and the Czech Republic as well as focusing on automation of certain processes. The company's presence in countries within the EU (Denmark and the Czech Republic) as well as outside of the EU (China and the Philippines) allows NNIT to offer a delivery setup matching customers' needs, requirements and preferences.

## Customer concentration risks

Currently, NNIT is a wholly-owned subsidiary of Novo Nordisk A/S and the Novo Nordisk Group is the company's principal customer accounting for 52.3 percent of NNIT's net turnover in 2014. NNIT's top five customers (including the Novo Nordisk Group) accounted for 71.8 percent of NNIT's net turnover in 2014. This means NNIT is dependent on these customers' IT spending, both overall and with NNIT, including renewal and non-termination of existing contracts.

In order to mitigate the risk relating to customer concentration, NNIT continuously focuses on service and delivery to the Novo Nordisk Group and on diversifying its business to increase the net turnover base outside of the Novo Nordisk Group.

#### Employee risks

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

NNIT's ability to maintain and renew existing customer contracts as well as its ability to obtain new business is dependent upon the company's ability to attract, retain and develop qualified IT professionals with skills that keep pace with the continuing changes in information technology, evolving industry standards and changing customer preferences.

There is a shortage of, and significant competition for, qualified IT professionals with the advanced technological skills necessary to provide the services and solutions that NNIT offers. In the company's offshore destinations in particular, wage inflation is a result of this competition.

NNIT has a good track record of attracting talented employees. Employer branding and an attractive working environment are tools used to ensure that people with high potential continue to join NNIT.

NNIT strives to maintain market conform compensation packages and has established a long-term incentive program for senior executives and other key employees.

#### Growth risks

NNIT's success depends on the company's ability to retain and attract additional work from existing customers as well as to attract new customers.

NNIT has grown significantly in recent periods. Between 2007 and 2014, the total number of employees has more than doubled from approximately 1,000 to approximately 2,400.

In order to grow, NNIT will need to adapt, expand and develop its services and solutions in response to changes in technology and customer demands.

NNIT's strategy includes growing its business in Denmark and within the life sciences customer group internationally. Growing the business is imperative to the company's future success. However, growth also poses a risk if it is not managed.

Growth will increase demands for capacity and resource planning and will require continuous development and improvement of internal controls, internal systems and processes, and leverage of automation. Further, growth will challenge the preservation of NNIT's culture and values.

Expanding NNIT's international operations increases the company's exposure to risks inherent in doing business internationally in respect of financial, legal, tax or political circumstances.

NNIT's services are increasingly delivered from China, the Philippines and the Czech Republic. The issue of companies outsourcing services to organizations with operations in other countries has been a topic for discussion in many countries. Accordingly, some customers, existing or potential, may have reservations or limitations as to whom and from where their IT systems can be accessed and operated, which could lead to capacity planning and capacity constraint challenges.

NNIT monitors the development in the international expansion tightly. Sales and business plans are reviewed and monitored on a regular basis and management of all major international affiliates report directly to the executive management of NNIT.

NNIT has established delivery centers in Denmark, within the EU and outside the EU to meet different customer requirements and geopolitical challenges.

#### Operation risks

NNIT's ability to constantly deliver the agreed quality of services is crucial. This includes operational stability, backup and fast restoring, keeping agreed security levels and delivering projects on time and according to scope. Inadequate operational stability, quality or security controls involve the risk of reduced client satisfaction and loyalty as well as the risk of damaging NNIT's reputation in the market.

The performance of complex and large IT projects involves many challenges including scoping the project work and understanding customers' needs and operations appropriately.

Failure to understand and scope or failure to put in place the right contractual terms and deliver in accordance with contractual service and security levels could ultimately lead to penalties, claims, arbitration and litigation.

NNIT is currently involved in a pending arbitration dispute arising from a contract entered into in June 2011 regarding the delivery of a supply and logistics IT system, where the customer and NNIT disagree on who is responsible for the delay in delivery. For a detailed description of the dispute, see note 5.5 of the Group financial statements.

NNIT has a thorough process for delivering bids to customers. All relevant parts of the organization are involved in the process to ensure that all contractual obligations and risks are known and reduced wherever possible.

NNIT operates an extensive quality system and the company has invested extensively in securing stable operations by building a new data center, renewing the core IT infrastructure and updating the service management systems and processes in order to continue to deliver high quality and stability.

The multiple operation center set-up also reduces the overall impact of a breakdown or failure in one of those particular operation centers and the major delivery centers have disaster recovery plans and contingency plans in place in case one of the centers suddenly is unable to operate.

#### **Financial risks**

As NNIT reports its operating results in Danish kroner (DKK) the company is exposed to fluctuations in foreign currency exchange rates of the currencies of countries in which it operates, earns a portion of net turnover or has a significant portion of costs. This includes the Chinese yuan and, to a lesser extent, the Philippine peso, the Swiss franc and the Czech koruna. At present, NNIT's sales in these countries are not sufficiently large to balance these currency risks.

NNIT is also exposed to credit risk and may not be able to collect its receivables.

NNIT engages in currency hedging in order to reduce the currency impact on the company's results. Generally, NNIT evaluates the financial stability of existing and new customers and usually aims to collect on a relatively short cycle. Further, most of NNIT's customers are large well-established companies, which reduces the risk of default. Historically the company has had insignificant losses on bad debt.

For a more detailed description of NNIT's financial risks, see note 4.5 of the Group financial statements.

# International collaboration

Peter Hvas is HR consultant in the HR Support & Mobility team, where he supports the many NNIT employees who are on the move. Travel, immigration, housing and a multitude of other tasks are solved to support the international collaboration in NNIT.



# Non-financial results in 2014

NNIT reports on selected results of the company's non-financial activities. This overview aims to provide appropriate information on NNIT's processes, organization, customers and employees.

## Processes and organization

### Service and network uptime

NNIT agrees on key performance indicators (KPI) with every customer in the respective service operation contracts. Service targets for operation and maintenance of the IT systems together with uptime of the network are some of the main performance indicators.

In 2014, NNIT fulfilled 97.7 percent of the service targets, which is higher than in 2013 (96.6%).

### Project performance

As part of the EvalGo Survey NNIT measures project performance by asking customers to rate NNIT on their ability to meet deadlines on an ascending scale from 1

(lowest) to 5 (highest). In 2014 NNIT received ratings on this dimension 1,066 times compared with 845 ratings in 2013. The result for 2014 was 4.0 which is an increase of 0.1 compared with 2013.

### Service Desk performance

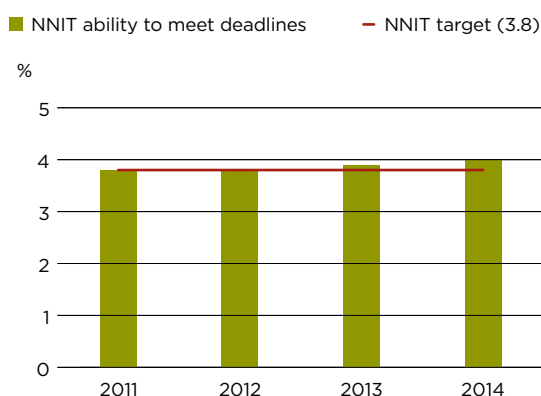
An essential parameter for efficient customer service is fast and accurate response time.

The Service Desk has a customer-defined time frame to solve inquiries by customers. The target is to service 80 percent of all answered calls within the given time frame. In 2014, the service level was 81.0 percent, which is above target but in line with the level in 2013 (81.2%).

### Certifications

NNIT was successfully ISO 27001:2005 re-certified in 2014. For the first time, NNIT's Chinese office was included in the certification as a result of a local security audit conducted by DNV GL (Det Norske Veritas). NNIT's ISO 9001:2008 certification also passed the surveillance audit in Denmark and China and aims to include the company's Philippine office in early 2015.

### NNIT ability to meet deadlines





# Customers

## Customer satisfaction

NNIT has a continuous focus on customer satisfaction. To support this, a Customer Feedback Program has been established to continuously measure customer experiences.

The Customer Feedback Program is divided into three formal feedback channels, all based on web surveys that measure satisfaction level on an ascending scale from 1 (lowest) to 5 (highest).

### Customer Satisfaction Survey

The Customer Satisfaction Survey is used to assess customers' perceptions of their end-to-end relationships with NNIT. Questions allow customers to annually rate their satisfaction with NNIT as a business partner that offers consulting, implementation, operation and support of IT solutions for their businesses. The result for 2014 was 3.7, which is an increase of 0.2 compared with 2013.

### EvalGO Survey

The EvalGO Surveys measure customers' satisfaction with concrete NNIT deliveries (projects and service level agreements) on an ongoing basis (four times a year). The survey asks the customer to evaluate NNIT's delivery based on five dimensions: quality, ability to meet deadlines, employee competencies, communication and collaboration. The result for 2014 was 4.1, which is an increase of 0.1 compared with 2013.

### End User Survey

The End User Surveys measure customers' satisfaction with the performance of our Service Desk on an ongoing basis. Quality parameters include Ability to

understand and solve the request, IT competence and service mindedness, communication, information provided and phone waiting time. The result for 2014 was 4.3, which is an increase of 0.1 compared with 2013.

## Quality

Another indication of the quality and security level of NNIT's deliveries is the number of customer complaints. In 2014, NNIT has seen a significant decrease in complaints of 58.3 percent (20 in 2014 versus 48 in 2013). This decrease reflects the continuous focus NNIT has placed on addressing and closing customer issues. Furthermore, it indicates that NNIT is addressing the root cause of issues, resulting in fewer repeat complaints.

## Audits

Throughout the year, NNIT has been involved in audits with customers, third-party audits, IT revisions, and internal audits. All types of audits seek to verify that deliveries meet customer expectations and regulatory requirements. NNIT experienced an increase in the number of customer audits as well as IT revisions on behalf of customers in 2014. The increase is mainly attributed to the general increase in the number of customers and deliveries, and the same trend is expected in 2015. In 2014, there were nine customer audits (four more than in 2013) and 22 IT revisions requested by customers (15 more than in 2013). NNIT also conducted several internal audits in line with ISO 9001 and ISO 27001 certification requirements. Additionally, NNIT supported seven U.S. Food & Drug Administration (FDA) inspections of customers, where reaction time to inspector questioning is critical. All FDA inspections were supported successfully and on time.

## Customer Feedback Program

On a scale 1-5 where 5 is best

	Customer Satisfaction Survey	EvalGO Survey	End User Survey
2014	3.7	4.1	4.3
2013	3.5	4.0	4.2

# Employees

## Passionate people

NNIT aims to deliver competitive business results through its culture comprised of passionate individuals in winning teams. In line with the 2020 Strategy, NNIT focuses on employee job satisfaction through learning, teambuilding, health and overall attractiveness.

At the end of 2014, NNIT employed 2,434 highly skilled people, which is an increase of 250.

## One NNIT

NNIT has a passionate and loyal employee base, which defines the "One NNIT Spirit". Employees around the world have been defining One NNIT in words and pictures tagged #onennit on Instagram. The final definition was presented at the 2014 Kick-off meetings in January and the campaign received an award from the Institute of International Communication in September 2014.

One NNIT is defined as the sum of great colleagues, our commitment when working together and the way we do things. One NNIT is also about having a common vision and set of values. It's about sharing a passion for our work, and meeting our customers with the same high standard of customer experience. The One NNIT Spirit is many things, and employees continue to define it through their daily work and collaboration and the #onennit images on Instagram.

## Internationalization

In 2014, the number of NNIT employees located outside of Denmark was 36.2 percent, which is an increase of 6.6 percent compared with 2013 and in line with the 2020 Strategy.

## Educational background

NNIT uses the international standards of the European Higher Education Area to assess the educational background of our employees. The largest group is employees with Bachelor's degrees (3 years), which has increased from 2013. The number of employees with Professional degrees (2-4 years) and Master's degrees (5 years) has also increased.

## Gender distribution

NNIT believes that a gender-balanced organization performs its tasks better and aims for a balanced split

between men and women. In 2014, 28.3 percent of the permanent employees in NNIT were women, which is higher than in 2013 (27.7%).

## Employee turnover

NNIT's employee turnover rate was 13.0 percent in 2014, which is lower than in 2013 (13.5%). Adjusted for managed turnover, the rate was 10.0 percent in 2014, which is well below NNIT's target of less than 12.0 percent.

## Employee satisfaction

Employee satisfaction is measured once a year in the eVoice survey. The survey consists of seven main categories, where one is overall employee satisfaction. The questions relate to managerial performance and the development of NNIT's people and organization. The result for overall employee satisfaction in 2014 was 4.3 on a scale from 1 (lowest) to 5 (highest), which is an increase of 0.1 compared with 2013 (4.2). The result of the survey creates the basis for a constructive discussion of the working climate in the teams.

## Promotions and job rotations

Development opportunities in NNIT are reflected by the number of internal job rotations and promotions. In 2014, 281 employees rotated internally and 274 employees were promoted. Thus, NNIT had a rate of 24.4 percent job rotations and promotions in 2014, which is higher than 2013 (23.9%).

## Professional development

To ensure constant focus on competency development and align professional development activities with NNIT's strategy, all development agreements made between employees and managers are documented in the APIS system (Annual Performance Improvement System). This system ensures that employees have business and competency targets.

NNIT strongly encourages employees to constantly improve and develop their professional qualifications in the technologies NNIT uses. At the end of 2014, NNIT employees held a total of 3,910 certifications within the following technology categories: SAP, Microsoft, Oracle, ITIL, PRINCE2 and others.

## NNIT employees

NNIT focuses on employee job satisfaction through learning, teambuilding, health and overall attractiveness.

**2,434** ↑11.5%

Employees at year end

**10.0%** ↓0.5%-points

Employee turnover  
(unmanaged)

**62%** ↑5%-points

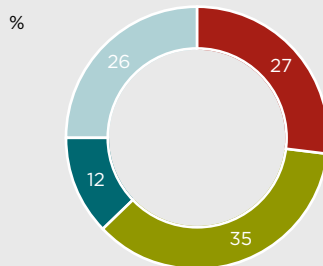
Employees with master's or bachelor's degrees or PhDs

**28.3%** ↑0.6%-points

Women employed

### Educational background

■ Masters or PhDs      ■ Professional degrees  
■ Bachelor's            ■ Other



# Non-financial key figures 2012-2014

	2014	2013	2012	Target
<b>Processes and organization</b>				
1 Service targets (incl. network uptime)	97.7%	96.6%	96.9%	95.0%
2 Project performance (ability to meet deadlines - scale 1-5)	4.0	3.9	3.8	3.8
3 Service desk performance (response time)	81.0%	81.2%	81.0%	80.0%
4 Certifications (ISO)	2	1	1	
<b>Customers</b>				
5 Customer satisfaction (scale 1-5)	3.7	3.5	3.5	4.0
EvalGO (scale 1-5)	4.1	4.0	3.9	4.0
End User Survey (scale 1-5)	4.3	4.2	4.	4.0
6 Quality (customer complaints)	20	48	32	<50
7 Customer audits	9	5	7	
<b>Employees</b>				
8 Average number of full-time employees (FTEs)	2,276	2,046	1,813	-
9 Number of employees, year end	2,434	2,184	1,937	-
- Men	1,744	1,579	1,420	-
- Women	690	605	517	-
10 Internationalization ratio	36.2%	29.6%	24.7%	-
11 Education breakdown of employees:				
- Master's or PhDs	648	461	424	-
- Bachelor's	860	790	705	-
- Professional degrees	302	274	215	-
- Other	624	657	597	-
12 Employee turnover	13.0%	13.5%	13.2%	
Unmanaged employee turnover	10.0%	10.5%	10.7%	<12%
13 Employee satisfaction (scale 1-5)	4.3	4.2	4.2	4.0
14 Job rotations & promotions	24.4%	23.9%	20.0%	> 10%
15 Number of certificates per technology	3,910	3,411	2,623	-
- SAP	159	148	101	
- Microsoft	1,261	1,171	980	
- Oracle	78	80	64	
- ITIL	1,171	1,010	751	
- Prince2	255	219	160	
- Other	986	783	567	

# Accounting policies for non-financial key figures

## Processes and organization

### Service

The fulfillment of service targets for the operation and maintenance of IT systems refers to measurements of all service targets in NNIT's 2014 operation contracts. Success is calculated as the total number of service targets fulfilled divided by the total number of service targets in the financial year.

### Network uptime

Network uptime is the total number of hours the network has been accessible during the financial year. Network uptime is calculated as the number of hours the network has been accessible divided by the total number of hours of the financial year.

### Projects performance

In 2014 NNIT has decided to change the measurement of projects performance from measuring project milestones delivered on time, which in the past years has been based on NNIT's own assessment, to measuring it as part of the EvalGo Survey, where one dimension is ability to meet deadlines. The survey is performed quarterly and the result per year is calculated as a simple average of surveys answered by customers during the year. The survey is ranked on an ascending scale from 1 (lowest) to 5 (highest).

### Service Desk performance

The performance of Service Desk is measured as the number of calls answered within the customer defined timeframe divided by the total number of answered calls.

### Certifications

Certification and surveillance audit of ISO certificates are conducted by the Danish Standard Foundation, who annually ensures that NNIT fulfils the requirements connected to its ISO certificates.

## Customers

### Customer satisfaction

The annual Customer Satisfaction Survey is performed once a year. The quarterly EvalGO survey and the monthly End User Survey are calculated as a simple average based on their respective time intervals. All of the surveys are ranked on an ascending scale from 1 (lowest) to 5 (highest).

### Quality

Quality is measured as the total number of customer complaints received by NNIT during the financial year. A call to NNIT is classified as a complaint if the customer informs NNIT that the agreed delivery (product or service) is failing to live up to the customer's expectations.

### Audits

Customer audits refers to audits of an NNIT organizational unit by a customer. Third-party audits refers to audits of an NNIT certification by an external body, for example, DNV. IT revisions refers to IT revisions of an NNIT IT delivery by an external provider, for example, PwC.

## Employees

### Average number of full-time employees (FTEs)

FTE is measured as the simple average of the number of employees at the end of each month in the financial year converted into full-time equivalents. The number excludes temporary employees and pre-graduate final year students. Employees are included in the calculation on employment percentage basis (full-time employees have a working percentage of 95 percent or more).



**Gender distribution**

Gender distribution is calculated as the ratio of men/women to the total number of employees at the end of the financial year.

**Internationalization ratio**

The internationalization ratio is measured as the proportion of employees employed at NNIT locations outside of Denmark.

**Educational background**

Educational background is defined in accordance with the international standards of the European Higher Education Area. Only one educational qualification (the longest) is included per person.

**Employee turnover**

Employee turnover is measured as the number of employees leaving NNIT during the financial year as a ratio of the average number of employees during the financial year. The ratio includes managed turnover,

which are employees leaving NNIT against their will. The average number of employees is determined as a simple average of the number of full-time employees (FTEs).

**Employee satisfaction**

Once a year, a survey (eVoice) is conducted among all employees. The result is calculated as a weighted average of seven categories, where overall employee satisfaction is one of the categories. The scores are based on an ascending scale from 1 (lowest) to 5 (highest).

**Promotions and job rotations**

The number of job rotations is measured as the number of employees who have been promoted or given a new job description during the financial year divided by the average number of full-time employees (FTEs).

**Professional development**

The number of certifications includes all certifications of all employees.



# Security first

Janus Theodor Hove, Advanced Operations Specialist, and Kim Olsen, Technology Subject Matter Expert, work in the IT Compliance & Security team. They assist customers in the increasingly important area of safeguarding business critical information and keeping systems secure from hackers, malware and other security threats.



Lars Fruergaard Jørgensen, René Stockner, Anne Broeng, Jesper Brandgaard, Kenny Smidt, Alex Steninge Jacobsen

# Board of Directors

## Jesper Brandgaard

### Chairman

Jesper Brandgaard is Chairman of the Board of NNIT and has been a member since 2002.

Mr. Brandgaard is Executive Vice President and CFO of Novo Nordisk A/S. He also serves as Chairman of the Board of SimCorp A/S. Mr. Brandgaard has an MSc in Economics and Auditing as well as an MBA, both from Copenhagen Business School.

## Anne Broeng

Anne Broeng became a member of NNIT's Board in 2014.

Mrs. Broeng has previously been Group Executive Vice President and CFO of PFA Pension. Mrs. Broeng is a member of the boards of VKR Holding A/S, ATP, Lønmodtagernes Garantifond, Købmand Herman Sallings Fond, F. Salling Holding A/S, F. Salling Invest A/S and Bikubenfonden. Mrs. Broeng has an MSc in Economics from the University of Aarhus.

## Lars Fruergaard Jørgensen

Lars Fruergaard Jørgensen has been a member of NNIT's Board since 2005.

Mr. Jørgensen is Executive Vice President and Chief of Staff, Corporate Development, Novo Nordisk A/S. He also serves as Chairman of the Board of NNE Pharmaplan A/S. Mr. Jørgensen has an MSc in Finance and Business Administration from Aarhus School of Business, University of Aarhus.

## René Stockner

René Stockner has been a member of NNIT's Board since 2009.

Mr. Stockner is CEO of Girittech A/S and Excitor A/S. He holds an MSc in Engineering and a PhD in Systems Science and Database Applications, both from the Technical University of Denmark.

## Alex Steninge Jacobsen

Alex Steninge Jacobsen has been an employee elected member of NNIT's Board since 2011.

Mr. Jacobsen is Associate Service Delivery Director at NNIT and has an MSc in Planning and Management from the Technical University of Denmark.

## Kenny Smidt

Kenny Smidt has been an employee elected member of NNIT's Board since 2011.

Mr. Smidt is Business Consultant at NNIT and has a Marketing Economics degree from Copenhagen Business School.



Søren Luplau-Pagh, Brit Kannegaard Johannessen, Michael Bjerregaard, Jess Julin Ibsen, Carsten Krogsgaard Thomsen, Per Kogut

# Management

## **Per Kogut**

*CEO*

Per Kogut joined NNIT in January 2007.

Mr. Kogut is CEO of Rønmosegård Holding ApS, Chairman of the Board of Netgroup A/S and member of the Board of the Danish IT Industry Association (ITB). Mr. Kogut holds an MSc in Political Science from the University of Copenhagen.

## **Carsten Krogsgaard Thomsen**

*CFO*

Carsten Krogsgaard Thomsen joined NNIT in January 2014.

Mr. Krogsgaard is a member of the Board of GN Netcom A/S, GN Resound A/S and GN Store Nord A/S. He previously served as Deputy Chairman (2011-2014) and member (2004-2014) of the Board of NNIT. Mr. Krogsgaard holds an MSc in Economics from the University of Copenhagen.

## **Jess Julin Ibsen**

*Senior Vice President*

*IT Operation Services*

Jess Julin Ibsen joined NNIT in June 2013.

Mr. Ibsen is a member of the executive management of Cardiff Komplementar ApS, Chairman of the Board of K/S Cardiff and member of the Board of Fast-PassCorp A/S. Mr. Ibsen holds an MSc in Industrial Engineering from the Technical University of Denmark.

## **Michael Bjerregaard**

*Corporate Vice President*

*Client Management*

Michael Bjerregaard joined NNIT in March 2005.

Mr. Bjerregaard is a member of the Board of Cohaesio Holding ApS, Keepit A/S and SurfTown A/S.

Mr. Bjerregaard holds an MSc in Engineering from the Danish Engineering Academy as well as a Bachelor of Commerce, Informatics and Management Accounting from Copenhagen Business School.

## **Brit Kannegaard Johannessen**

*Corporate Vice President*

*People, Communication & Quality*

Brit Kannegaard Johannessen joined NNIT in May 2010.

Ms. Johannessen is also a member of the Board of Directors of Mediehuset Ingeniøren A/S. Ms. Johannessen holds an MSc in Business Administration and Commercial Law from Aalborg University.

## **Søren Luplau-Pagh**

*Corporate Vice President*

*IT Solution Services*

Søren Luplau-Pagh joined NNIT in June 2007.

Mr. Luplau-Pagh is a member of the Board of Fonden 65-Ferie. Mr. Luplau-Pagh holds an Executive MBA from Henley Management College, University of Reading.





# Financial statements 2014







# Financial Statements 2014

## Statements

Management's statement	54
Independent auditor's report	55

## Consolidated Financial Statements

Income statement and statement of comprehensive income	57
Balance sheet	58
Statement of cash flows	60
Statement of changes in equity	61
Notes	62

## Parent Company Financial Statements

Income statement	89
Balance sheet	90
Notes	92

# 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 2014.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Management review and the Parent Company Financial Statements of NNIT A/S, are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the accounting policies applied are appropriate, and the Consolidated Financial State-

ments and the Parent Company Financial Statements give a true and fair view of the Group's and the parent company's financial position at December 31 2014 and of the results of the Group's and Parent Company's operations and consolidated cash flows for the financial year 2014.

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.

Søborg, February 8, 2015

## NNIT A/S

### Executive Management



Per Kogut  
CEO



Carsten Krogsgaard Thomsen  
CFO



Jess Julin Ibsen  
Senior Vice President  
- IT Operation Services

### Board of Directors




Jesper Brandgaard  
Chairman




Anne Broeng



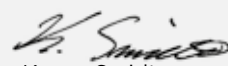
Lars Fruergaard Jørgensen



René Stockner



Alex Steninge Jacobsen  
Employee representative



Kenny Smidt  
Employee representative

# Independent Auditor's Report

on the Consolidated Financial Statements at and for the financial year ended December 31, 2014

## To the Shareholders of NNIT A/S

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of NNIT A/S as at and for the financial year 2014, which comprise income statement, balance sheet, statement of changes in equity and notes for both the Group and the Parent Company, as well as summary of significant accounting policies and statement of comprehensive income and statement of cash flows for the Group. The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The Parent Company Financial Statements are prepared in accordance with the Danish Financial Statements Act.

## Management's Responsibility for the Consolidated Financial Statements and the financial statements of the parent company

Management is responsible for the preparation of Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view in accordance with the above legislation and accounting standards, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and the Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the financial statements of the Parent are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the financial statements of the parent. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the Consolidated Financial Statements and the Parent Company Financial Statements

that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

## Opinion

In our opinion, the Consolidated Financial Statements give a true and fair view of the Group's financial position at December 31, 2014 and of the results of the Group's operations and cash flows for the financial year January 1 to December 31, 2014 in accordance with International Financial Reporting Standards as adopted by the European Union and additional Danish disclosure requirements. Moreover, in our opinion the Parent Company Financial Statements give a true and fair view of the financial position at December 31, 2014 and of the results of the Parent Company's operations for the financial year 2014 in accordance with the Danish Financial Statements Act.

## Statement on the Management's Review

Pursuant to the Danish Financial Statements Act, we have read the Management's Review.

We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, it is our opinion, that the information provided in the Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

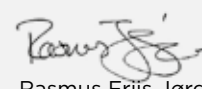
Søborg, February 8, 2015

## PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab



Lars Holtug  
State Authorised  
Public Accountant



Rasmus Friis Jørgensen  
State Authorised  
Public Accountant



# Consolidated Financial Statements

# Income statement and statement of comprehensive income

for the year ended December 31

DKK '000	Note	2014	2013
<b>Income statement</b>			
<b>Net turnover</b>	2.1	<b>2,410,396</b>	<b>2,204,532</b>
Cost of goods sold	2.2, 2.3, 2.4	1,930,680	1,755,589
<b>Gross profit</b>		<b>479,716</b>	<b>448,943</b>
Sales and marketing costs	2.2, 2.3, 2.4	111,898	112,723
Administrative expenses	2.2, 2.3, 2.4	102,471	89,759
<b>Operating profit</b>		<b>265,347</b>	<b>246,461</b>
Financial income	4.1	7,480	930
Financial expenses	4.2	5,103	12,247
<b>Profit before income taxes</b>		<b>267,724</b>	<b>235,144</b>
Income taxes	2.5	58,441	49,578
<b>Net profit for the year</b>		<b>209,283</b>	<b>185,566</b>
Earnings per share			
<b>Earnings per share (DKK)</b>	4.3	<b>8.37</b>	<b>7.42</b>
<b>Diluted earnings per share (DKK)</b>	4.3	<b>8.37</b>	<b>7.42</b>
<b>Statement of comprehensive income</b>			
<b>Net profit for the year</b>		<b>209,283</b>	<b>185,566</b>
Other comprehensive income:			
<i>Items that will not be reclassified subsequently to the income statement:</i>			
Remeasurement related to post employment benefit obligations	3.6	(3,633)	7,165
Income taxes relating to other comprehensive income	2.5	888	(1,312)
<i>Items that may be reclassified subsequently to the income statement, when specific conditions are met:</i>			
Currency translation differences related to subsidiaries (net)		2,370	(307)
<b>Other comprehensive income, net of tax</b>		<b>(375)</b>	<b>5,546</b>
<b>Total comprehensive income</b>		<b>208,908</b>	<b>191,112</b>

# Balance sheet

at December 31

## Assets

DKK '000	Note	2014	2013
Intangible assets	3.1	35,411	43,250
Tangible assets	3.2	401,298	364,539
Deferred tax	2.5	5,583	4,077
Other financial assets	3.3	22,269	21,455
<b>Total non-current assets</b>		<b>464,561</b>	<b>433,321</b>
Inventories		1,639	2,301
Trade receivables	3.4, 5.6	430,416	340,562
Work in progress	3.5	134,156	141,317
Other receivables and pre-payments		85,477	74,789
Tax receivables	2.5	13,478	-
Shares	4.5	55,035	49,039
Cash and cash equivalents	4.5, 5.6	97,648	234,990
<b>Total current assets</b>		<b>817,849</b>	<b>842,998</b>
<b>Total assets</b>		<b>1,282,410</b>	<b>1,276,319</b>

# Balance sheet

at December 31

## Equity and liabilities

DKK '000	Note	2014	2013
Share capital	4.3	250,000	1,000
Other reserves		5,823	2,565
Retained earnings		344,716	621,779
Proposed dividends	4.4	83,713	140,000
<b>Total equity</b>	4.4	<b>684,252</b>	<b>765,344</b>
Deferred tax	2.5	4,143	-
Employee benefits	3.6	16,511	11,955
Provisions	3.7	4,534	3,022
<b>Total non-current liabilities</b>		<b>25,188</b>	<b>14,977</b>
Provisions	3.7	8,728	5,782
Prepayments received	3.5, 5.6	41,146	35,396
Trade payables	5.6	110,942	116,373
Employee costs payable		296,615	265,919
Tax payables	2.5	2,589	15,938
Other current liabilities		112,950	56,590
<b>Total current liabilities</b>		<b>572,970</b>	<b>495,998</b>
<b>Total equity and liabilities</b>		<b>1,282,410</b>	<b>1,276,319</b>
Contingent liabilities, other contractual obligations and legal proceedings	5.5		
Related party transactions and ownership	5.6		
Events after balance sheet date	5.7		

# Statement of cash flows

for the year ended December 31

DKK '000	Note	2014	2013
<b>Net profit for the year</b>		<b>209,283</b>	<b>185,566</b>
Reversal of non-cash items	5.3	197,861	153,802
Interest received	4.1	338	65
Interest paid	4.2	(1,033)	(937)
Income taxes paid	2.5	(81,600)	(44,975)
<b>Cash flow before change in working capital</b>		<b>324,849</b>	<b>293,521</b>
Changes in working capital	5.4	(9,673)	(39,279)
<b>Cash flow from operating activities</b>		<b>315,176</b>	<b>254,242</b>
Purchase of tangible assets	3.2, 5.4	(150,898)	(46,563)
Dividends received	4.1	1,110	731
Purchase of shares		(12,057)	(8,470)
Payment of deposits	3.3	(673)	(236)
<b>Cash flow from investing activities</b>		<b>(162,518)</b>	<b>(54,538)</b>
Dividends paid		(290,000)	(108,000)
Repayments of non-current liabilities		-	(341)
<b>Cash flow from financing activities</b>		<b>(290,000)</b>	<b>(108,341)</b>
<b>Net cash flow</b>		<b>(137,342)</b>	<b>91,363</b>
Cash and cash equivalents at the beginning of the year		234,990	143,627
<b>Cash and cash equivalents at the end of the year</b>	5.4	<b>97,648</b>	<b>234,990</b>



# Statement of changes in equity

at December 31

**DKK '000**

2014	Note	Share capital	Retained earnings	Other reserves		Total other reserves	Proposed dividends	Total
				Currency revaluation	Tax			
<b>Balance at the beginning of the year</b>		<b>1,000</b>	<b>621,779</b>	<b>1,426</b>	<b>1,139</b>	<b>2,565</b>	<b>140,000</b>	<b>765,344</b>
Net profit for the year		-	209,283	-	-	-	-	209,283
Other comprehensive income for the year		-	(3,633)	2,370	888	3,258	-	(375)
Total comprehensive income for the year		1,000	827,429	3,796	2,027	5,823	140,000	974,252
Capital increase	4.3	249,000	(249,000)	-	-	-	-	-
Dividends paid		-	(150,000)	-	-	-	(140,000)	(290,000)
Proposed dividends for 2014		-	(83,713)	-	-	-	83,713	-
<b>Balance at the end of the year</b>	4.4	<b>250,000</b>	<b>344,716</b>	<b>3,796</b>	<b>2,027</b>	<b>5,823</b>	<b>83,713</b>	<b>684,252</b>
<b>2013</b>								
<b>Balance at the beginning of the year</b>		<b>1,000</b>	<b>569,048</b>	<b>1,733</b>	<b>2,451</b>	<b>4,184</b>	<b>108,000</b>	<b>682,232</b>
Net profit for the year		-	185,566	-	-	-	-	185,566
Other comprehensive income for the year		-	7,165	(307)	(1,312)	(1,619)	-	5,546
Total comprehensive income for the year		1,000	761,779	1,426	1,139	2,565	108,000	873,344
Dividends paid		-	-	-	-	-	(108,000)	(108,000)
Proposed dividends for 2013		-	(140,000)	-	-	-	140,000	-
<b>Balance at the end of the year</b>	4.4	<b>1,000</b>	<b>621,779</b>	<b>1,426</b>	<b>1,139</b>	<b>2,565</b>	<b>140,000</b>	<b>765,344</b>

# Notes

## 1. Basis of preparation

1.1 Summary of significant accounting policies	63
1.2 Summary of key accounting estimates	64
1.3 Changes in accounting policies and disclosures	64
1.4 General accounting policies	65

## 2. Results for the year

2.1 Segment information	69
2.2 Employee costs	70
2.3 Development costs	71
2.4 Amortization, depreciation and impairment losses	72
2.5 Income tax	72

## 3. Operating assets and liabilities

3.1 Intangible assets	74
3.2 Tangible assets	75
3.3 Other financial assets	76
3.4 Trade receivables	76
3.5 Work in progress	76
3.6 Employee benefits	77
3.7 Provisions	78

## 4. Capital structure and financing items

4.1 Financial income	79
4.2 Financial expenses	79
4.3 Share capital and earnings per share	79
4.4 Equity	80
4.5 Financial assets and liabilities	80

## 5. Other disclosures

5.1 Long-term share-based incentives and option program	82
5.2 Fee to statutory auditors	84
5.3 Reversal of non-cash items	84
5.4 Statement of cash flows – specifications	84
5.5 Contingent liabilities, other contractual obligations and legal proceedings	85
5.6 Related party transactions and ownership	86
5.7 Events after balance sheet date	87

# 1. Basis of preparation

## 1.1 Summary of significant accounting policies

The consolidated financial statements are presented in accordance with the International Financial Reporting Standards (IFRS), approved by the European Union, and in accordance with the Danish Financial Statements Act for annual reports of large companies (accounting class C). The consolidated financial statements are prepared in accordance with IFRS standards and interpretations applicable to the 2014 financial year.

### Measurement basis

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

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

### Accounting policies

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

#### *Recognition of net turnover*

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

Net turnover from the sale of services is recognized when all the following conditions have been met:

- the amount of net turnover can be reliably measured;
- it is probable that economic benefits associated with the transactions will accrue to NNIT;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- costs incurred or to be incurred in connection with the transaction can be reliably measured.

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

#### *Solutions business area*

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

#### *Operations business area*

The infrastructure outsourcing and support services are principally provided by the Operations business area. Typically, an outsourcing contract will require the performance of certain preparatory projects (such as transitional projects) and the operation of the IT system. As described below under "*Outsourcing contracts*", the net turnover under an outsourcing contract is allocated to these two components in proportion to the costs that are expected to be incurred to

perform the contract as a whole. This estimate is made at inception of the contract and this allocation of the net turnover remains fixed for the duration of the contract. Net turnover in respect of both the preparatory project and the operation of the IT system is recognized as performance takes place in accordance with IAS 18.

### Construction contracts and the percentage of completion method

The percentage of completion method is used to determine the proportion of a construction contract's sales value that is to be recognized as net turnover in a particular period, whether the basis for charging under the contract is fixed price, time-and-materials, or a mix of both. The proportion of net turnover to be recognized in a particular period is calculated according to the stage of completion of the project. For most contracts this is measured by reference to the costs of performing the contract incurred up to the relevant balance sheet date as a percentage of the total estimated costs of performing the contract. The sales value agreed in the contract is recognized over the contract period using this method. Some of our contracts provide for incentives payments and these are only recognized as net turnover if it is probable that certain specified performance targets or standards will be met and that the amount of the incentive can be reliably measured.

For time-and-materials contracts, we recognize net turnover as performance takes place based on the actual hours incurred.

Construction contracts for which the recognized net turnover from the work performed exceeds progress billings are recognized in the balance sheet as receivables.

Construction contracts for which progress billings exceed the net turnover are recognized as liabilities. Prepayments from customers are recognized under liabilities.

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

### Outsourcing contracts

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

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

Net turnover from the operation of the IT systems is recognized in the period the outsourcing services are provided based on amounts billable to a customer (for fixed price components in the contract, we typically use straight-line over the course of a year and for variable components based on usage of units, and price lists according to the contract) less any amounts allocated to any preparatory projects.

## 1.2 Summary of key accounting estimates

The preparation of financial statements in conformity with IFRS requires the use of certain key accounting estimates.

Determination of the carrying value of some assets and liabilities requires valuations, 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, so that the actual outcome may differ from these estimates.

Management regards judgments and estimates under the following items as significant to these consolidated financial statements:

- Construction contracts and provisions for losses
- Legal proceeding/claims

### *Construction contracts and provision for losses*

The determination of the stage of completion of construction contracts is based on estimates of future costs, hours and materials. Management estimates on individual assessments of specific projects and 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 net turnover attributable to work performed up until the date of revision. The effect of such changes in estimates is recognized as a change to net turnover in the period in which the revisions are determined.

Provisions for losses refer to projects that NNIT is obliged to complete, for which the total project costs exceed the total project income. Such estimates are inherently uncertain on an individual basis, according to the known situation at the balance sheet date and historical experience.

### *Provisions for legal proceeding/claims*

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

## 1.3 Changes in accounting policies and disclosures

### **Adoption of new or amended IFRSs**

Based on an assessment of new or amended and revised accounting standards and interpretations (IFRSs) issued by IASB and IFRSs endorsed by the European Union effective on or after January 1, 2014, it has been assessed that the application of these new IFRSs has not had a material impact on the consolidated financial statements in 2014 and Management does not anticipate any significant impact on future periods from the adoption of these new IFRSs.

NNIT has adopted the requirements of listed companies to disclose segment reporting according to IFRS 8 and key-ratios earnings per share according to IAS 33.

Segment reporting is described in section 1.4; Other Accounting Policies and key-ratios earnings per share in section 1.4; Financial definitions.

At December 31, 2014, NNIT made a reclassification of refurbishment obligations in relation to leasehold agreements from Other current liabilities to Non-current liabilities; Provision with an amount of DKK 3,000k. Comparative figures for 2013 are adjusted. The reclassifications had no impact on Profit and loss or Equity and liabilities in either 2014 or 2013.

### **New or amended IFRSs that have been issued but have not yet come into effect and have not been early adopted**

In addition to the above, IASB has issued a number of new or amended and revised accounting standards and interpretations that have not yet come into effect. The following standards are in general expected to change current accounting regulation most significantly:

IASB has issued IFRS 15 "Revenue from Contracts with Customers", with effective date January 1, 2017. It currently awaits EU endorsement. IFRS 15 is part of the convergence project with FASB to replace IAS 18 and IAS 11. The new standard will establish a single, comprehensive framework for revenue recognition. Revenue is recognized when a customer obtains control of a service and thus has the ability to direct the use and obtain the benefit from the service. NNIT has assessed the impact of the standard and determined that it will not have a significant impact on the consolidated financial statements in relation to major outsourcing contracts in particular, which will result in profit on some phases of certain contracts being postponed to later periods other than the period during which the activities were performed.

This postponement arises from the fact that some of the activities performed in the transition and transformation phases do not transfer services to the customer under IFRS 15. In this case the costs incurred to perform those activities would be considered start-up costs, which are capitalized and amortized over the contract period. This will not impact revenue recognition on major outsourcing contracts which are completed before December 31 2015.

## 1.4 General accounting policies

### Principles of consolidation

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

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

### Other accounting policies

#### Segment reporting

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

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

There are no sales or other transactions between the business segments. Costs have been split between the business segments according to a specific allocation with the addition of a minor number of corporate overhead costs allocated systematically between segments. 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 as of the transaction date. Receivables and liabilities in foreign currencies that have not been settled on the balance sheet date are translated at the exchange rate on the balance sheet date.

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

##### *Currency translation for foreign operations*

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

Exchange arising from:

- The translation of subsidiaries' net assets at the beginning of the financial year at exchange rates on the balance sheet date

- The translation of subsidiaries' income statements at exchange rates on the balance sheet date

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

### Costs

#### *Cost of goods sold*

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

#### *Sales and marketing costs*

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

#### *Administrative expenses*

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

### Financial items

Financial income and expenses comprise interest, including interest on financial leases, realized and unrealized gains and losses from exchange rate adjustments, realized and unrealized capital gains and losses on securities, and fair value adjustment of cash settled share-based payments liabilities.

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

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

### Tax

Income tax comprises the 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 value and tax value of assets and liabilities.

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

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

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

### Intangible assets

#### *IT development projects*

Clearly specified and identifiable projects under development for internal use for which the technical feasibility of completing the development project has been demonstrated, resources are available within NNIT and the existence of



a market or development opportunity for NNIT has been demonstrated, and the intention is to produce, market or use the project, are recognized as intangible assets provided that there is sufficient certainty that the present value of the future earnings will recover the development costs incurred to date and expected to be incurred to complete the project.

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 loss. 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 as from completion of the development work by the straight-line method, over the period for which 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 are tested for impairment if there are indications of impairment.

Where it is determined that the carrying value of intangible assets is higher than its recoverable amount which is the higher of fair value less costs to sell and value in use, i.e. the present value of expected future cash flows, it is written down to its recoverable amount.

#### **Tangible assets**

Tangible fixed assets are measured at cost less accumulated depreciation and any impairment loss. The cost price includes the purchase price and costs relating directly to the purchase. Subsequent costs are either included in the carrying value 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 straight-line over the following useful life periods:

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

Land is not depreciated.

Asset residual values and useful life are assessed and if necessary adjusted on each balance sheet date.

Tangible assets are tested for impairment if there are indications of impairment. The carrying value of an asset is written down to its recoverable value if the carrying value exceeds the estimated recoverable value. The recoverable value 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 value for 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 value. Impairments are recognized in the income statement under the relevant functional areas.

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

#### **Leasing**

##### *NNIT as lessee*

Lease contracts where substantially all risks and rewards of ownership are transferred to NNIT are classified as financial leases. Other leases are classified as operating leases.

Financial leases are recognized in the balance sheet under tangible assets at the lower of fair value and present value of the minimum lease payments, with depreciation over the expected useful life as per the above depreciation periods.

The corresponding financial lease liabilities are recognized under liabilities, at the present value of the minimum lease payments determined on the basis of interest rate implicit in the contracts or if not available, NNIT's incremental borrowing rate.

Lease payments under operating leases are recognized in the income statements on a straight-line basis.

#### **Inventories**

Goods for resale are measured at cost price, or a lower net realizable value.

#### **Trade receivables**

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

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

#### **Other receivables and prepayments**

##### *Deposits*

Deposits comprise rental deposits.

##### *Current receivables*

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

##### *Prepayments*

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

#### **Shares**

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

#### **Equity**

##### *Dividend*

Dividend distribution to the shareholders of NNIT is recognized as a liability when dividends are declared at the Annual General Meeting (declaration date). Proposed dividends are disclosed in the statement of changes in equity.

#### **Employee benefits**

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

##### *Pensions*

NNIT operates with a number of defined-contribution pension plans. The costs of these pension plans are expensed 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 as of the balance sheet date less the fair value by applying the projected unit credit method. Plan assets, if any, are measured at fair value and offset against the defined benefit obligation in the balance sheet. Service costs and the interest component are recognized in the income statement. Actuarial gains and losses are recognized in other comprehensive income in the period in which they occur. Settlements are immediately recognized in the income statement.

#### *Jubilee benefits*

This comprises liabilities for the cost of employee anniversaries. The liability is based on an actuarial calculation using the projected unit credit method.

#### **Long-term share-based incentive and option programs**

NNIT's key employees including Group Management are part of a long-term share-based incentive program (LTIP). Under the program, NNIT allocates Novo Nordisk A/S shares based on operating profit and free cash flow.

Under the LTIP participants receive Novo Nordisk B shares according to a calculation of NNIT's economic value added, combined with the expected financial performance for the year. NNIT has the obligation to deliver shares, and consequently, the arrangement is classified as a cash settled arrangement.

The value of the shares allocated under the LTIP is recognized as an expense over the vesting period.

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

The former share options program, last granted in 2006, was treated as an equity plan. Accordingly, the value of the plan on allocation was distributed as a cost over the vesting period of four years. The exercise period for options granted under the former share options program expires March 26, 2015.

The total amount recognized during the vesting period is set on the basis of the market value of the allocated shares or options. The cost is recognized under cost of goods sold, sales and marketing costs and administrative expenses, as applicable. The market value of the options was calculated on allocation date using the Black-Scholes model. Non-market related conditions for acquisition of the right are included in the number of options likely to be potentially exercisable.

#### **Provisions**

Provisions are recognized where 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 amount can be reliably estimated.

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

#### *Provision for losses on construction contracts*

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

#### *Provision for refurbishment obligation*

This refers to refurbishment obligations NNIT is obliged to reestablish according to lease contracts on office premises.

#### **Trade payables**

Trade payables are measured at amortized cost.

#### **Cash flow statement**

The cash flow statement is prepared by the indirect method, working from the operating profit for the period. The cash flow statement shows the cash flows for the year, divided into operating, investing and financing activities, and how these cash flows have impacted on 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, provisioned liabilities, change in net working capital and interest received and paid.

#### *Cash flow from investing activities*

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

#### *Cash flow from financing activities*

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

#### *Cash and cash equivalents*

Cash and cash equivalents include cash and deposits in the parent company, Novo Nordisk A/S, as a result of the cash pool policy in the Novo Nordisk Group, since these resources are part of day-to-day cash management, are freely available, and can readily be converted into cash.

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

## Financial definitions

Operating profit margin	=	$\frac{\text{Operating profit} \times 100}{\text{Net turnover}}$
Gross profit margin	=	$\frac{\text{Gross profit} \times 100}{\text{Net turnover}}$
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)*	=	$\frac{\text{Net profit after tax} \times 100}{\text{Average invested capital**}}$
EBITDA margin	=	$\frac{\text{Operating profit} + \text{depreciation and amortization}}{\text{Net turnover}}$
Solvency ratio	=	$\frac{\text{Equity}}{\text{Total assets}}$
Effective tax rate	=	$\frac{\text{Tax}}{\text{Profit before tax}}$

\* ROIC is calculated after tax.

\*\* Average invested capital is calculated excluding cash at bank and in hand.

Above key ratios have been prepared in accordance with the guidelines issued by the Danish Society of Financial Analysts.

### *Earnings per share*

Earnings per share and diluted earnings per share are calculated in accordance with IAS 33. Basic earnings per share is 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.

## 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:

- Cash to earnings
- Financial resources at the end of the year
- Free cash flow

### *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 is 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'.

## 2. Results for the year

### 2.1 Segment information

NNIT deliver services and solutions through two business areas, each responsible for delivering a number of services to customers. Both business areas share sales and support functions and are promoted and marketed as part of the unified NNIT business offering. Depending on the services and solutions the customer retains us to deliver, NNIT may deliver the services and solutions through one or the other business area or jointly with both business areas contributing to an integrated delivery.

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

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

DKK '000	2014	2013
<b>Net turnover by business area</b>		
Operations	1,667,104	1,495,686
<i>hereof Novo Nordisk Group</i>	867,127	793,735
<i>hereof non-Novo Nordisk Group</i>	799,977	701,951
Solutions	743,292	708,846
<i>hereof Novo Nordisk Group</i>	393,143	376,307
<i>hereof non-Novo Nordisk Group</i>	350,149	332,539
<b>Total net turnover</b>	<b>2,410,396</b>	<b>2,204,532</b>
<b>Net turnover by customer group</b>		
Life Sciences	1,546,824	1,409,647
<i>hereof Novo Nordisk Group</i>	1,260,270	1,170,042
<i>hereof other Life Sciences</i>	286,554	239,605
Enterprise	371,253	291,478
Public	326,065	344,844
Finance	166,254	158,563
<b>Total net turnover</b>	<b>2,410,396</b>	<b>2,204,532</b>
<b>Operating profit by business area</b>		
Operations	188,388	138,671
Solutions	76,959	107,790
<b>Total operating profit</b>	<b>265,347</b>	<b>246,461</b>
<b>Amortization, depreciation and impairment losses</b>		
Operations	120,064	104,409
Solutions	3,952	3,399
<b>Total amortization, depreciation and impairment losses</b>	<b>124,016</b>	<b>107,808</b>

The Danish operations generated 92.3% of the net turnover in the year ended December 31, 2014 (2013: 92.5%) based on the location of customer purchase orders. As a consequence of the predominantly Danish net turnover, NNIT will not disclose a geographical revenue split.

The Novo Nordisk Group generated 52.3% of the net turnover in the year ended December 31, 2014 (2013: 53.1%). The total net turnover from the Novo Nordisk Group in 2014 includes non-recurring projects of approximately DKK 30,000k. The non-recurring projects relates to the sale of IT services in connection with the IT separation from Novo Nordisk as well as hardware and software sales.

## 2.2 Employee costs

DKK '000	2014	2013
Employee costs amount to:		
Wages and salaries	1,187,486	1,099,841
Pensions - defined contribution plans	107,649	95,943
Pensions - defined benefit obligations	3,822	5,472
Other employee costs	86,681	76,820
<b>Total employee costs</b>	<b>1,385,638</b>	<b>1,278,076</b>
Included in the income statement under the following headings:		
Cost of goods sold	1,226,290	1,145,157
Sales and marketing costs	90,066	74,128
Administrative expenses	69,282	58,791
<b>Total employee costs</b>	<b>1,385,638</b>	<b>1,278,076</b>
Average number of full-time employees	2,276	2,046

### Board of Directors' and Group Management's remuneration and share-based payment

DKK '000	Fixed base salary	Cash Bonus	Pension	Benefits	Share-based incentives	Total
<b>2014</b>						
Per Kogut	2,618	767	846	185	2,117	6,533
Carsten Krogsgaard Thomsen (1)	1,580	461	510	148	1,387	4,086
Jess Julin Ibsen (2)	1,727	508	559	167	1,703	4,664
<b>Executive Management in total</b>	<b>5,925</b>	<b>1,736</b>	<b>1,915</b>	<b>500</b>	<b>5,207</b>	<b>15,283</b>
<b>Other members of Group Management total</b>	<b>4,429</b>	<b>1,340</b>	<b>463</b>	<b>354</b>	<b>1,310</b>	<b>7,896</b>
<b>Fees to Board of Directors (3)</b>	<b>950</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>950</b>

DKK '000	Fixed base salary	Cash Bonus	Pension	Benefits	Share-based incentives	Total
<b>2013</b>						
Per Kogut	2,566	860	857	170	1,818	6,271
Jess Julin Ibsen (4)	986	328	328	105	688	2,435
<b>Executive Management in total</b>	<b>3,552</b>	<b>1,188</b>	<b>1,185</b>	<b>275</b>	<b>2,506</b>	<b>8,706</b>
<b>Other members of Group Management total</b>	<b>7,345</b>	<b>1,208</b>	<b>740</b>	<b>570</b>	<b>1,699</b>	<b>11,562</b>
<b>Fees to Board of Directors (3)</b>	<b>750</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>750</b>

- (1) Carsten Krogsgaard Thomsen joined the Executive Management in February, 2014, and, accordingly, he did not receive any remuneration as an executive in the Company with respect to the financial year 2013. Prior to joining the Executive Management and during the financial year 2013, Carsten Krogsgaard Thomsen served as Deputy Chairman of the Board of Directors, for which he received DKK 300k in fixed annual fees with respect to the financial year 2013.
- (2) Jess Julin Ibsen has in addition to the annual share-based incentives (LTIP) for 2014 received an agreed additional share-based remuneration of total DKK 316k in 2014.
- (3) Fees to the Board of Directors consists of a fixed amount to employee-elected board members as well as members not representing Novo Nordisk A/S. An ad hoc fee in the amount of DKK 400k regarding extraordinary meeting activities in 2014 has been included in the fees to the Board of Directors for 2014.
- (4) Reflects the amount of salary and other remuneration received by Jess Julin Ibsen since he joined the Company in June 2013.

**2.2 Employee costs - continued**

**Long-term incentive program (LTIP)**

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

The program is based on earnings before interest and tax compared to the targeted level. In addition, the realized free cash flow compared to the targeted level could be 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 maximum allocation under the LTIP for the CEO and other members of Executive Management cannot exceed the equivalent of eight months' fixed base salary including pension contribution (for performance in 2014), whereas a fixed and predefined number of shares will be allocated to the other members of Group Management (for performance in 2014).

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

For 2014 (as has been the case in the past), approved LTIP allocations for members of the Group Management will be converted into shares in Novo Nordisk A/S.

The shares allocated to the members of Group Management based on the 2011 performance, are released to the individual participants subsequent to the approval of the Annual Report 2014 by the Board of Directors. Based on the share price at the end of 2014, the value of the released shares is as follows:

DKK	Number of shares	Market value
Values at December 31, 2014 of shares released January 30, 2015		
Per Kogut	16,250	4,229,875
Carsten Krogsgaard Thomsen	-	-
Jess Julin Ibsen	-	-
<b>Executive Management in total</b>	<b>16,250</b>	<b>4,229,875</b>
<b>Other members of Group Management total</b>	<b>10,980</b>	<b>2,858,094</b>

**2.3 Development costs**

DKK '000	2014	2013
Costs for development of new projects, which do not fulfil the requirements for recognition in the balance sheet are expensed immediately in the income statement		
Cost of goods sold	9,304	12,338
Sales and marketing costs	-	-
Administrative expenses	1,091	534
<b>Total development costs</b>	<b>10,395</b>	<b>12,872</b>



## 2.4 Amortization, depreciation, and impairment losses

DKK '000	2014	2013
Amortization	7,839	7,839
Depreciation	116,177	99,969
<b>Total amortization, depreciation, and impairment losses</b>	<b>124,016</b>	<b>107,808</b>
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	119,017	102,932
Sales and marketing costs	112	101
Administrative expenses	4,887	4,775
<b>Total amortization, depreciation, and impairment losses</b>	<b>124,016</b>	<b>107,808</b>

## 2.5 Income tax

DKK '000	2014	2013
Current tax	53,110	74,967
Deferred tax	3,814	(24,443)
Adjustments recognized for current tax of prior periods	1,562	343
Adjustments recognized for deferred tax of prior periods	(45)	(1,289)
<b>Income taxes in the income statement</b>	<b>58,441</b>	<b>49,578</b>
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	24.5%	25.0%
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	(0.6%)	(0.5%)
Effect of 115% depreciation on other equipment	(0.5%)	(0.8%)
Effect on deferred tax related to change in the Danish corporate tax rate	0.5%	0.6%
Other adjustments to taxable income	(2.1%)	(3.2%)
<b>Effective tax rate</b>	<b>21.8%</b>	<b>21.1%</b>
<b>Tax on other comprehensive income for the year</b>	<b>888</b>	<b>(1,312)</b>

Tax on other comprehensive income for the year relates to remeasurement related to pension obligations.

**2.5 Income tax - continued**
**Deferred taxes**

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Provisions	2014
<b>2014</b>						
<b>Deferred tax asset/liability</b>						
At the beginning of the year	(9,731)	42,707	(46,211)	2,085	15,227	4,077
Adjustments related to previous years	-	45	-	-	-	45
Exchange rate differences	-	120	(22)	-	(280)	(182)
Movements within the year	1,921	8,159	(12,182)	-	(1,094)	(3,196)
One-off due to change in Danish tax rate	(260)	(622)	826	-	(136)	(192)
Movements in comprehensive income in the year	-	-	-	-	888	888
<b>At the end of the year</b>	<b>(8,070)</b>	<b>50,409</b>	<b>(57,589)</b>	<b>2,085</b>	<b>14,605</b>	<b>1,440</b>
<b>Deferred tax are recognized in the balance sheet as follows</b>						
Deferred tax under assets related to foreign subsidiaries						5,583
Deferred tax under liabilities related to Parent Company and foreign subsidiaries						(4,143)
<b>Total deferred tax</b>						<b>1,440</b>

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Provisions	2013
<b>2013</b>						
<b>Deferred tax asset/liability</b>						
At the beginning of the year	(12,772)	42,901	(62,533)	1,523	10,487	(20,394)
Adjustments related to previous years	-	452	-	-	837	1,289
Exchange rate differences	-	-	-	-	51	51
Movements within the year	1,960	3,570	13,949	562	5,704	25,745
One-off due to change in Danish tax rate	1,081	(4,216)	2,373	-	(540)	(1,302)
Movements in comprehensive income in the year	-	-	-	-	(1,312)	(1,312)
<b>At the end of the year</b>	<b>(9,731)</b>	<b>42,707</b>	<b>(46,211)</b>	<b>2,085</b>	<b>15,227</b>	<b>4,077</b>

NNIT A/S participates in a joint taxation arrangement with the Novo A/S Group.

DKK '000	2014	2013
<b>Tax payable/receivable</b>		
Tax receivable at the beginning of the year	(15,938)	14,257
Income tax paid during the year	69,868	58,811
Tax refund related to previous years	11,732	(15,230)
Withholding taxes paid during the year	-	1,394
Current tax on profit for the year	(53,110)	(74,967)
Adjustments related to previous years	(1,562)	(270)
Currency revaluations	(101)	67
<b>At the end of the year</b>	<b>10,889</b>	<b>(15,938)</b>
<b>Tax payable/receivable are recognized in the balance sheet as follows</b>		
Tax assets related to Parent Company	13,478	(11,777)
Tax liabilities related to foreign subsidiaries	2,589	(4,161)
<b>Total tax</b>	<b>10,889</b>	<b>(15,938)</b>

## 3. Operating assets and liabilities

### 3.1 Intangible assets

DKK '000	IT development projects	IT development projects under construction	2014
<b>2014</b>			
Cost at the beginning of the year	62,069	-	62,069
Additions	-	-	-
<b>Cost at the end of the year</b>	<b>62,069</b>	<b>-</b>	<b>62,069</b>
Amortization and impairment losses at the beginning of the year	18,819	-	18,819
Amortization	7,839	-	7,839
<b>Amortization and impairment losses at the end of the year</b>	<b>26,658</b>	<b>-</b>	<b>26,658</b>
<b>Carrying amount at the end of the year</b>	<b>35,411</b>	<b>-</b>	<b>35,411</b>
Amortization period	5-10 years		

DKK '000	IT development projects	IT development projects under construction	2013
<b>2013</b>			
Cost at the beginning of the year	62,069	-	62,069
Additions	-	-	-
<b>Cost at the end of the year</b>	<b>62,069</b>	<b>-</b>	<b>62,069</b>
Amortization and impairment losses at the beginning of the year	10,980	-	10,980
Amortization	7,839	-	7,839
<b>Amortization and impairment losses at the end of the year</b>	<b>18,819</b>	<b>-</b>	<b>18,819</b>
<b>Carrying amount at the end of the year</b>	<b>43,250</b>	<b>-</b>	<b>43,250</b>
Amortization period	5-10 years		

#### Impairment test of Intangible assets

At December 31, 2014 there has been no indication of impairment. As a consequence, no impairment test has been conducted. IT development projects mainly include NNIT's ERP system which is used as basis for the entire Group's day-to-day operations.

3.2 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2014
<b>2014</b>					
Cost at the beginning of the year	138,277	540,972	43,321	2,272	724,842
Additions	265	140,467	4,219	10,276	155,227
Disposals	-	(33,780)	-	(96)	(33,876)
Transfer	-	2,175	-	(2,175)	-
Exchange rate adjustment	-	233	672	-	905
<b>Cost at the end of the year</b>	<b>138,542</b>	<b>650,067</b>	<b>48,212</b>	<b>10,277</b>	<b>847,098</b>
Depreciation and impairment losses at the beginning of the year	23,172	316,672	20,459	-	360,303
Depreciation	8,053	102,093	6,031	-	116,177
Depreciation reversed on disposals	-	(31,030)	-	-	(31,030)
Exchange rate adjustment	-	133	217	-	350
<b>Depreciation and impairment losses at the end of the year</b>	<b>31,225</b>	<b>387,868</b>	<b>26,707</b>	<b>-</b>	<b>445,800</b>
<b>Carrying amount at the end of the year</b>	<b>107,317</b>	<b>262,199</b>	<b>21,505</b>	<b>10,277</b>	<b>401,298</b>
Depreciation period	12-50* years	3-10 years	5-10 years		
<b>2013</b>					
Cost at the beginning of the year	138,277	420,172	38,940	25,521	622,910
Additions	-	92,950	4,476	6,823	104,249
Disposals	-	(1,444)	(873)	-	(2,317)
Transfer	-	29,294	778	(30,072)	-
<b>Cost at the end of the year</b>	<b>138,277</b>	<b>540,972</b>	<b>43,321</b>	<b>2,272</b>	<b>724,842</b>
Depreciation and impairment losses at the beginning of the year	15,122	229,762	17,240	-	262,124
Depreciation	8,050	87,919	4,000	-	99,969
Depreciation reversed on disposals	-	(1,009)	(781)	-	(1,790)
<b>Depreciation and impairment losses at the end of the year</b>	<b>23,172</b>	<b>316,672</b>	<b>20,459</b>	<b>-</b>	<b>360,303</b>
<b>Carrying amount at the end of the year</b>	<b>115,105</b>	<b>224,300</b>	<b>22,862</b>	<b>2,272</b>	<b>364,539</b>
Depreciation period	12-50* years	3-10 years	5-10 years		

\*Land is not depreciated.

Records of fixed assets in NNIT are inspected on a regular basis to locate assets which are no longer in use. Such assets are written down to DKK 0.

### 3.3 Other financial assets

DKK '000	2014	2013
<b>Deposits</b>		
Cost at the beginning of the year	21,455	21,219
Exchange rate adjustment	141	(52)
Additions (net)	673	288
<b>Carrying amount at the end of the year</b>	<b>22,269</b>	<b>21,455</b>

### 3.4 Trade receivables

DKK '000	2014	2013
Total trade receivables (gross)	431,706	341,029
Allowances for bad debt at the beginning of the year	(467)	(621)
Losses on bad debts	-	-
Adjustment of allowances for bad debt in the year	(823)	154
<b>Allowances for bad debt at year end</b>	<b>(1,290)</b>	<b>(467)</b>
<b>Total trade receivables (net)</b>	<b>430,416</b>	<b>340,562</b>

NNIT is continuously conducting individual assessments of bad debts. If this leads to an assessment that NNIT will not be able to collect all outstanding payments an allowance for bad debts is made. On the basis of historical data, the allowances for bad debts at December 31, 2014 was DKK 1,290k (2013: DKK 467k).

Ageing of non-impaired trade receivables:

Not due at balance sheet date	381,390	299,421
Overdue between 1 and 30 days	15,673	20,063
Overdue between 31 and 60 days	4,085	8,511
Overdue by more than 60 days	29,268	12,567
<b>Total trade receivables</b>	<b>430,416</b>	<b>340,562</b>

Recognized in the balance sheet as follows:

Trade receivables	235,538	194,928
Receivables from related parties	194,878	145,634
<b>Total trade receivables</b>	<b>430,416</b>	<b>340,562</b>

### 3.5 Work in progress

DKK '000	2014	2013
Cost of work in progress	458,804	250,620
Gross profit	177,737	114,964
Work in progress at sales value	636,541	365,584
Received payments on account	(546,129)	(272,835)
Total	90,412	92,749
Sales value of service contracts not invoiced	2,598	13,172
<b>Work in progress at the balance sheet date (net)</b>	<b>93,010</b>	<b>105,921</b>
Recognized in the balance sheet as follows:		
Work in progress under assets	134,156	141,317
Prepayments under liabilities	(41,146)	(35,396)
<b>Work in progress at the balance sheet date (net)</b>	<b>93,010</b>	<b>105,921</b>

**3.6 Employee benefits**

DKK '000	2014	2013
<b>Provision for jubilee benefits</b>		
At the beginning of the year	4,994	5,165
Utilized	(450)	(250)
Additions	830	79
<b>At the end of the year</b>	<b>5,374</b>	<b>4,994</b>

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

**Defined benefit pension obligations**

DKK '000	Pension liability	Plan asset	Net liability
<b>2014</b>			
At the beginning of the year	22,814	15,853	6,961
Current service costs	3,822	-	3,822
Interest expenses	640	-	640
Interest income	-	499	(499)
Employer contributions	-	3,613	(3,613)
Benefits paid from plan asset	768	768	-
Remeasurement gains/(losses) recognized in other comprehensive income	3,375	(258)	3,633
Remeasurement gains/(losses) - adjustment from prior years	-	-	-
Settlements	-	-	-
Currency revaluation	686	493	193
Plan participant contribution etc.	1,040	1,040	-
<b>At the end of the year</b>	<b>33,145</b>	<b>22,008</b>	<b>11,137</b>

**Defined benefit pension obligations**

DKK '000	Pension liability	Plan asset	Net liability
<b>2013</b>			
At the beginning of the year	37,253	23,541	13,712
Current service costs	5,472	-	5,472
Interest expenses	648	-	648
Interest income	-	435	(435)
Employer contributions	-	3,573	(3,573)
Benefits paid from plan asset	(10,005)	(10,005)	-
Remeasurement gains/(losses) recognized in other comprehensive income	(7,219)	(54)	(7,165)
Remeasurement gains/(losses) -adjustment from prior years	(11)	-	(11)
Settlements	(3,706)	(2,288)	(1,418)
Currency revaluation	(793)	(524)	(269)
Plan participant contribution etc.	1,175	1,175	-
<b>At the end of the year</b>	<b>22,814</b>	<b>15,853</b>	<b>6,961</b>

The defined benefit plans are usually funded by payments from Group companies and by employees to funds independent from 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 18.7 years (2013: 18.7 years).



### 3.6 Employee benefits - continued

#### Assumptions used for valuation

DKK '000	2014	2013
Discount rate	1.5%	2.3%
Price inflation	1.3%	1.5%
Projected future remuneration increases	1.8%	2.0%
Future increases in social security	1.3%	1.5%
Actuarial valuations are performed annually.		
<b>Total employee benefits</b>	<b>16,511</b>	<b>11,955</b>

### 3.7 Provisions

DKK '000	2014	2013
<b>Provision for loss on projects</b>		
At the beginning of the year	5,782	6,447
Additions	6,824	5,000
Reclassified to work in progress	(5,000)	-
Amount used	(782)	(5,665)
<b>At the end of the year</b>	<b>6,824</b>	<b>5,782</b>
Provision for loss on projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects.		
<b>Provision for refurbishment obligation</b>		
At the beginning of the year	3,022	1,300
Additions	3,416	1,722
<b>At the end of the year</b>	<b>6,438</b>	<b>3,022</b>
Provision for refurbishment obligation relates to the leasehold agreement regarding Østmarken 3A, DK-2680 Søborg, Denmark and Bändliweg 20, CH-8048 Zurich, Switzerland		
<b>Provisions are recognized in the balance sheet as follows</b>		
Non-current provisions	4,534	3,022
Current provisions	8,728	5,782
<b>Total provisions</b>	<b>13,262</b>	<b>8,804</b>

## 4. Capital structure and financing items

### 4.1 Financial income

DKK '000	2014	2013
Interest income from related parties	3	-
Fair value adjustments of financial instruments from related parties (net)	3,930	-
Dividends received	1,110	731
Interests related to tax	-	134
Unrealized gain on shares (net)	1,317	0
Realized/unrealized gain on currency	785	0
Other financial income	335	65
<b>Total financial income</b>	<b>7,480</b>	<b>930</b>

### 4.2 Financial expenses

DKK '000	2014	2013
Interest expenses to related parties	12	243
Fair value adjustments of financial instruments from related parties (net)	-	1,066
Interests related to tax	206	62
Guarantee commission	991	978
Unrealized loss on shares (net)	-	6,409
Realized/unrealized loss on currency	3,079	2,629
Other financial expenses	815	860
<b>Total financial expenses</b>	<b>5,103</b>	<b>12,247</b>

### 4.3 Share capital and earnings per share

At September 16, 2014 a stock split was completed by reducing the nominal value of each share from DKK 1,000 to DKK 1 each or multiples thereof and the shares are issued with a nominal value of DKK 10 each as a multiple of the nominal value of DKK 1. After the stock split, the company's share capital was divided into 100,000 shares.

Also on September 16, 2014 a capital increase was completed by transferring retained earnings to the company's share capital with a total amount of DKK 249,000,000.

The share capital hereafter has a nominal value of DKK 250,000,000, divided into 25,000,000 shares with a nominal value of DKK 10 each.

The calculation of earnings per share has been adjusted retrospectively to reflect the number of shares at December 31, 2013 and 2014.

DKK	2014	2013
Net profit for the year	209,283,000	185,566,000
Average number of shares outstanding	25,000,000	25,000,000
Dilutive effect of share based payments	-	-
<b>Average number of shares outstanding, including dilutive effect of share-based payments</b>	<b>25,000,000</b>	<b>25,000,000</b>
<b>Earnings per share</b>	<b>8.37</b>	<b>7.42</b>
<b>Diluted earnings per share</b>	<b>8.37</b>	<b>7.42</b>

#### 4.4 Equity

The share capital consists of 25,000,000 shares at DKK 10 each.  
No shares carry special rights.

Retained earnings are accumulated earnings.

Currency revaluations are the difference between average exchange rates of the year and exchange rates at balance sheet date when consolidating subsidiaries.

Proposed dividends are the Management's proposed dividends for the financial year.

DKK '000	2014	2013
<b>Net cash distribution to shareholders</b>		
Ordinary dividends	140,000	108,000
Extraordinary interim dividends	150,000	-
<b>Total</b>	<b>290,000</b>	<b>108,000</b>

At the end of 2014, proposed dividends (not yet declared) of DKK 83,713k (DKK 3.35 per share) are recognized in Retained earnings. At September 30, 2014 an extraordinary interim dividend of DKK 150,000k (DKK 6.00 per share) were declared and paid out. The proposed dividend in 2013 was DKK 140,000k (DKK 5.60 per share). The proposed dividend in 2012 was DKK 108,000k (DKK 4.32 per share).

#### 4.5 Financial assets and liabilities

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

- Cash and cash equivalents
- Financial assets at fair value through the income statement
- Loans and receivables
- Financial liabilities at fair value through the income statement
- Financial liabilities measured at amortized cost

DKK '000	Cash and cash equivalents	Financial assets at fair value through the income statement	Loans and receivables	Total
<b>Financial assets by category</b>				
Other financial assets	-	-	22,269	22,269
Trade receivables	-	-	430,416	430,416
Work in progress	-	-	134,156	134,156
Other receivables and pre-payments	-	-	85,477	85,477
Shares (1)	-	55,035	-	55,035
Cash and cash equivalents	97,648	-	-	97,648
<b>Total financial assets at the end of 2014</b>	<b>97,648</b>	<b>55,035</b>	<b>672,318</b>	<b>825,001</b>
Total financial assets at the end of 2013	234,990	49,039	578,123	862,152

DKK '000	Financial liabilities measured at amortized cost	Total
<b>Financial liabilities by category</b>		
Trade payables	110,942	110,942
Employee costs payable	296,615	296,615
Prepayments received	40,964	40,964
Other current liabilities	112,950	112,950
<b>Total financial liabilities at the end of 2014</b>	<b>561,471</b>	<b>561,471</b>
Total financial liabilities at the end of 2013	474,278	474,278

(1) It is designated that fair value adjustment of shares is through the income statement

## 4.5 Financial assets and liabilities – continued

### Financial risks

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

Surplus liquidity is placed in Novo Nordisk's cash pool scheme, generating limited interest according to movements in the Danmarks Nationalbank Tomorrow/Next rate (the "T/N rate"). The interest-bearing liabilities relate to limited overdrafts made on NNIT's DKK 300 million credit facility, which bears interest according to movements in the T/N rate.

NNIT is exposed to exchange rate risks in the countries where NNIT has its main activities. The majority of NNIT's sales are in DKK and EUR, implying limited foreign exchange risk, due to the Group'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 operate: primarily the Chinese yuan, and, to a lesser extent, the Philippine peso, the Swiss franc, the U.S. dollar and the Czech koruna.

### Foreign exchange sensitivity analysis

NNIT estimates that, holding all other variables constant, a 10% depreciation of the average 2014 exchange rate of the Danish kroner against the following currencies would have had the indicated impact (in Danish kroner) on our operating profit for 2014. The following sensitivities address hypothetical situations and are provided for illustrative purposes only:

DKK '000	2014	2013
CNY	(11,849)	(9,367)
EUR	9,327	4,083
PHP	(2,347)	(1,769)
CHF	(1,976)	(2,496)
USD	(1,845)	(888)
CZK	(1,346)	(422)

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

At present NNIT's sales in these countries are not sufficiently large to balance these currency risks. To manage the foreign exchange rate risks, NNIT has entered into a hedging agreement with Novo Nordisk to hedge the major foreign currency balances in Chinese yuan and Philippine peso for up to three months. At December 31, 2014 the hedged amount was USD 6,000k and an unrealized currency gain of DKK 768k related to the agreed hedging contracts is recognized under financial expenses. Hedge accounting is not applied.

NNIT is exposed to a market price risk in regard to Novo Nordisk B shares listed on Nasdaq OMX Copenhagen A/S in connection with the long-term share based incentive program for key employees. In May 2014 NNIT purchased Novo Nordisk shares corresponding to the obligation for 2014, which minimizes NNIT's risk when there are fluctuations in the share value.

NNIT's credit risk principally arises from the trade receivables, which amounted to DKK 430,416k as at December 31, 2014 (December 31, 2013: DKK 340,562k). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. As at December 31, 2014, our trade receivables from the Novo Nordisk Group amounted to DKK 194,878k (December 31, 2013: DKK 145,634k). The classification of trade receivables according to maturity date is described in note 3.4.

### Cash management

NNIT wants to maintain a flexible capital structure. At December 31, 2014, NNIT had undrawn committed credit facilities in the amount of DKK 300,000k (2013: DKK 25,000k). Effective from the completion of the IPO, NNIT will enter into a new DKK 400,000k facility agreement, which will replace the current DKK 300,000k facility. At December 31, 2014, NNIT had cash and cash equivalents of DKK 69,900k in Denmark and DKK 27,800k outside of Denmark.

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 52.8 % (2013: 60.0 %).

## 5. Other disclosures

### 5.1 Long-term share-based incentive and option programs

#### Long-term share-based incentive program

The company's key employees who comprise the Group Management and the management below the Group Management, are included in a long-term share-based incentive program.

In 2014, the operating profit and cash flow have resulted in a grant of 193.2% of the base allocation for key employees, which is the equivalent of DKK 9,858k.

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

#### Share-based payments are recognized as costs with the following amounts

DKK '000	2014	2013
Cash-based share bonus program recognized as a liability according to IFRS 2 cash method	7,392	6,502
Liability adjustments	9,951	8,892
<b>Total share-based payments</b>	<b>17,343</b>	<b>15,394</b>
Recognized in the income statement:		
Cost of goods sold	3,721	3,838
Sales and marketing costs	1,655	1,475
Administrative expenses	2,016	1,189
Financial items	9,951	8,892
<b>Total share-based payment</b>	<b>17,343</b>	<b>15,394</b>

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

#### Management's holding of Novo Nordisk shares

	At the beginning of the year	Additions during the year	Sold/transferred during the year	At the end of the year	Market value* DKK '000
Per Ove Kogut	12,700	17,945	(30,445)	200	52
Carsten Krosgaard Thomsen	1,025	3,007	-	4,032	1,050
Jess Julin Ibsen	-	1,250	-	1,250	325
<b>Executive Management in total</b>	<b>17,725</b>	<b>22,202</b>	<b>(30,445)</b>	<b>5,482</b>	<b>1,427</b>
<b>Other members of Group Management</b>	<b>36,655</b>	<b>46,685</b>	<b>(8,425)</b>	<b>73,915</b>	<b>19,240</b>
<b>Share pool**</b>	<b>219,370</b>	<b>43,624</b>	<b>(92,289)</b>	<b>170,705***</b>	<b>44,435</b>
<b>Total</b>	<b>273,750</b>	<b>112,511</b>	<b>(131,159)</b>	<b>250,102</b>	<b>65,102</b>

\* Calculation of the market value is based on the Novo Nordisk B share price of DKK 260.3 at December 30, 2014

\*\* Share pool for Executive Management, other members of the Group Management and the Vice President Group. The annual allocation to the share pool is locked up for three years before it is transferred to the participants employed at the end of each three-year period. Based on the split of participants when the share pool was established, approximately 35% of the pool will be allocated to the members of Executive Management and approximately 65% to other members of Group Management and the Vice President Group. In the lock-up period, the share pool may potentially be reduced in the event of lower-than-planned value creation in subsequent years.

\*\*\* Share pool includes the 2011 program released on January 30, 2015 for the CEO and excludes 29,194 shares assigned to retired Executive Management, other members of Group Management and the Vice President Group.

#### Share options program

In the period 1998-2006, share options (Novo Nordisk B shares) were granted to key employees. The last share options under this program were granted in 2006 with a four-year vesting period. The options granted in 2006 can be exercised until March 26, 2015.

## 5.1 Long-term share-based incentive and option programs - continued

### Assumptions for share options

The fair value of the 2006 option program is set as the difference between the exercise price (DKK 35.0) and the closing price at December 30, 2014 (DKK 260.3). In 2013 the fair value of the share options was calculated using Black-Scholes option pricing model. The assumptions are shown below.

DKK '000	2014	2013
<b>Calculation of the market value of the option at the end of the year</b>		
Expected life of the option in years (average)	n/a	1
Expected volatility	n/a	21.0%
Expected dividend per share (in DKK)	n/a	4.50
Risk-free interest rate (based on Danish government bonds)	n/a	0.1%
Novo Nordisk B share price at the end of the year (in DKK)*	n/a	198.8

\* With effect January 2, 2014 a stock split of Novo Nordisk's B shares conducted changing the trading unit from DKK 1,0 to DKK 0,2. The disclosed expected dividend and share price are changed accordingly.

### Outstanding share options

DKK '000	No. of options	Average exercise price	Fair value
<b>2014</b>			
Outstanding at the beginning of the year	113,750	34.2	17,658
Exercised in the year	(88,750)	34.1	(19,088)
Reversed/cancelled during the year	-	-	-
Value adjustment	-	-	7,063
<b>Outstanding at the end of the year</b>	<b>25,000</b>	<b>35.0</b>	<b>5,633</b>
<b>2013</b>			
Outstanding at the beginning of the year	234,750	32.4	34,209
Exercised in the year	(81,000)	32.4	(12,735)
Reversed/cancelled during the year	(40,000)	26.8	(6,430)
Value adjustment	-	-	2,614
<b>Outstanding at the end of the year</b>	<b>113,750</b>	<b>34.2</b>	<b>17,658</b>

### Exercisable and outstanding share options 2014

DKK '000	Issued share options No. of options	Exercised/ reversed No. of options	Outstanding/ not exercised No. of options	Exercise price DKK	Exercise period
Share option scheme for 2005	300,000	300,000	-	30,6	11.4 2009 - 10.4 2014
Share option scheme for 2006	390,000	365,000	25,000	35,0	27.3 2010 - 26.3 2015
<b>Share option scheme exercisable at the end of the year</b>	<b>690,000</b>	<b>665,000</b>	<b>25,000</b>		

### Exercisable and outstanding share options 2013

DKK '000	Issued share options No. of options	Exercised/ reversed No. of options	Outstanding/ not exercised No. of options	Exercise price DKK	Exercise period
Share option scheme for 2005	300,000	(281,250)	18,750	30,6	11.4 2009 - 10.4 2014
Share option scheme for 2006	390,000	(295,000)	95,000	35,0	27.3 2010 - 26.3 2015
<b>Share option scheme exercisable at the end of the year</b>	<b>690,000</b>	<b>(576,250)</b>	<b>113,750</b>		



## 5.2 Fee to statutory auditors

DKK '000	2014	2013
Statutory audit	926	804
Other assurance engagements	308	392
Tax advisory services	64	23
Other services	1,892	1,250
<b>Total fee to statutory auditors</b>	<b>3,190</b>	<b>2,469</b>

## 5.3 Reversal of non-cash items

DKK '000	2014	2013
Income taxes	58,441	49,578
Amortization and depreciation	124,016	107,808
Scrap of tangible assets	2,847	528
Increase/(decrease) in provisions and employee benefits	9,014	(7,587)
Dividends received reclassified to investing activities	(1,110)	(731)
Other adjustments for non-cash items	4,653	4,206
<b>Total</b>	<b>197,861</b>	<b>153,802</b>

## 5.4 Statement of cash flows - specifications

DKK '000	2014	2013
<b>Changes in working capital</b>		
Increase/(decrease) in current receivables less tax receivables	(92,719)	41,351
Increase/(decrease) in current liabilities less provisions and tax payables	87,375	(22,944)
- hereof change in trade payables related to investments	(4,329)	(57,686)
<b>Total</b>	<b>(9,673)</b>	<b>(39,279)</b>
<b>Purchase of tangible assets</b>		
Purchase of tangible assets	(155,227)	(104,249)
Change in trade payables related to purchase of tangible assets	4,329	57,686
<b>Total</b>	<b>(150,898)</b>	<b>(46,563)</b>
<b>Additional cash flow information (1)</b>		
Cash and equivalents at the end of the year	97,648	234,990
Undrawn committed credit facilities	300,000	25,000
<b>Financial resources at the end of the year</b>	<b>397,648</b>	<b>259,990</b>
Cash flow from operating activities	315,176	254,242
Cash flow from investing activities	(162,518)	(54,538)
<b>Free cash flow</b>	<b>152,658</b>	<b>199,704</b>

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

At the end of the year, NNIT had an undrawn credit facility as part of Novo Nordisk's cash pool scheme in the amount of DKK 300,000k (2013: DKK 25,000k). NNIT has entered into a new DKK 400,000k facility agreement with Danske Bank, which will become effective from the completion of the IPO and will replace the current DKK 300,000k facility.

## 5.5 Contingent liabilities, other contractual obligations and legal proceedings

### Operating lease commitments expiring within the following periods from balance sheet date

DKK '000	2014	2013
Within 1 year	55,958	44,416
Between 1 and 5 years	184,141	180,026
After 5 years	85,430	130,158
<b>Total</b>	<b>325,529</b>	<b>354,600</b>

Operating leases in the income statement for the year	44,886	64,979
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Operating leases include rental of premises, vehicles and hardware.

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

Within 1 year	25,578	24,966
Between 1 and 5 years	37,864	2,442
<b>Total</b>	<b>63,442</b>	<b>27,408</b>

Other contractual obligations in the income statement for the year	24,576	14,738
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Other contractual obligations include maintenance, licenses and contractual agreements

### Contractual obligations with related parties

Contractual obligations with related parties for 2014 amount to DKK 4,557k (2013: DKK 8,251k). These obligations include service agreements.

### Contingent liabilities and legal proceedings

#### Contingent liabilities

In a recent decision (C-464/12) involving ATP PensionService A/S, the Court of Justice of the European Union rejected a Danish VAT practice previously applied by the Danish Tax Authorities, which required VAT to be charged on the provision of administration services to pension companies.

As a result of the Court decision, two pension companies have requested that NNIT refunds VAT paid on certain services provided by NNIT. Pursuant to the Danish Tax Administration Act, NNIT expects to claim a refund from the Danish Tax Authorities of the VAT collected on services provided to the two pension companies in question and has in relation hereto sent a letter to the Danish Tax Authorities asking them to suspend the limitation period and reassess the VAT returns.

The Danish Tax Authorities have not yet indicated whether the two pension companies will be entitled to a refund and whether such a refund will be the full VAT amount or the full VAT amount less certain deductions. In either event, this is not expected to have any material adverse effect on our financial position and operating results as the terms of our customer contracts with these two pension companies allow us to pass on the net effects of any new or amended taxes in respect of the services provided to the two customers. Consequently, no provision has been made.

#### Legal proceedings

NNIT is currently involved in a legal dispute with a customer in our Public customer group regarding the delivery of a supply and logistics IT system. The parties disagree as to which party is responsible for the delay. In June 2014, the customer initiated arbitration proceedings in Copenhagen. The arbitration dispute in question is still in its preparatory stages and therefore NNIT cannot reliably predict the potential outcome of the arbitration dispute and/or the time frame for the resolution of the arbitration dispute. In its financial statements, NNIT has reversed DKK 35,000k of net turnover previously recognized in connection with the contract to which the dispute relates. In the event that the arbitration award is granted entirely in favor of our counterparty based on current pleadings, NNIT estimates that this would reduce its operating profit by approximately DKK 77,000k (a cash outflow of DKK 65,000k), plus costs of arbitration incurred and interest. This estimate takes into account and is additional to the reversal of net turnover previously recognized. In the event that the arbitration award is granted entirely in NNIT's favor based on current pleadings, NNIT estimate that this would increase our operating profit by approximately DKK 51,000k (a cash inflow of DKK 63,000k), excluding any costs or interest awarded to NNIT. NNIT does not currently expect a final ruling by arbitration tribunal until late 2015 or 2016.

## 5.6 Related party transactions and ownership

### Ownership

NNIT is a 100 % owned subsidiary of Novo Nordisk A/S. Novo Nordisk A/S is controlled by Novo A/S, of which the Novo Nordisk Foundation is the ultimate owner.

The consolidated financial statements of the parent company, Novo Nordisk A/S as well as the ultimate parent company, the Novo Nordisk Foundation, can be ordered at Novo Nordisk A/S, Novo Allé, 2880 Bagsværd and the Novo Nordisk Foundation, Tuborg Havnevej 19, 2900 Hellerup.

### Related parties

Related parties are considered to be the Group Management of NNIT A/S, NNIT Board of Directors, the Novo Nordisk Foundation, Novo A/S, the Novo Nordisk Group, the Novozymes Group, Xellia Pharmaceuticals and the Board of Directors of these entities. All agreements have been negotiated at arm's length, and most of these agreements are for one year.

The Novozymes Group is a controlled subsidiary of Novo A/S, which holds 71% of the votes.

### Transactions

For information on remuneration to Group management of NNIT, please refer to note 2.2 'Employee costs'.

During the year NNIT has entered into the following transactions with related parties.

DKK '000	2014	2013
<b>Net sales</b>		
Novo Nordisk Group	1,260,270	1,170,042
Novozymes Group	36,483	40,206
Novo A/S	25	274
<b>Total</b>	<b>1,296,778</b>	<b>1,210,522</b>
<b>Net purchases</b>		
Novo Nordisk Group	54,551	51,843
Novozymes Group	130	(80)
<b>Total</b>	<b>54,681</b>	<b>51,763</b>
<b>Financial income</b>		
Novo Nordisk Group	3,933	-
<b>Total</b>	<b>3,933</b>	<b>-</b>
<b>Financial expenses</b>		
Novo Nordisk Group	12	1,309
<b>Total</b>	<b>12</b>	<b>1,309</b>
<b>Trade receivables</b>		
Novo Nordisk Group	185,774	137,121
Novozymes Group	8,399	8,444
Novo A/S	705	69
<b>Total</b>	<b>194,878</b>	<b>145,634</b>
<b>Work in progress</b>		
Novo Nordisk Group	36,544	38,153
Novozymes Group	-	1,703
Novo A/S	483	-
<b>Total</b>	<b>37,027</b>	<b>39,856</b>

**5.6 Related party transactions and ownership - continued**

DKK '000	2014	2013
<b>Short-term cash pooling in related companies classified as cash</b>		
Novo Nordisk Group	69,859	204,907
<b>Total</b>	<b>69,859</b>	<b>204,907</b>
<b>Liabilities to related parties</b>		
Novo Nordisk Group	10,990	15,359
Novozymes Group	163	199
<b>Total</b>	<b>11,153</b>	<b>15,558</b>
<b>Prepayments from related parties</b>		
Novo Nordisk Group	1,142	9,781
Novozymes Group	-	1,954
<b>Total</b>	<b>1,142</b>	<b>11,735</b>

There have been no significant transactions with the Novo Nordisk Foundation or with the Board of Directors in any of the companies mentioned above.

Novo Nordisk A/S, Bagsværd, Denmark has control over the Group. Novo Nordisk A/S is controlled by Novo A/S, of which the Novo Nordisk Foundation is the ultimate owner. Related parties also include the companies in which the Novo Nordisk Foundation exercises significant influence.

**Companies in the NNIT Group:**

	Country	Year of incorporation/ acquisition	Issued share capital/paid in capital	Percentage of shares owned
NNIT (Tianjin) Technology Co.Ltd.	China	2008	USD 800,000	100
NNIT Philippines Inc.	Philippines	2009	PHP 24,000,000	100
NNIT Switzerland AG	Switzerland	2010	CHF 500,000	100
NNIT Germany GmbH	Germany	2011	EUR 25,000	100
NNIT Inc.	USA	2011	USD 250,000	100
NNIT Czech Republic s.r.o.	Czech Republic	2014	CZK 2,000,000	100

**5.7 Events after balance sheet date**

There have been no events after the balance sheet date that could have a significant impact on the assessment of NNIT's financial position at December 31, 2014.

# Parent Company Financial Statements

# Income statement

for the year ended December 31

DKK '000	Note	2014	2013
<b>Net turnover</b>		<b>2,327,992</b>	<b>2,116,300</b>
Cost of goods sold	2.1	1,859,921	1,696,553
<b>Gross profit</b>		<b>468,071</b>	<b>419,747</b>
Sales and marketing costs	2.1	81,137	109,498
Administrative expenses	2.1	139,390	86,843
<b>Operating profit</b>		<b>247,544</b>	<b>223,406</b>
Financial income	4.1	16,076	920
Financial expenses	4.2	2,763	9,452
<b>Profit before income taxes</b>		<b>260,857</b>	<b>214,874</b>
Income taxes	2.2	55,257	46,262
<b>Net profit for the year</b>		<b>205,600</b>	<b>168,612</b>
Proposed allocation:			
Dividends	4.3	83,713	140,000
Retained earnings		121,887	28,612
		<b>205,600</b>	<b>168,612</b>



# Balance sheet

at December 31

## Assets

DKK '000	Note	2014	2013
Intangible assets	3.1	35,411	43,250
Tangible assets	3.2	395,510	360,184
Financial assets	3.3	31,161	29,692
<b>Total fixed assets</b>		<b>462,082</b>	<b>433,126</b>
Inventories		1,639	2,301
Trade receivables		217,639	175,109
Trade receivables - related parties		201,000	157,988
Work in progress	3.4	95,884	96,724
Work in progress - related parties	3.4	36,845	39,608
Other receivables and pre-payments		78,466	67,811
Deferred tax		-	354
Tax asset	2.2	13,478	-
Shares		55,035	49,039
Cash and cash equivalents		69,859	205,738
<b>Total current assets</b>		<b>769,845</b>	<b>794,672</b>
<b>Total assets</b>		<b>1,231,927</b>	<b>1,227,798</b>

# Balance sheet

at December 31

## Equity and liabilities

DKK '000	Note	2014	2013
Share capital		250,000	1,000
Retained earnings		316,286	593,399
Proposed dividends		83,713	140,000
<b>Total equity</b>	4.3	<b>649,999</b>	<b>734,399</b>
Deferred tax	3.5	4,126	-
Employee benefits		5,374	4,994
Other provisions	3.6	11,358	8,804
<b>Total provisions</b>		<b>20,858</b>	<b>13,798</b>
Prepayments received	3.4	40,186	23,661
Prepayments received - related parties	3.4	960	9,788
Trade payables		94,537	94,515
Trade payables - related parties		34,604	31,517
Employee costs payable		282,649	254,688
Tax payables		-	11,777
Other current liabilities		108,134	53,655
<b>Total current liabilities</b>		<b>561,070</b>	<b>479,601</b>
<b>Total equity and liabilities</b>		<b>1,231,927</b>	<b>1,227,798</b>
Contingent liabilities, other contractual obligations and legal proceedings	5.1		
Related parties and ownership	5.2		

# Notes

## 1. Basis of preparation

1.1 Accounting policies	93
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## 2. Results for the year

2.1 Employee costs	93
2.2 Income tax	93

## 3. Operating assets and liabilities

3.1 Intangible assets	94
3.2 Tangible assets	94
3.3 Financial assets	94
3.4 Work in progress	95
3.5 Deferred tax	95
3.6 Other provisions	95

## 4. Capital structure and financing items

4.1 Financial income	96
4.2 Financial expenses	96
4.3 Statement of changes in equity	96

## 5. Other disclosures

5.1 Contingent liabilities, other contractual obligations and legal proceedings	97
5.2 Related parties and ownership	97

## 1. Basis of preparation

### 1.1 Accounting policies

The parent company financial statements are presented in accordance with The Danish Financial Statements Act (class C - Large companies).

The parent company financial statements are continuously presented according to the same practice as the consolidated financial statements, except for the below amendments. The accounting policies for the parent company financial statements are unchanged from the last financial year except for the practice mentioned in note 1.1 'Accounting policies' in the consolidated financial statements. Please refer to note 1.1-1.4 for accounting policies.

#### Supplementary accounting policies for the parent company

##### Investments in subsidiaries

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

##### Cash flow statement

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

## 2. Results for the year

### 2.1 Employee costs

DKK '000	2014	2013
Wages and salaries	1,050,429	994,500
Pensions	95,632	88,734
Other employee costs	45,559	46,142
<b>Total employee costs</b>	<b>1,191,620</b>	<b>1,129,376</b>
Included in the income statement:		
Cost of goods sold	1,065,308	1,025,228
Sales and marketing costs	46,473	57,065
Administrative expenses	79,839	47,083
<b>Total employee costs</b>	<b>1,191,620</b>	<b>1,129,376</b>
Average number of full-time employees	1,546	1,450

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 share-based incentive and option programs', in the consolidated financial statements.

### 2.2 Income tax

The parent company has expensed DKK 55,257k in tax regarding 2014 (2013: DKK 46,262k) and is based on fully utilised deferred tax.

DKK '000	2014	2013
<b>Tax payable/receivable</b>		
Tax payable/receivable at the beginning of the year	(11,776)	17,430
Income tax paid during the year	65,909	58,994
Tax refund related to previous years	10,123	(16,698)
Withholding taxes paid during the year	-	1,394
Current tax on profit for the year	(49,218)	(72,220)
Adjustments related to previous years	(1,559)	(676)
<b>At the end of the year</b>	<b>13,479</b>	<b>(11,776)</b>

## 3. Operating assets and liabilities

### 3.1 Intangible assets

DKK '000	IT development projects	2014	2013
Cost at the beginning of the year	62,069	62,069	62,069
Additions	-	-	-
Transfer	-	-	-
<b>Cost at the end of the year</b>	<b>62,069</b>	<b>62,069</b>	<b>62,069</b>
Amortization and impairment losses at the beginning of the year	18,819	18,819	10,980
Amortization	7,839	7,839	7,839
<b>Amortization and impairment losses at the end of the year</b>	<b>26,658</b>	<b>26,658</b>	<b>18,819</b>
<b>Carrying amount at the end of the year</b>	<b>35,411</b>	<b>35,411</b>	<b>43,250</b>
Amortization period	5-10 years		

### 3.2 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2014	2013
Cost at the beginning of the year	138,277	539,727	37,436	2,272	717,712	617,392
Additions	264	139,441	1,483	10,276	151,464	102,637
Disposals	-	(33,340)	-	(96)	(33,436)	(2,317)
Transfer	-	2,175	-	(2,175)	-	-
<b>Cost at the end of the year</b>	<b>138,541</b>	<b>648,003</b>	<b>38,919</b>	<b>10,277</b>	<b>835,740</b>	<b>717,712</b>
Depreciation and impairment losses at the beginning of the year	23,172	315,759	18,597	-	357,528	260,971
Depreciation	8,054	101,678	3,560	-	113,292	98,347
Depreciation reversed on disposals during the year	-	(30,590)	-	-	(30,590)	(1,790)
<b>Depreciation and impairment losses at the end of the year</b>	<b>31,226</b>	<b>386,847</b>	<b>22,157</b>	<b>-</b>	<b>440,230</b>	<b>357,528</b>
<b>Carrying amount at the end of the year</b>	<b>107,315</b>	<b>261,156</b>	<b>16,762</b>	<b>10,277</b>	<b>395,510</b>	<b>360,184</b>
Depreciation period	12-50* years	3-10 years	5-10 years			

### 3.3 Financial assets

DKK '000	Deposits	Investment in subsidiaries	2014
Cost at the beginning of the year	19,524	10,168	29,692
Additions (net)	477	1,288	1,765
Disposals	(296)	-	(296)
<b>Carrying amount at the end of the year</b>	<b>19,705</b>	<b>11,456</b>	<b>31,161</b>

### 3.4 Work in progress

DKK '000	2014	2013
Cost of work in progress	420,971	225,151
Gross profit	160,255	107,016
Work in progress at sales value	581,226	332,167
Received payments on account	(492,382)	(235,752)
Total	88,844	96,415
Sales value of service contracts not invoiced	2,739	6,468
<b>Work in progress at the balance sheet date (net)</b>	<b>91,583</b>	<b>102,883</b>
Recognized in the balance sheet as follows:		
Work in progress under assets	132,729	136,332
Prepayments under liabilities	(41,146)	(33,449)
<b>Work in progress at the balance sheet date (net)</b>	<b>91,583</b>	<b>102,883</b>

### 3.5 Deferred tax

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Provisions	2014
At the beginning of the year	(9,731)	41,066	(46,517)	2,176	13,360	354
Adjustments related to previous years	-	-	-	-	40	40
Movements within the year	1,921	7,726	(12,329)	-	(1,646)	(4,328)
One off due to change in Danish tax rate	(260)	(622)	826	-	(136)	(192)
<b>At the end of the year</b>	<b>(8,070)</b>	<b>48,170</b>	<b>(58,020)</b>	<b>2,176</b>	<b>11,618</b>	<b>(4,126)</b>

NNIT A/S is as a subsidiary to Novo Nordisk A/S jointly taxed with the Danish companies in the Novo Group. The joint taxation also covers withholding taxes in the form of dividend tax, royalty tax and interest tax. 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.

### 3.6 Other provisions

DKK '000	2014	2013
<b>Provision for loss on projects</b>		
At the beginning of the year	5,782	6,447
Additions	6,824	5,000
Reclassified to work in progress	(5,000)	-
Amount used	(782)	(5,665)
<b>At the end of the year</b>	<b>6,824</b>	<b>5,782</b>
Provision for loss on projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects.		
<b>Provision for refurbishment obligation</b>		
At the beginning of the year	3,022	1,300
Additions	1,512	1,722
<b>At the end of the year</b>	<b>4,534</b>	<b>3,022</b>
Provision for refurbishment obligation relates to the leasehold agreement regarding Østmarken 3A, DK-2680 Søborg, Denmark		
<b>Total other provisions</b>	<b>11,358</b>	<b>8,804</b>



## 4. Capital structure and financing items

### 4.1 Financial income

DKK '000	2014	2013
Interest income from related parties	63	55
Fair value adjustments of financial instruments from related parties (net)	3,930	-
Tax related interest income	-	134
Unrealized gain on shares (net)	1,317	-
Dividends from subsidiaries	9,656	-
Other financial income	1,110	731
<b>Total financial income</b>	<b>16,076</b>	<b>920</b>

### 4.2 Financial expenses

DKK '000	2014	2013
Interest expenses to related parties	12	243
Fair value adjustment of financial instruments from related parties (net)	-	1,066
Tax related interest expense	206	62
Guarantee commission	991	978
Unrealized loss on shares (net)	-	6,409
Realized/unrealized loss on currency	954	226
Other financial expenses	600	468
<b>Total financial expenses</b>	<b>2,763</b>	<b>9,452</b>

### 4.3 Statement of changes in equity

At September 16, 2014 a stock split was completed by reducing the nominal value of each share from DKK 1,000 to DKK 1 each or multiples thereof and the shares are issued with a nominal value of DKK 10 each as a multiple of the nominal value of DKK 1. After the stock split, the company's share capital was divided into 100,000 shares.

Also on September 16, 2014 a capital increase was completed by transferring retained earnings to the company's share capital with a total amount of DKK 249,000,000.

The share capital hereafter has a nominal value of DKK 250,000,000, divided into 25,000,000 shares with a nominal value of DKK 10 each.

The calculation of earnings per share has been adjusted retrospectively to reflect the number of shares at December 31, 2013 and 2014.

DKK	2014	2013	2012	2011	2010
<b>Share capital</b>					
January 1	1,000	1,000	1,000	1,000	1,000
Capital increase	249,000	-	-	-	-
December 31	250,000	1,000	1,000	1,000	1,000

**4.3 Statement of changes in equity – continued**

DKK '000	Note	Share capital	Retained earnings	Proposed dividends	Total
<b>2014</b>					
Balance at the beginning of the year		1,000	593,399	140,000	734,399
Net profit for the year		-	205,600	-	206,600
Capital increase		249,000	(249,000)	-	-
Dividends paid		-	(150,000)	(140,000)	-290,000
Proposed dividends for 2014		-	(83,713)	83,713	-
Balance at the end of the year	4.3	250,000	316,286	83,713	649,999

DKK '000	Note	Share capital	Retained earnings	Proposed dividends	Total
<b>2013</b>					
Balance at the beginning of the year		1,000	564,787	108,000	673,787
Net profit for the year		-	168,612	-	168,612
Dividends paid		-	-	(108,000)	-108,000
Proposed dividends for 2013		-	(140,000)	140,000	-
Balance at the end of the year	4.3	1,000	593,399	140,000	734,399

**5. Other disclosures****5.1 Contingent liabilities, other contractual obligations and legal proceedings**

DKK '000	2014	2013
Within 1 year	47,579	35,476
Between 1 and 5 years	182,958	164,579
After 5 years	85,430	126,141
<b>Total operating lease commitments</b>	<b>315,967</b>	<b>326,196</b>
<b>Total operating leases in the income statement for the year</b>	<b>38,025</b>	<b>56,823</b>

Operating leases include rental of premises and vehicles.

For information regarding legal proceeding and contingent liabilities, please refer to note 5.5 'Contingent liabilities, other contractual obligations and legal proceedings, in the consolidated financial statements.

**5.2 Related parties and ownership**

For information regarding transactions with related parties, please refer to note 5.6 'Related party transactions and ownership' in the consolidated financial statements.

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



**We are  
passionate  
people building  
winning teams  
with our  
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