ANNUAL REPORT 2017

NNIT

Conscience driven. Value adding

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

CONTENTS

Management review

Financial statements 2017

OUR EQUITY STORY

Life Science IT leader

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

Danish IT market leader

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

Market share winner

based on historical organic growth

Global delivery model

44%

of full-time employees based in low-cost countries

Industry leading margins

>10%

Average, last 5 years' operating margins

High payout ratio

48%

dividends paid on net profit

Healthy backlog and high visibility

>70%

of revenue contracted at beginning of year

NAVIGATING A SEA OF CHANGE

In a constantly transforming sea of disruption, new technologies and regulation, NNIT continues to navigate the competitve markets and deliver strong solutions and services for its clients. In 2017, NNIT delivered overall revenue growth of 4.6% and an EBIT margin of 9.6%. While the results are in line with general growth rates in the IT market, they are below our long-term targets.

Figures do not lie. NNIT's history of delivering stable, organic growth was challenged in 2017. In particular, two circumstances had a negative impact: First, an arbitration settlement with a client in the public segment, which resulted in a one-off revenue reversal of DKK 26 million, and secondly lacking revenue growth from from our largest single client.

While both events were unfortunate, the first one has been closed allowing us to look forward, while the second encourages us to continue growing our business with other clients. This is why it is very comforting to note that our strategic goal of growing the business in the life sciences segment outside of Denmark is materializing, with five new and impressive international life science clients choosing NNIT as their provider of various IT services in 2017. Relying on our heritage and profound experience within life sciences, we look forward to servicing them – and all of our other clients, who form the basis of our business.

In fact, acknowledging that people buy from people, we take customer satisfaction very seriously. Building and maintaining sustainable relationships with all of our clients is a prerequisite for our continued success, and we work hard every day to earn and uphold the trust of our clients.

Welcome to SCALES

Further, 2017 was positively marked by our acquisition of SCALES Group, a market-leading provider of Dynamics 365 implementation competences and the leading Microsoft implementation partner in Denmark. The acquisition demonstrates our commitment to delivering world-class ERP solutions and we are excited to have SCALES included as part of the NNIT family. We share the same values and not least the desire to provide our clients with high-quality solutions.

Even though acquisitve growth is fairly new to NNIT, we continue to pursue an organic growth strategy but remain ready to fuel growth through similar acquisitions if and when the right opportunity occurs.

New data center

Another highlight of the year was the construction of our new data center. The new facility measures more than 4,000 square meters, and is built according to energy efficiency standards with the purpose of achieving optimum power usage efficiency. NNIT already operates two other data centers, one of which has achieved the rare and prestigious Tier III certification in 2017. It marks an important proof of quality and was the accomplishment of a long and demanding certification process. With the completion of the new data center we are able to offer our clients access to own state-of-the-art data centers with Tier III certifications – currently as the only IT services provider in Denmark.

Securing our clients' IT operations is key to our continued success as the trend in the IT market continues to point towards further digitalization, and a growing need for reliability, security, speed and agility.

Increased dividend

We are pleased that our strong underlying cash flow allows us to propose an increased dividend, including interim dividend, to a total of DKK 4.30 per share in 2017 compared to DKK 4.20 per share in 2016, while also having built a new data center and acquired SCALES Group.

The power of talented people

At the end of the day, we are of course completely dependent on talented people, who continue to deliver value-adding results every day. As such, our ability to attract,

retain and develop the most talented people is key to our continuing success. While competition for talent is fierce, talent is also a scarce resource. We are therefore extremely proud to have been named best IT employer in a number of company rankings in 2017. We believe that our core values – open and honest, conscience-driven and value-adding – constitute the strong, positive and differentiating factors that make our company stand out from the competition.

Next step

To meet the challenges of tomorrow, we continue to focus our efforts on further consolidating our business in 2018.

As we continue to optimize and streamline our activities, we will enhance our offerings to meet the demands of the industry and enable continued, future growth. Executing our strategy remains a focus area for NNIT.

Ultimately, we remain grateful to all of our loyal stakeholders: clients, shareholders, partners, and employees alike – for their continued support and trust. Thank you for your sustained commitment, we look forward to continuing our valued cooperation.

Carsten Dilling, Chairman of the Board of Directors, NNIT
Per Kogut, CEO, NNIT

PERFORMANCE HIGHLIGHTS

DKK '000	2017	2016	2015	2014	2013	2016-2017
Financial performance						
Revenue:						Change
Life sciences	1,612,311	1,597,022	1,649,740	1,546,824	1,409,647	1.0%
Hereof Novo Nordisk Group	1,233,770	1,238,395	1,315,766	1,260,270	1,170,042	-0.4%
Hereof other life sciences	378,541	358,627	333,974	286,554	239,605	5.6%
Enterprise	689,214	545,620	384,669	371,253	291,478	26.3%
Public	345,891	385,288	375,113	326,065	344,844	-10.2%
Finance	244,462	236,662	190,765	166,254	158,563	3.3%
Total revenue by customer group	**2,891,878**	**2,764,592**	**2,600,287**	**2,410,396**	**2,204,532**	**4.6%**
IT Operation Services	1,860,567	1,823,682	1,740,403	1,667,104	1,495,686	2.0%
IT Solution Services	1,031,311	940,910	859,884	743,292	708,846	9.6%
Total revenue by business area	**2,891,878**	**2,764,592**	**2,600,287**	**2,410,396**	**2,204,532**	**4.6%**
EBITDA	429,091	437,265	410,322	389,363	354,269	-1.9%
Depreciation and amortization	152,268	144,362	141,217	124,016	107,808	5.5%
Operating profit (EBIT)	276,823	292,903	269,105	265,347	246,461	-5.5%
Net financials	-934	-12,628	3,128	2.377	-11,317	n/a
Net profit for the year	**216,479**	**215,700**	**212,441**	**209,283**	**185,566**	**0.4%**
Investment in tangible assets	326,597	164,574	140,692	150,898	46,563	157.6%
Investment in intangible incl. acquisitions	108,270	13,575	0	0	0	n/a
Total assets	1,828,023	1,590,516	1,335,781	1,282,410	1,276,319	15.6%
Equity	1,005,314	846,468	740,818	684,252	765,344	18.8%
Dividends paid[1]	102,037	145,500	83,713	290,000	108,000	-29.9%
Free cash flow	-90,492	188,386	210,841	152,658	199,704	n/a
Earnings per share						
Earnings per share (DKK)	8.89	8.89	8.76	8.37	7.42	0.0%
Diluted earnings per share (DKK)	8.72	8.85	8.73	8.37	7.42	-1.5%
Employees						
Average number of full-time employees	2,937	2,677	2,494	2,276	2,047	9.7%
Financial ratios[2]						
Gross profit margin	18.3%	19.6%	19.9%	19.9%	20.4%	
EBITDA margin	14.8%	15.8%	15.8%	16.2%	16.1%	
Effective tax rate	21.5%	23.0%	22.0%	21.8%	21.1%	
Investments/Revenue	15.0%	6.4%	5.4%	6.3%	2.1%	
Return on equity	23.4%	27.2%	29.8%	28.9%	25.6%	
Solvency ratio	55.0%	53.2%	55.5%	53.4%	60.0%	
Return on invested capital (ROIC)[2]	26.1%	37.6%	38.3%	40.9%	39.6%	
Cash to earnings[2]	-41.8%	87.3%	99.2%	72.9%	107.6%	
Cash to earnings (three-year average)[3]	47.9%	86.6%	93.2%	45.0%	26.1%	
Long-term financial targets						Target
Revenue growth	4.6%	6.3%	7.9%	9.3%	8.7%	≥ 5%
Operating profit margin	9.6%	10.6%	10.3%	11.0%	11.2%	≥ 10%
Additional numbers[4]						
Order entry backlog for the following year[5]	2,212,982	2,126,981	2,019,819	1,915,796	1,803,400	4.0%
Order entry backlog for the following year 2+3[6]	2,323,824	2,046,110	2,166,814	2,532,842	2,233,200	13.6%

1) Dividends paid in 2017 included ordinary dividend regarding 2016 and interim dividend for 2017. 2016 included ordinary dividend paid in March 2016 regarding 2015 and interim dividend for 2016 paid in August 2016. No interim dividend was paid in 2015. Paid dividends in 2014 includes DKK 150 million prior to the IPO.
2) Please see page 63 for definitions.
3) Cash to earnings (three-year average) is a simple average of the past three years.
4) Order entry backlog figures in the 2016 column have been restated to reflect the implementation of IFRS15. Please see page 58 for further information.
5) Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in a future financial year.
6) Year 2+3 represents 2019 and 2020 in the 2017 column and 2018 and 2019 in the 2016 column, etc.

MAIN HIGHLIGHTS 2017

FINANCIAL

REVENUE GROWTH

4.6%

Driven by clients in the enterprise and life sciences segments and by the acquisition of SCALES

OPERATING PROFIT MARGIN

9.6%

Impacted by a one-off settlement of DKK 26m. Excluding the settlement, operating profit margin was 10.4%

-90m

NNIT's free cash flow in 2017. Excluding the acquisition of SCALES and investments in a new data center the underlying free cash flow was DKK 189m

8.6%

Growth in revenue from clients outside the Novo Nordisk Group

57%

Share of revenue coming from clients outside the Novo Nordisk Group, which is 2pp higher than in 2016

OPERATIONAL

DKK

2,213m

NNIT's order backlog of signed contracts for delivery in 2018 as of December 31, 2017

GROWTH IN BACKLOG FOR 2018

4.0%

Growth in backlog for 2018 compared to backlog for 2017 at the same time last year

44%

The share of employees in NNIT's three delivery centers in China, the Czech Republic and the Philippines which is 3pp higher than in 2016

48%

Total dividend payout ratio; sum of 2017 interim dividend and proposed year-end dividend out of net profits (2016: 47%)

2,937

Average number of full-time employees in 2017, 9.7% more than in 2016

2017 FINANCIAL PERFORMANCE AND OUTLOOK

NNIT delivered revenue growth of 4.6% and an operating profit margin of 9.6%.

NNIT grew revenue by 4.6% in 2017 with two circumstances particularly influencing the performance: First, an arbitration settlement with a client in the public segment resulted in a one-off revenue reversal, reducing the overall growth by approximately 1pp, and secondly, a decline in revenue from our largest single client. The acquisition of SCALES impacted the growth positively. Organic growth was 1.6% and in line with the most recent guidance of 1-3% provided in October 2017 and at the low end of the guidance 1-5% provided in January 2017. The operating profit margin was in line with the most recent guidance provided in October 2017 and below the guidance provided in January 2017 due to the one-off revenue reversal. Investments were in the low end of the most recent guidance.

Customer groups

NNIT revenue from the Novo Nordisk Group declined by 0.4% in 2017, primarily due to price reductions in the main outsourcing agreement and reduced project activity level. Revenue derived from other life sciences clients increased by DKK 19.9m, corresponding to 5.6% and mainly driven by international life sciences clients.

The share of NNIT's revenue from clients outside the Novo Nordisk Group in 2017 was 57.3% compared to 55.2% in 2016.

Revenue from the enterprise customer group increased by DKK 143.6m corresponding to an increase of 26.3% compared to 2016. Revenue growth was driven by increased revenue from new clients such as PANDORA and Widex as well as a positive contribution from the SCALES acquisition with most of their clients in the enterprise customer group.

Revenue from the public customer group decreased by DKK 39.4m or by 10.2% compared to 2016 driven by the one-off settlement in Q3 2017, another settlement in Q1 2017 and price reductions on certain outsourcing contracts.

Revenue from the finance customer group increased by DKK 7.8m or by 3.3% compared to 2016. The improvement was mainly due to contract wins with new clients such as E-nettet and Danske Bank and was partly offset by a client contract within IT Operation Services that was not extended.

CUSTOMER GROUP

DKK '000

	2017	2016	2016-2017
Life Sciences	1,612,311	1,597,022	1.0%
hereof Novo Nordisk Group	1,233,770	1,238,395	-0.4%
hereof non-Novo Nordisk Group	378,541	358,627	5.6%
Enterprise	689,214	545,620	26.3%
Public	345,891	385,288	-10.2%
Finance	244,462	236,662	3.3%

Order entry backlog

At the beginning of 2018, NNIT's order entry backlog for 2018 amounted to DKK 2,213m, which was 4.0% higher than the backlog of contracts for 2017 at the beginning of 2017. The increase was entirely driven by clients outside the

Novo Nordisk Group. The order entry backlog for 2019 and 2020 at the beginning of 2018 was 13.6% higher than the corresponding backlog for 2018 and 2019 at the beginning of 2017. The increase in the order entry backlog was due to the extension of the corporate core IT infrastructure outsourcing contract with Novo Nordisk partly offset by the expiry in 2019 and 2020 of several large infrastructure agreements with other customer groups. Any renewals or replacements of these contracts will increase the order backlog.

Gross profit, costs and operating profit
Gross profit decreased by 2.3% due to the one-off revenue reversal, a reduction in the level of high margin projects from the Novo Nordisk Group and price reductions in certain outsourcing contracts. The decline in gross profit margin will be sought mitigated through the fully implemented operational excellence program in IT Operation Services, the continued development of focused offerings to life sciences and other customer groups as well as a selective approach when bidding for public tenders. The gross profit margin was 18.3% compared to 19.6% in 2016.

Sales and marketing costs increased by 0.6% in 2017 compared to 2016. This was primarily due to a sales force expansion to support future growth, especially in international life sciences.

Administrative expenses increased by 2.7% mainly due to restructuring costs in connection with layoffs in staff functions that will have a positive effect in 2018 and onwards.

Operating profit was down by 5.5% to DKK 276.8m, corresponding to an operating profit margin of 9.6%, which was 1.0pp less than in 2016. The decrease was mainly due to the one-off revenue reversal. Adjusted for this reversal, the operating profit margin was 10.4%.

Business areas – revenue and profitability
IT Operation Services revenue increased by 2.0%, primarily driven by the Novo Nordisk Group. Revenue from the Novo Nordisk Group increased by 2.5% whereas clients outside the Novo Nordisk Group increased by 1.6% in 2017 relative to 2016.

Operating profit in IT Operation Services increased by 5.4% to DKK 218.1m leading to an operating profit margin of 11.7%. The increase was driven by the operational excellence program and was partly offset by a settlement with a client in the public customer group.

IT Solution Services revenue increased by 9.6%, entirely driven by a 21.3% increase in revenue from clients outside the Novo Nordisk Group in 2017 and positively impacted by the SCALES acquisition. This despite the one-off revenue

REVENUE GROWTH

4.6%

OPERATING PROFIT MARGIN

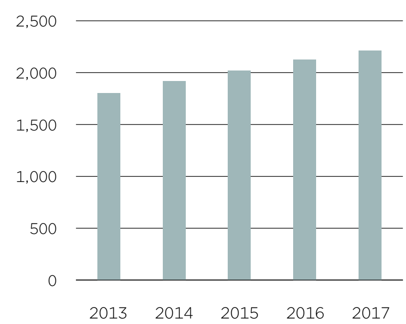
9.6%

REVENUE, DKK MILLION

2,892

ORDER ENTRY BACKLOG

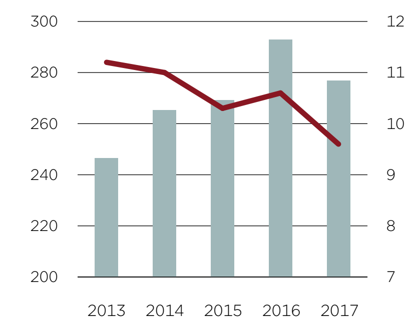
DKK million



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

OPERATING PROFIT AND MARGIN

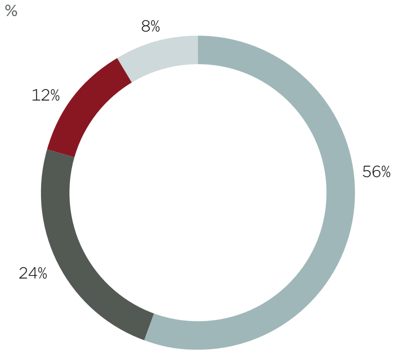
DKK million %



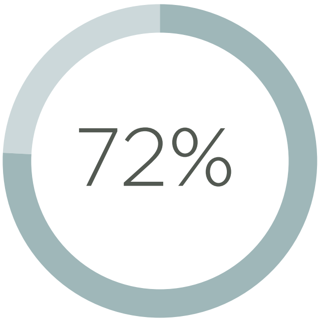
Operating profit
Operating profit margin

REVENUE BY CUSTOMER GROUP

%



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



The ten largest customers account for 72% (2016: 76%) of NNIT's total revenue. The largest customer, Novo Nordisk represents 43% (2016: 45%) of total revenue.

reversal in Q3 2017. Revenue from the Novo Nordisk Group fell by 6.4% compared to 2016 due to a decline in project activities in 2017.

Operating profit in IT Solution Services was down by 31.8% to DKK 58.7m leading to an operating profit margin of 5.7%. The decrease was due to the one-off revenue reversal, reduction in higher margin project activities from the Novo Nordisk Group as well as price and scope reductions on certain outsourcing contracts. Adjusted for the one-off revenue reversal the operating profit margin was 8.0%.

Net financials and tax

Net financials improved by DKK 11.7m to DKK -0.9m in 2017 compared to 2016. The improvement in net financials was primarily due to higher gains on cash flow hedges and higher gains/fewer value adjustment losses of the Novo Nordisk shareholdings used to hedge NNIT's long-term incentive program.

Income tax was an expense of DKK 59.4m in 2017, which was a decrease of DKK 5.2m compared to 2016 that was mainly due to the lower profit before tax. The effective tax rate for 2017 was 21.5%, a decrease of 1.5pp compared to 2016 primarily due to changes in the level of non-taxable adjustments from unrealized gains on Novo Nordisk shares in 2017 compared to losses on this item in 2016 and non-taxable income regarding energy savings.

Capital expenses and free cash flow

Investments amounted to DKK 434.9m in 2017 compared to DKK 167.7m in 2016 (of which DKK 98.0m was related to SCALES and DKK 181.1m to the new data center). The lower investment amount adjusted for SCALES and the new data center was mainly due to the timing of hardware purchases in connection with outsourcing contracts. The construction of the data center in Ejby, Copenhagen was finished according to time schedule and budget and the data center was inaugurated on January 12, 2018.

BUSINESS AREAS

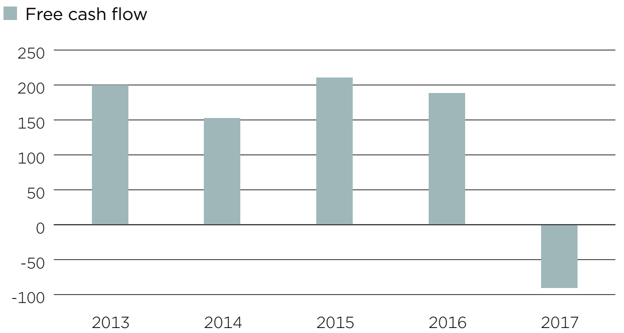
DKK '000

IT Operation Services	2017	2016	2016-2017
Revenue	1,860,567	1,823,682	2.0%
Operating profit	218,088	206,831	5.4%
Operating profit margin	11.7%	11.3%	0.4pp

IT Solution Services	2017	2016	2016-2017
Revenue	1,031,311	940,910	9.6%
Operating profit	58,734	86,072	-31.8%
Operating profit margin	5.7%	9.1%	-3.4pp

FREE CASH FLOW

DKK million



The free cash flow for 2017 was negative at DKK 90.4m compared to a positive free cash flow of DKK 188.4m in 2016, the decline being mainly due to the acquisition of SCALES and the investment in a new data center. The underlying free cash flow was at the same level as 2016 when adjusted for the acquisition of SCALES and the investment in a new data center. The underlying cash-to-earnings ratio was 87% which was in line with 2016. NNIT paid dividends of DKK 53.4m in April 2017, and interim dividends of DKK 48.7m in August 2017. Total 2017 cash flow amounted to DKK -193m compared to DKK 43m in 2016.

Balance sheet
Cash and cash equivalents was negative of DKK 18.6m at December 31, 2017, a decrease of DKK 192.5m relative to December 31, 2016. Equity at December 31, 2017 amounted to DKK 1,005.3m, an increase of DKK 158.8m compared to December 31, 2016. The improvement was due to net profits offset by the payment of ordinary dividend for 2016 (DKK 53.4m) and interim dividend for 2017 (DKK 48.7m).

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

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

The target level for the operating profit margin is at least 10%. This target positions NNIT among the most profitable companies in the European IT services industry while still allowing for deviations to meet business opportunities.
In 2017, NNIT's operating profit margin was 9.6% which was below the target mainly due to the one-off revenue reversal.

The target level for organic revenue growth is at least 5% and reflects the assumption that NNIT will continue to outgrow the market by attracting new clients and continuing to deliver additional value to existing client relationships.
In 2017, NNIT realized revenue growth of 4.6%, of which 1.6% was organic, due to the one-off revenue reversal and a decline in revenue from the Novo Nordisk Group.

Events after the balance sheet date
There have been no events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2017.

OUTLOOK

The order backlog for 2018 at the beginning of Q1 2018 increased by DKK 86m, or by 4.0%, to DKK 2,213m compared to the order backlog for 2017 at the beginning of Q1 2017.

It should be noted that the revenue reversal of DKK 26m in Q3/Q4 2017 regarding a customer in the public customer group had a negative impact on full year revenue for 2017, but was not reflected in the backlog of the beginning of 2017.

The backlog has been restated according to IFRS 15 "Revenue from Contracts with Customers" which takes effect from January 1, 2018.

It is assessed that the IFRS 15 standard will have a marginal negative impact on revenue growth. Based on the current contracts the combined impact from IFRS 15 and IFRS 16 "Leasing" will have a slightly negative impact on operating profit margin of 0.2pp in 2018. IFRS 16 has an estimated positive impact on EBITDA margin in 2018 of around 2pp and an estimated negative impact on ROIC of 9pp.

The guidance for 2018 revenue growth is 4-7% in constant currencies. The growth is based on IFRS 15 restated 2017 revenue of DKK 2,851m. NNIT believes the long-term target of growing revenue by at least 5% remains achievable. However, continued uncertainty about projected sales to the Novo Nordisk Group should be noted.

The operating profit margin in constant currencies with the IFRS 15 and IFRS 16 principles is expected to be in the interval 10-10.5%. Accordingly, NNIT expects to meet the long-term target of an operating profit margin of at least 10% in 2018.

The expectations are based on a number of important assumptions, including that relevant macroeconomic trends will not significantly change business conditions for NNIT during 2018, that business performance, customer and competitor actions will remain stable and that key currency exchange rates will remain at the current levels versus Danish kroner (as of January 18, 2018).

SUMMARY OF CURRENT EXPECTATIONS

	Current guidance	Long-term targets*
Revenue growth		
In constant currencies**	4-7%	> 5%
Operating profit margin		
In constant currencies**	10-10.5%	> 10%
Investments / revenue***	6-8%	

* Long-term targets are in reported currencies.

** Constant currencies measured using average 2017 exchange rates.

*** Investments and data center investments are in 2018 expected to be between 6-8 percent of total revenue. Around 1pp relates to the data center which was invested in January 2018. The total data center investment is expected to be around DKK 250m in the period 2016 to 2018.

CURRENCY SENSITIVITIES

	Estimated annual impact on NNIT's operating profit of a 10% increase in the outlined currencies against DKK*	Hedging period (months)
EUR	DKK 35 million	-
CNY	DKK -19 million	14
CZK	DKK -11 million	14
PHP	DKK -6 million	-
CHF	DKK -1 million	-
USD	DKK -4 million	-

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

* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume our business develops consistently with our current 2018 business plan.

KEY CURRENCY ASSUMPTIONS

DKK per 100	2016 average exchange rates	2017 average exchange rates	YTD 2018 average exchange rates at January 18, 2018	Current exchange rates at January 18, 2018
EUR	744.52	743.86	744.68	744.75
CNY	101.29	97.57	95.08	94.77
CZK	27.54	28.27	29.18	29.36
PHP	14.17	13.08	12.25	12.00
CHF	683.13	669.63	633.68	633.94
USD	673.27	659.53	615.90	608.70

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements.

Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect. Please also refer to the overview of risk factors in the 'risk management' section on page 29-32.

DIGITAL TRANSFORMATION

Keeping up with the digital pace is not an easy task. Most companies agree and acknowledge the need to embrace technology – but to many it is still a matter of upgrading rather than transforming the business.

Too many organizations are busy defending themselves from growing digital competition and changing client behavior while simultaneously fixing daily challenges in their legacy IT environment.

Digital transformation is all about developing the organization in order to ensure that it is still competitive, efficient and effective – but more importantly that it is relevant to the clients. From an IT perspective, this requires an agile infrastructure with 'green lamps', an optimized ability to navigate in a constantly changing business landscape and, particularly, the ability to act on the basis of data.

NNIT provides IT services to clients that allow them to explore and utilize the opportunities provided by digitalizing the business, including artificial intelligence, machine learning, and the Internet of Things.

ADAPTING TO A NEW NORMAL

As IT markets continue to evolve and transform at an increasing speed, NNIT finds itself adjusting to a new reality. Based on a solid business model, loyal clients, compelling services and highly-skilled employees, NNIT is determined to meet the new challenges and achieve its strategic objectives.

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

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

NNIT CORE STRENGTHS

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

STRATEGIC OBJECTIVES

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

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

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

MARKETS & CLIENTS

NNIT operates in the IT services market, which accounts for approximately half of the total IT market in Denmark and globally (software and hardware being the other part). The market is dominated by an ongoing transformation – not least in recent years – and an increasing need to digitalize businesses while preserving personal data security and regulatory compliance.

The IT market is generally considered highly competitive, and clients' needs for agility, speed and breadth of services and solutions as well as their demands for margin and bottom line improvement continue to pressure the IT market and intensify competition.

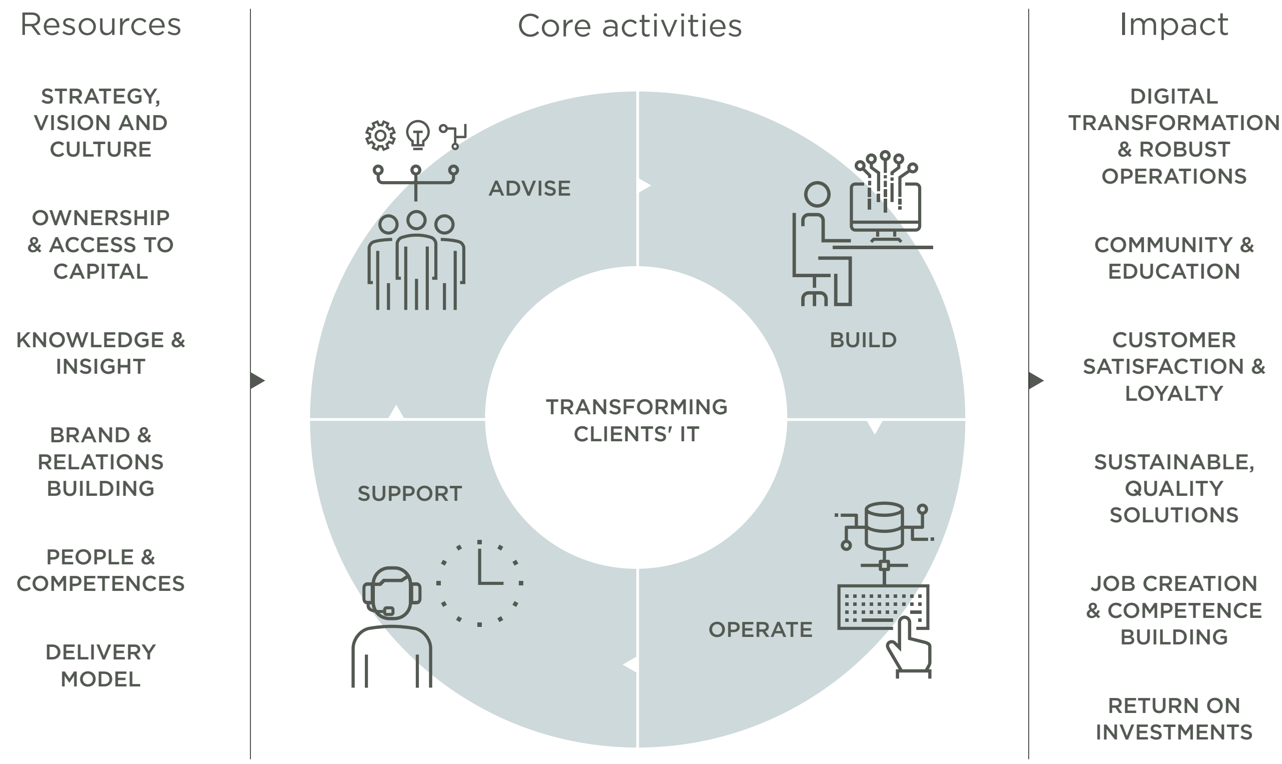
NNIT's main competitors can be divided into five categories:

- Global players
- Offshore players
- Local Danish players
- Other competitors such as cloud vendors, specialist life sciences providers, business process outsourcers
- In-house IT departments that choose to handle all or parts of their IT operations themselves.

BUSINESS MODEL

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

BUSINESS MODEL



RESOURCES

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

Ownership and access to capital
As a listed company NNIT has access to capital for investments and strategic growth.

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

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

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

Delivery model
NNIT operates a global delivery model with delivery centers in Denmark, China, Philippines and the Czech Republic, the latter including a multi-lingual servicedesk currently supporting 10 different languages.

IMPACT

Digital transformation and robust operations
NNIT contributes to the ongoing digitalization of society by supporting clients focusing on their core business and making sure their IT platforms are running non-stop.

Community and education
NNIT supports initiatives that inspire the young generation to explore the possibilities of IT and technology and ultimately strengthen the talent pool – not just for the benefit of NNIT, but for society in general.

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

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

Job creation and competence building
NNIT continues to create jobs while also building talent and competences in IT.

Return on investments
NNIT intends to deliver a competitive return to its shareholders through a dividend payout corresponding to a total of at least 40% of the annual net profit.

OUR BUSINESS

NNIT offers a broad range of IT services to select client groups in Denmark and internationally. Using our global delivery model, we provide clients with highly specialized IT services that enable them to optimize their business, reduce cost, address cybersecurity and comply with regulatory requirements across multiple industries.

Enterprise

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

Finance

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

Life Science

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

Novo Nordisk

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

Public

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

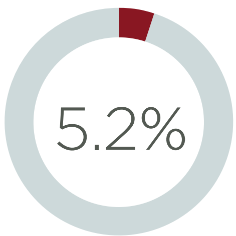
Denmark - Segments

Enterprise

Market size 2017E: 13.0bn
Market size 2021E: 15.1bn
CAGR: 3.3%

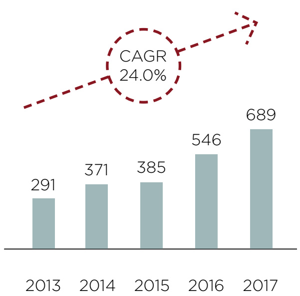
- Still a significant portion of large companies run IT in-house
- Opportunities to follow Danish clients internationally
- Security and future digital workplace

NNIT ESTIMATED MARKET SHARE [1]



NNIT GROWTH IN REVENUE

DKK million

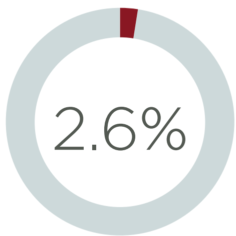


Public

Market size 2017E: 13.3bn
Market size 2021E: 14.6bn
CAGR: 2.6%

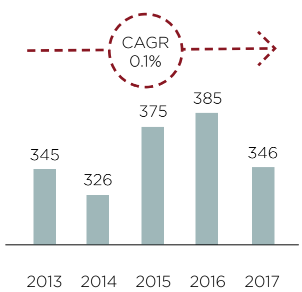
- NNIT targeting regions and central government
- Rigorous contract regime and terms and conditions
- Public tenders are regulated by law

NNIT ESTIMATED MARKET SHARE [1]



NNIT GROWTH IN REVENUE

DKK million

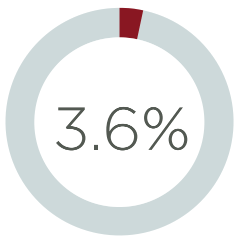


Finance

Market size 2017E: 6.8bn
Market size 2021E: 8.1bn
CAGR: 4.4%

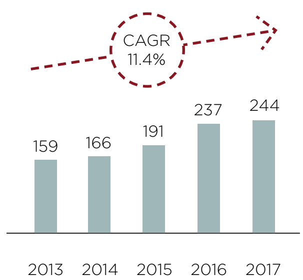
- Large and mature IT organizations with significant use of outsourcing but a recent trend of insourcing
- Market is being disrupted
- Mainframe is still a significant part of the IT landscape

NNIT ESTIMATED MARKET SHARE [1]



NNIT GROWTH IN REVENUE

DKK million

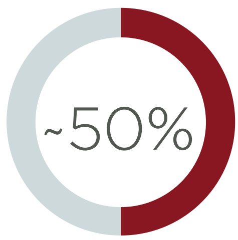


Novo Nordisk

External IT spend 2017E: 2.5bn

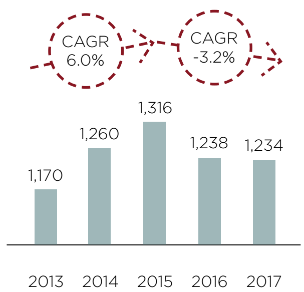
- More challenging and uncertain due to Novo Nordisk situation
- NNIT is strong at HQ, corporate systems and in selected regions, but has a low market share in North America
- IT cost development will vary significantly across areas

NNIT ESTIMATED MARKET SHARE [2]



NNIT GROWTH IN REVENUE

DKK million



[1] Estimated market share is calculated based on market estimates by Gartner (Q3 2017) and NNIT 2017 revenue data.
[2] Estimated Novo Nordisk market share is based on NNIT intelligence as well as NNIT data.

DK and Intl. Life Sciences

Life sciences
(non-Novo Nordisk)

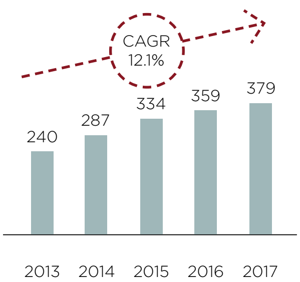
Market size 2017E: 68.8bn
Market size 2021E: 84.9bn
CAGR: 5.4%

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

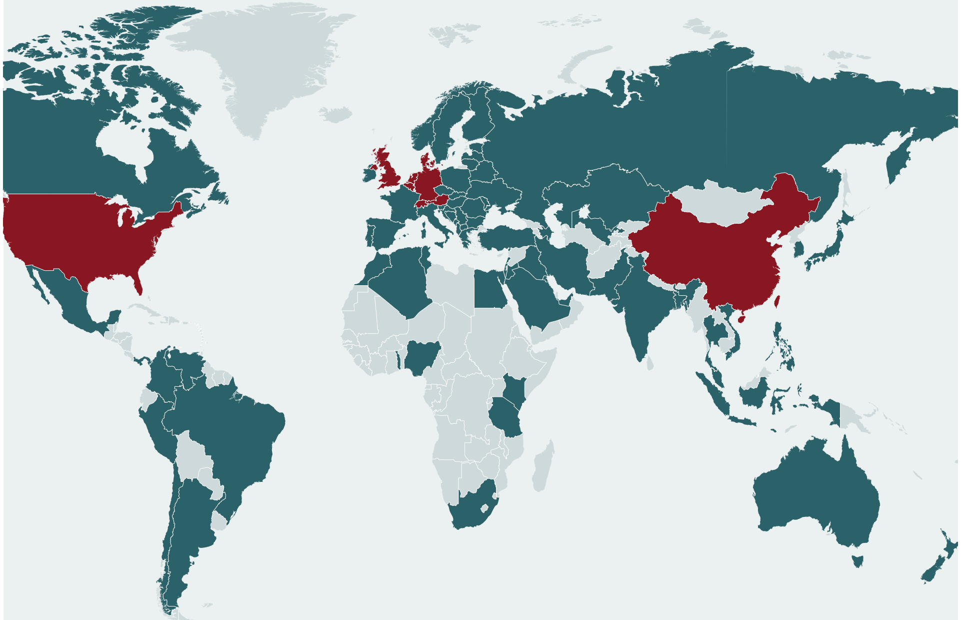
NNIT ESTIMATED MARKET SHARE [1]

NNIT GROWTH IN REVENUE

DKK million



NNIT services world-wide



NNIT main markets
NNIT supporting companies of Danish origin

NNIT MAIN MARKETS

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

NNIT SUPPORTING MARKETS

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

[1] Estimated market share is calculated based on market estimates by Gartner (Q3 2017) and NNIT 2017 revenue data.

CUSTOMER EXPERIENCE

Customer satisfaction
(Scale 1-5)

3.7

1 5
TARGET 4.0

Evalgo
(Scale 1-5)

4.2

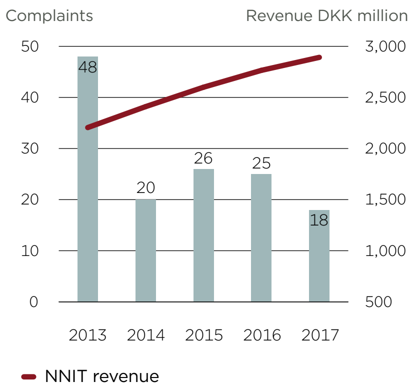
1 5
TARGET 4.0

End-user survey
(Scale 1-5)

4.4

1 5
TARGET 4.0

Quality
(Customer complaints)



Customer audits and independent service auditors' audits successfully passed

34

Audits seek to verify that deliveries meet customer expectations and regulatory requirements.

Certifications (ISO)

2

NNIT is certified to ISO 9001 and ISO 27001 standards.

MARKETS & CLIENTS

NNIT's clients include some of the largest and most prestigious brands – including international life sciences companies, large enterprise and financial services companies as well as public sector organizations. They all share a common need for robust IT operations that comply with regulation and enable them to innovate and grow – and hence our most important job is to keep our clients' businesses running non-stop, allowing them to focus on their particular core business.

At NNIT, we have made it a habit to treat our clients' IT as if it were our own. In addition to the ongoing personal interaction with clients, NNIT runs an extensive customer feedback program aimed at collecting input from clients in order to improve collaborations where possible. A good customer experience is everybody's business, and NNIT has hence made this a top priority among all employees.

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

To further ensure that cooperation and business with clients are conducted in a proper and diligent manner, NNIT undergoes several audits with clients during the year. Audits, which also include third-party audits, independent service auditor reports, and internal audits, seek to determine whether deliveries meet customer expectations and regulatory requirements. NNIT successfully passed these audits in 2017. The number of customer audits and independent service auditor reports were at approximately the same level in 2017 as in 2016. 11 customer audits and 23 independent service auditor reports were requested by clients in 2017 (11 and 25 in 2016). In line with ISO 9001 and ISO 27001 certification requirements, NNIT further conducted several internal audits in 2017.

IT OFFERINGS

In 2017, NNIT launched a number of new services and further developed its position in existing business areas. New services include:

- **Azure Innovation Services** As a response to the rapidly changing market needs, we have designed the NNIT Azure Innovation Services to emphasize speed, agility, flexibility and cost efficiency. We use this mindset to co-create new apps, solutions and services for our clients' end-users.

- **EU GDPR** To support our clients in meeting the requirements of EU GDPR, NNIT helps map personal data in processes and systems to provide an overview of where most sensitive information is located logically and physically. Further we assist in documenting how well sensitive information is protected in processes and systems.

- **Dynamics 365** With the acquisition of SCALES, a market leader in Dynamics 365/AX implementation, NNIT has further developed its footprint as an ERP powerhouse, aiming to become a full stack service provider for Dynamics365/AX.

- **Robotic Process Automation (RPA)** Robotic Process Automation (RPA) is the application of technology that can automate manual or semi-manual cross-organizational processes by configuring computer software or a "robot" to learn and execute applications for: processing a transaction, manipulating data, triggering responses and communicating with other digital systems.

- **SupWiz** In September 2017, NNIT engaged in a partnership with the startup company SupWiz. By using machine learning algorithms on data from incoming tickets, alarms and other data sources, Supwiz builds tools that can automate IT support and hence decrease the time spent on solving tickets and potential downtime. In further co-creation SupWiz and NNIT will continue to develop the tool to include further aspects of the intelligent support.

- **Continuous Delivery** With the growing demand for agile IT, time-to-market becomes as important as high quality and stable IT. This requires a new way of delivering our services and a new way of measuring success, especially when clients develop new applications based on sprint releases. We therefore offer DevOps or Continuous Delivery, which is a development and delivery model centered around process automation and agility with focus on line-of-business related engagement and extended team approach.

- **Integration-as-a-Service** Integration-as-a-Service helps integrate everything with everyone to enable digitalization and agility. Integration-as-a-Service helps clients establish a hybrid integration platform to tackle the integration challenges of IoT, cloud, mobile and heterogeneous landscapes in a secure and efficient environment.

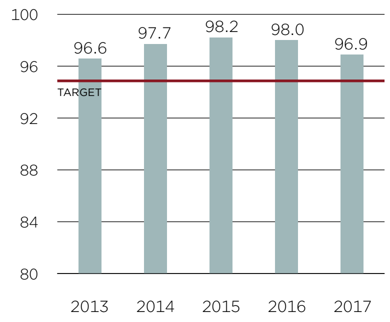
- **Hadoop** Hadoop is a big data offering that targets clients who have invested or are considering investing in a big data infrastructure. With this offering we provide best practice in management of a Hadoop/Spark/Kafka infrastructure. We also provide a solution to existing clients who want to explore Hadoop before committing to any infrastructure investments.

- **MSDN** The MSDN offering is an audit assurance offer for hosting clients currently using the MSDN (Visual Studio Developer) License in their infrastructure. The services guarantee that any server marked as being under a Microsoft Developer License is isolated such that any potential access gained by NNIT is performed by an MSDN licensed user.

SERVICE PERFORMANCE INDICATORS

(key performance indicators (KPI) met) %

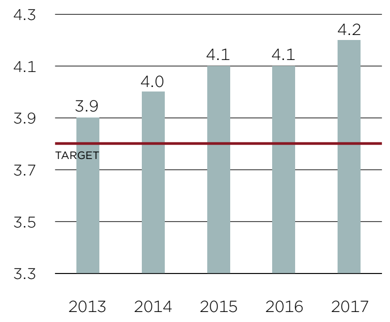
96.9%



PROJECT PERFORMANCE

(ability to meet deadlines - scale 1-5)

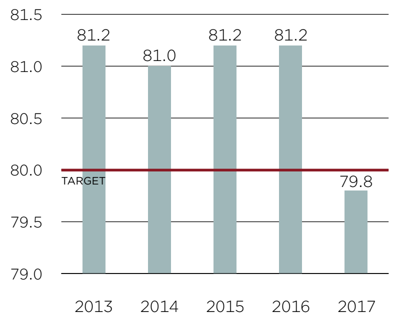
4.2



SERVICE DESK PERFORMANCE

(agreed response time met) %

79.8%



PROTECTING YOUR PERSONAL DATA - EU GDPR

Appropriate protection of personal data is a requirement by the EU. Therefore, the EU General Data Protection Regulation (EU GDPR) is scheduled to take effect on May 25, 2018, and it will force all private businesses and public authorities to implement sufficient IT compliance measures.

The EU General Data Protection Regulation is intended to strengthen and unify data protection for individuals within the European Union, and it also addresses the exporting of personal data outside the EU. Risking fines of up to 4% of their annual turnover, organizations are clearly prioritizing the matter to ensure full compliance by May 2018.

NNIT helps clients meet the requirements – specifically by offering an assessment of their organization's security level in order to identify potential risks. To that end, NNIT maps clients' data flows and provides an overview of where sensitive information is located logically and physically. We also assist in documenting how well the sensitive information is protected in processes and systems - so any weaknesses can be detected and corrected.

Obviously, NNIT takes its own medicine by also implementing the required IT measures internally to meet the EU GDPR standards.

EMPLOYEES

NNIT is a people business. Our results rely on highly-skilled, passionate and loyal employees, who are able to turn their IT knowledge into value-adding solutions and services for our clients. In 2017, NNIT staff grew by 206, employing a total of 3,071 at December 31, 2017. Approximately 80% of our employees holds an academic degree, primarily within IT technologies.

NNIT has a strong track record as an attractive employer – and human resource management and employee job satisfaction are key priorities for our company. We go to great lengths to ensure our employees are continuously learning and developing their skills. Individual development agreements are made between employees and managers in an annual performance improvement system. In 2017, NNIT employees held a total of 4,621 technology certifications for SAP, Microsoft, Oracle ITIL, PRINCE2, among others.

In 2017, NNIT received top position in various company ranks, including Version 2's "IT Company Rank" and Mediehuset Ingeniøren's "Ingeniøren Profil 2017" – as the preferred number 1 IT workplace. The recognition is of course a reflection of the unique NNIT spirit that permeates the entire organization; what we call 'One NNIT'.

To ensure that our efforts continue to warrant high employee satisfaction, we continually measure and analyze employee satisfaction based on an annual employee satisfaction survey. In 2017, the overall employee satisfaction rating was 4.3 on a scale of 1 to 5 (4.3 in 2016). Although NNIT generally enjoys high employee satisfaction, this remains an area of attention as employee satisfaction is a key parameter for absence, and turnover, and other employee metrics.

The turnover rate in 2017, adjusted for managed turnover, was 11.8% (13.2% in 2016). This is below NNIT's own target of less than 12%. The overall turnover rate was 15.6% (16.2% in 2016).

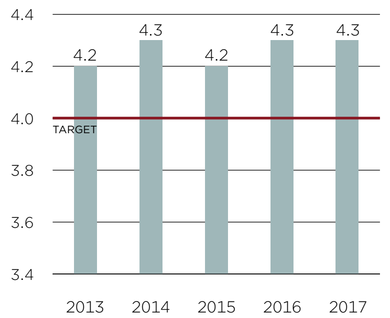
NNIT believes that a dedicated effort towards better leadership will help attract and retain highly-qualified employees and enhance the overall condition and success of the company. Therefore, the company also operates a comprehensive leadership training program to ensure that NNIT always has management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

Finally, as the hunt for qualified resources is under increasing pressure and the scarcity of qualified candidates becomes more evident, NNIT conducts a successful graduate program, among other activities. The NNIT Graduate Program is a talent development program for recently graduated master students from Denmark and abroad, aiming to train and develop highly skilled candidates for a career with NNIT. A tailor-made, 18-month-program offers three modules that cover different specialist areas depending on the candidate's background and interests. Since its launch in 2006, 150 people have been enrolled in the graduate program.

EMPLOYEE SATISFACTION

(Scale 1-5)

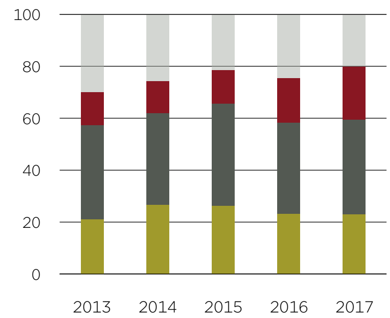
4.3



BREAKDOWN OF EMPLOYEES' EDUCATION

%

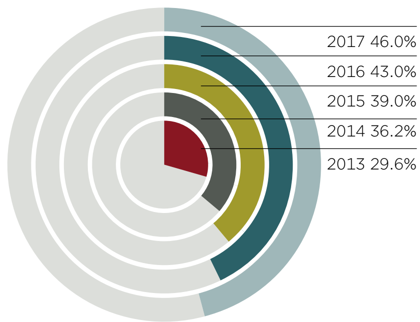
Master or PhD
Professional degrees
Bachelor
Other



INTERNATIONALIZATION RATIO

%

46.0%



ONE WORLD, ONE NNIT

Number of employees, end of year

3,071

Growth in employees

7.2%

Nationalities

58

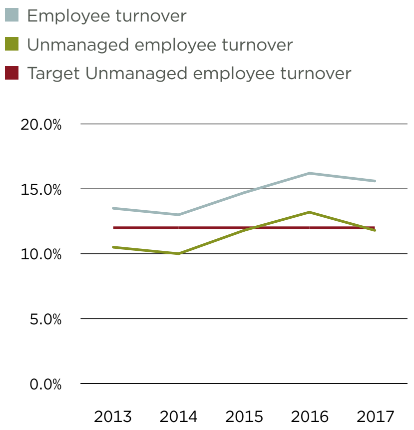
Job rotations & promotions

18.0%

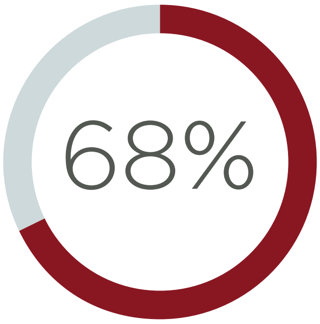
Number of certificates held by employees

4,621

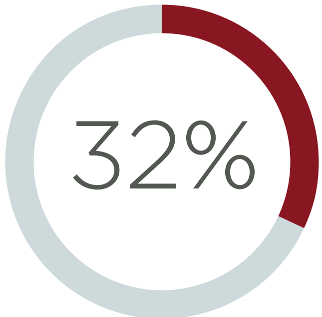
Employee turnover



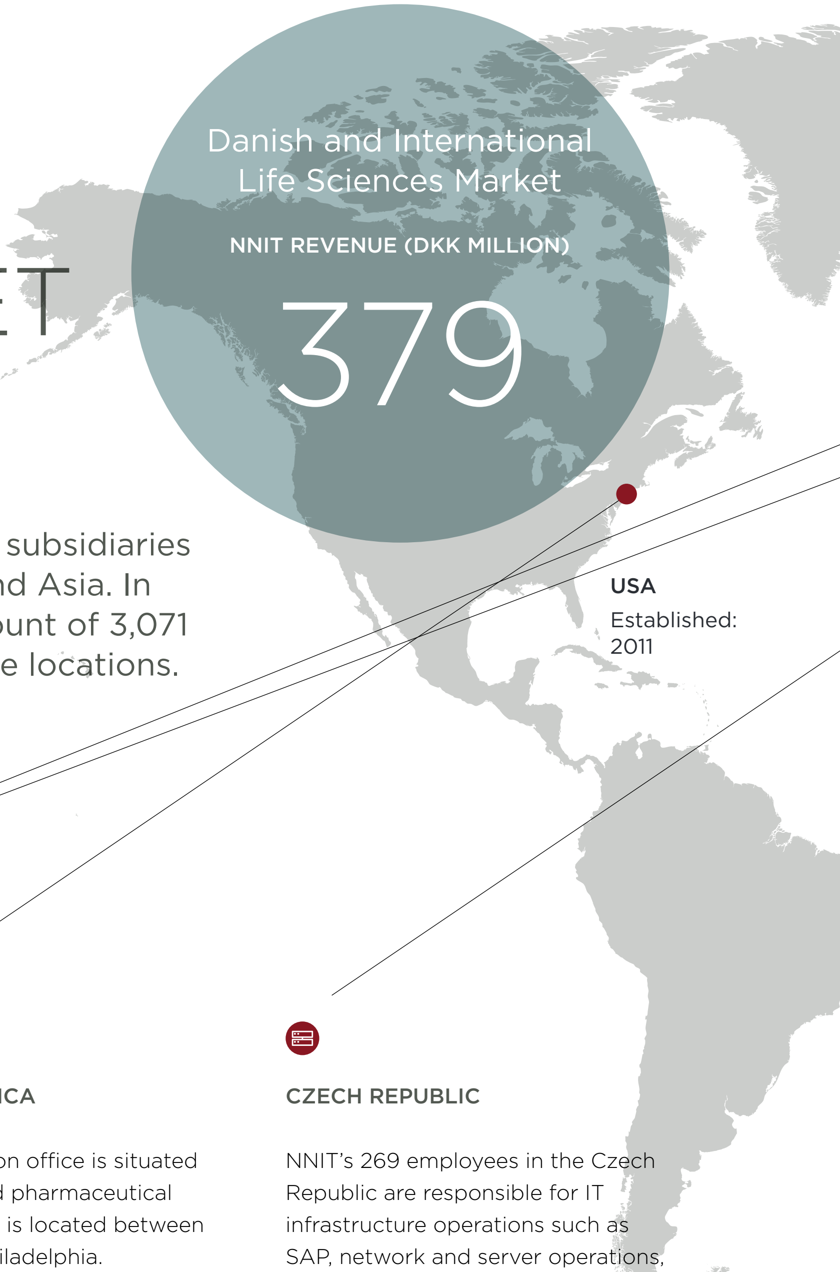
Men



Women



BUSINESS AND MARKET OVERVIEW



Headquartered in Denmark, NNIT has subsidiaries throughout Europe, North America and Asia. In 2017, the company had a total headcount of 3,071 employees (3,030 FTE) across 11 office locations.

Delivery Sales Life Science Sales

DENMARK

Born out of Novo Nordisk in 1998 as Novo Nordisk IT, NNIT's history dates back almost 20 years. However, as part of Novo Nordisk, the roots go back much further. Employing more than 1,600 people in Denmark, NNIT's Danish headquarters is responsible for delivery and sales as well as administrative staff functions. In 2017, NNIT acquired SCALES Group A/S, a leading Danish-based consultancy delivering implementations of Microsoft Dynamics ERP solutions. SCALES employs 121 FTE in Denmark and Norway.

2017 Estimated market size (DKK million):	36,224
Estimated market CAGR (compound annual growth rate):	3.2%
NNIT employees FTE in 2017 (2016):	1,640 (1,591)
Management Per Kogut, CEO	

NORTH AMERICA

NNIT's Princeton office is situated in the so-called pharmaceutical corridor, which is located between Boston and Philadelphia.

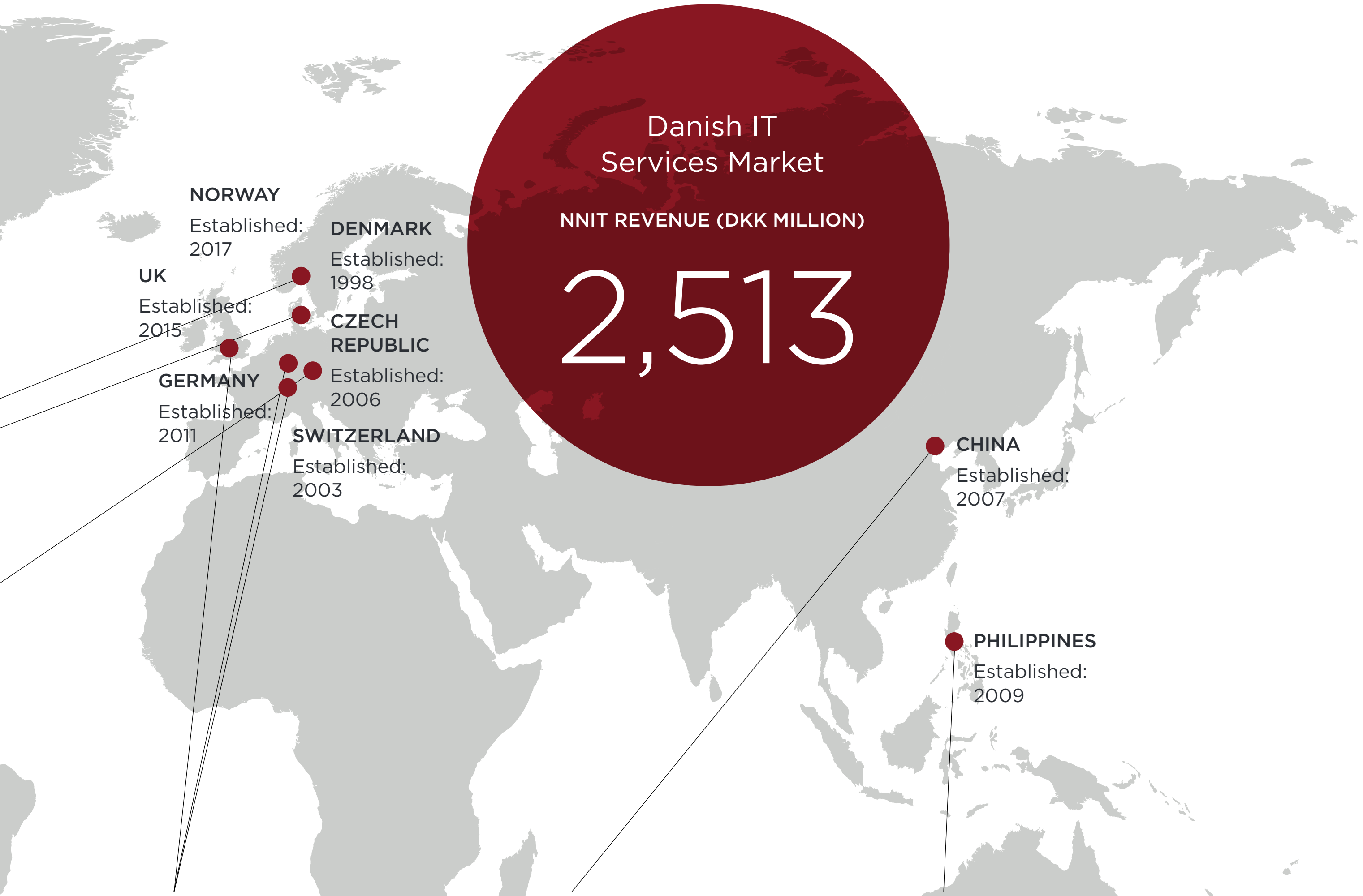
A total of 26 employees are currently based at the office, which primarily serves NNIT's international pharmaceutical clients. Additionally, the US office is responsible for sales to new pharma clients in North America.

2017 Estimated market size (DKK million):	35,636
Estimated market CAGR (compound annual growth rate):	6,2%
NNIT employees FTE in 2017 (2016):	26 (18)
Management Bo Olsen, General Manager	

CZECH REPUBLIC

NNIT's 269 employees in the Czech Republic are responsible for IT infrastructure operations such as SAP, network and server operations, storage services and back-up operations for clients based mainly in the European region. The office is part of NNIT's 24/7 Global Operations Center setup and as such delivers services in close cooperation with the delivery centers in Denmark, China and the Philippines. From Prague, NNIT also delivers multilingual service desk support in 10 different languages.

n/a	
n/a	
NNIT employees FTE in 2017 (2016):	269 (241)
Management Lasse Schmidt, General Manager	



SWITZERLAND, UK AND GERMANY

The Zurich office, which is located in one of Europe's largest pharma hubs, spearheads our services to international pharmaceutical companies. From our office in Zürich, NNIT supplies IT and consulting services to international life sciences companies demanding high levels of quality and security.

NNIT further operates small offices out of the UK and Germany, primarily servicing our local clients in these regions.

2017 Estimated market size (DKK million):	29,576
Estimated market CAGR (compound annual growth rate):	5.5%
NNIT employees FTE in 2017 (2016):	42 (40)
Management Rasmus Nelund, General Manager	

CHINA

NNIT's China office is the company's largest delivery center outside Denmark. Established in 2007, the office currently has 847 employees. NNIT China delivers services within a large range of technologies covering development as well as operations projects, and forms an important part of NNIT's deliveries to our European clients. NNIT also has local clients in China, and in 2017, established a second office in Shanghai to further cater to demand in the growing Chinese life sciences market.

2017 Estimated market size (DKK million):	3,591
Estimated market CAGR (compound annual growth rate):	10.7%
NNIT employees FTE in 2017 (2016):	847 (775)
Management Søren Østergaard, General Manager	

PHILIPPINES

More than 200 employees work out of NNIT Philippines as an integral part of NNIT's global IT service delivery, specializing in the development and maintenance of enterprise and eGovernment software solutions as well as IT infrastructure operations such as network and server operations for NNIT's clients around the world. A part of NNIT's 24/7 Global Operations Center setup, the Manila-based delivery center, provides services in close cooperation with NNIT's other centers in Denmark, China and the Czech Republic.

n/a	
n/a	
NNIT employees FTE in 2017 (2016):	207 (146)
Management Maria Arleta Sordan Saulo, General Manager	

REGULATORY IT

Today's IT landscape can give any CIO or CTO a headache. As if IT departments did not have enough to worry about, these days they also have to ensure that the organization is in compliance with various industry regulations designed to keep sensitive customer data safe.

In recent years, the regulatory IT landscape has further been marked by an increasingly integrated view on the regulatory requirements, and hence the need to look at the IT landscape as a whole. A rather difficult task in today's decentralized, mobile, app-filled world.

While failure to meet these compliance standards could mean fines, penalties and loss of trust, NNIT offers its clients support and various services to meet and comply with ongoing regulation.

Especially in the pharmaceutical industry, regulatory affairs need agile IT solutions, and NNIT provides consultancy and IT solutions for regulated business processes — from drug development and regulatory submissions to post-marketing. We help our clients adapt to the regulatory constraints and requirements by ensuring that they are able to manage data and their entire document and process value chain.

RISK MANAGEMENT

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

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

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

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

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

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

RISK MANAGEMENT

RISK \ ROOT CAUSE	Customer strategy	Competitors	Market changes	Missing scale and presence outside Denmark	Regulation and complex contract regimes	Unauthorized access	Bid and project estimation	MITIGATING ACTIONS
Loss of existing business	●	●	●					• Stay close to customers • Pursue early contract extensions • Be price competitive through delivery model and operational excellence • Develop new offerings
Ability to generate new business	●	●	●	●				• Be price competitive through delivery model and operational excellence • Develop new offerings • Ensure flexible delivery model • Have focused go-to-market strategy within international life sciences
Operation and delivery			●		●	●	●	• Tier III certification of data centers • Develop security roadmap and improve access management • Structured governance for contract management • Ensure that relevant procedures, audits and training are in place • Structured bid process model • Governance model for project monitoring
Extended liability regarding personal data					●			• Adapt service offerings to General Data Protection Regulation • Appointment of data protection officer
Compliance issues	●		●		●			• Structured governance for contract management • Continue to monitor legal framework • Ensure that relevant procedures, audits and training are in place
Not attracting/retaining sufficient talent		●	●					• Use employer branding and ensure an attractive working environment • Ensure market-conform compensation packages and long-term incentive programs • Use non-Danish delivery centers to mitigate shortage of qualified IT professionals • Run graduate and security training programs
Currency exposure			●					• Hedge main currencies 14 months ahead • Aim to create natural hedges

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS

Loss of existing business

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
In 2017, NNIT's generated revenue of DKK 2,892m from 344 clients. NNIT's single largest client is the Novo Nordisk Group, which accounted for DKK 1,234m or 43% of NNIT's 2017 revenue. NNIT's top five clients accounted for 62% of NNIT's revenue in 2017, while the top ten group of clients accounted for 72%. NNIT relies on the IT spend of these clients, including the renewal and non-termination of existing contracts. The backlog for 2019-2020 is impacted by a number of large outsourcing contracts expiring in this period. Failure to renew contracts with existing clients, particularly the large outsourcing contracts, or renewals at notably different prices and terms would affect NNIT's business significantly. Specifically changes in buying behavior from Novo Nordisk will impact NNIT's business.	**Clients** Change in client behavior impacts the risk of losing existing business. Such changes may be related, but are not limited, to client cost reductions, adoption of multivendor strategies, splitting up of contracts into towers and insourcing strategies, which may remove existing business. Embedded price reductions built into contracts and benchmark standards increase the risk of price erosion on existing business. Change of decision-making power from IT to line of business and procurement involvement introduce new stakeholders, which increases the risk of changes to existing business. **Competition** More aggressive behavior from existing competitors and/or the entry of new competitors increases the risk of losing existing contracts. **Market changes** Technology and market disruption change clients' preferences and needs, which could cause existing business to shrink or disappear. Changes in market technology could also introduce new competitors which have previously been technology partners or have previously operated in other industries.	NNIT remains committed to staying competitive by offering high-quality solutions that match client needs and requirements at market-conform prices. NNIT maintains close relationships with clients in order to gain continuous feedback and understanding of their business needs, and NNIT is focused on extending or renegotiating existing contracts prior to expiry. In order to offer market-conform prices, NNIT is constantly focused on process optimization and automation as well as leveraging the global delivery model. NNIT is currently running an operational excellence program within the IT Operations area in order to design, optimize and provide lean delivery processes, accelerate automation and offshore usage and automate and standardize reporting NNIT has a dedicated business development and technology unit focused on investigating and gathering the latest market trends while developing and managing offering initiatives and partnerships. NNIT continues to develop and strengthen offerings that match its clients' needs and requirements as well as building partnerships with some of the industry's leading technology providers. NNIT takes a wide range of digital transformation initiatives to ensure that new offerings, sales, branding and customer experience meet the both the clients' and NNIT's need for digital transformation.

Ability to generate new business

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
NNIT has a long-term strategic target of at least 5% revenue growth per year. Based on the projected growth rates in the Danish IT services market, NNIT must continue to win market share in the Danish market to meet its long-term strategic targets. The Danish IT services market is extremely competitive with both domestic and international players. Therefore, NNIT must continuously improve productivity and efficiency in order to meet the market price and maintain margins. Outside Denmark, NNIT strategically pursues the life sciences market. NNIT has strong domain knowledge and primarily delivers relatively small projects. To grow further, and gain scale, NNIT needs to win larger projects as well as application and infrastructure outsourcing agreements	**Potential clients** Client behavior impacts the amount of contracts in the market. This behavior can relate to the willingness to outsource or shifting to insourcing strategies or to change buying patterns, thereby shift buying power from IT to line of business and procurement. **Competition** More aggressive behavior from existing competitors and/or entry of new competitors could make the market more competitive. **Market changes** Technology and market disruption change client preferences and needs, which could influence buying behavior. **Missing scale and presence outside Denmark** While being a major player in the Danish IT services market, NNIT is internationally a niche player. Thus size, relations and presence are more challenging factors internationally than they are in Denmark.	In order to attract and win new business, NNIT continues to develop and strengthen its offerings to match client needs and requirements as well as building partnerships with some of the industry's leading technology providers. NNIT has a dedicated business development and technology unit focused on investigating and gathering the latest market trends while developing and managing offering initiatives and partnerships. NNIT takes a wide range of digital transformation initiatives to ensure that new offerings, sales, branding and customer experience meet both the clients' and NNIT's need for digital transformation. In order to offer market-conform prices, NNIT is persistently focused on process optimization and automation and on leveraging the global delivery model. The company's presence in countries within the EU (Denmark and the Czech Republic), as well as in non-EU locations (China and the Philippines), allows NNIT to offer a delivery setup that meet client preferences. In order to be a leading IT partner to the life sciences industry, NNIT must persistently be at the forefront of regulatory development within selected areas of the life sciences value chain. NNIT is focused on proximity to international life sciences clients matching NNIT's size within selected geographies. NNIT continues to use partnerships with leading software providers in the life sciences industry to gain access to new life sciences clients.

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS

Operation and delivery

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
NNIT's ability to deliver the agreed quality of services is crucial. This includes operational stability, backup and fast restoring of data, keeping agreed security levels and delivering projects on time and according to scope. Inadequate operational stability, quality or security controls involve the risk of reduced client satisfaction and loyalty as well as the risk of damaging NNIT's market reputation. Cybercrime, including unauthorized access, constitutes a growing risk. This may impact confidentiality, integrity and availability of critical systems and/ or data resulting in breach of regulatory requirements as well as reputational damage. Changes to applicable laws and regulations, particularly regulations on data protection and anti-offshoring legislation, might increase costs or threaten NNIT's ability to continue to serve clients from certain global locations. NNIT's business involves a significant amount of estimation and planning e.g. when bidding for fixed price projects and when estimating transition projects as part of outsourcing agreements. Estimating scope and efforts correctly as well as forecasting the required capabilities is crucial. Failure to estimate correctly could have significant negative cost implications.	**Market changes** The growing use of complex contract schemes dictated by clients' legal advisors increases the risk of disputes and complicates deliveries both potentially having negative cost implications. **Unauthorized access** Cybercrime, including unauthorized access, is a growing risk. This could impact confidentiality, integrity and availability of critical systems and/ or data and resulting in breach of regulatory requirements as well as reputational damage. **Complex contract regimes** Increased use of complex contract schemes dictated by clients' legal advisors increase the risk of disputes that could lead to arbitration with negative cost impact and reputational damage. **Regulations** Regulatory changes, such as General Data Protection Regulation or anti-offshoring legislation, imposes a potential risk that clients will be reluctant to accept processing of data in certain countries, leading to a weaker competitive position in the market **Bid and project estimation** Inherently there is a risk that NNIT is too optimistic when estimating new business cases. This spans from the ability to perform thorough due diligence in the bidding phase and scoping of projects to executing on the business cases in the subsequent phases.	NNIT has achieved the official Tier III certification of its old data center and seek to have its new data center Tier III certified this year, which would make NNIT the only IT supplier in Denmark with a complete certification of all data centers. Besides owning two data centers NNIT rent capacity in a third, external, data center which is Tier III certified. NNIT has implemented a security roadmap with 12 identified initiatives. This includes monitoring the ongoing threats, mapping security requirements to services delivered as well as access management. Further, NNIT is improving access management to ensure the ability to handle a large number of accesses based on principle of least privilege. NNIT has initiated a structured governance model for contract management. This will include training of relevant employees and assigning contract managers to major accounts. Further, NNIT is implementing a deliverables and obligation tracker, ensuring a clear overview of major accounts on the various delivery and obligations requirements. NNIT constantly monitors the legal frameworks and any changes to these. NNIT's presence in countries within the EU (Denmark and the Czech Republic) as well as non-EU locations (China and the Philippines), allows the company to offer a flexible delivery setup. NNIT has an established bid process for all bids above DKK 2m. This includes a critical assessment of cost estimates, contract terms and whether to bid at all and involves relevant finance, legal, sales and line of business functions. Finally, NNIT monitors projects and deliveries through steering group meetings and all critical projects are evaluated at a bi-monthly meeting of the Strategic Portfolio Committee attended by top executive management.

Extended liability regarding personal data

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
Legislators have announced significantly higher level of fines for breach of the General Data Protection Regulation, which increases the risk of NNIT facing negative financial implications if non-compliant.	**Regulations** The changes in the General Data Protection Regulation taking effect in May 2018, imposes a potential risk that NNIT may be non-compliant and thus liable to fines, which would have a significantly adverse impact on NNIT's financial results and its reputation.	NNIT is currently implementing General Data Protection Regulation in order to adapt NNIT's services to meet the regulatory requirements and has appointed a data protection officer responsible for NNIT compliance with focus on data protection regulation and control.

Compliance issues

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
NNIT operates in an environment of increasing contract complexity and intensified regulatory requirements. As NNIT continues to grow so will the number of new contracts containing an increased number of complexities related to delivery requirements as well as terms and conditions. Managing a larger number of contractual obligations increases the risk of non-compliance. NNIT's growth strategy enhances business conducted both in- and outside of Denmark. This increases the use of sub-contractors and partnerships thereby increasing the risk of business ethics misconduct.	**Complex contract regimes** Increased use of complex contract schemes dictated by clients' legal advisors adds to the risk of disputes that could lead to arbitration that could potentially have negative cost implications and cause reputational damage. **Regulations** Regulatory changes impose a potential risk that NNIT may be non-compliant and thus liable to fines, which would have a significant adverse impact on NNIT's financial results and its reputation.	NNIT consistently monitors the legal frameworks and any changes to these. NNIT's presence in countries within the EU (Denmark and the Czech Republic) as well as non-EU locations (China and the Philippines), allows the company to offer a flexible delivery setup. NNIT has initiated a structured governance model for contract management. This includes training relevant employees and assigning contract managers to major accounts. Further, NNIT is implementing a deliverables and obligation tracker, ensuring a clear overview of major accounts in terms of the various delivery and obligation requirements. NNIT has established business ethics procedures, spending policies, responsible sourcing standards and rigidly imposes a segregation of duties. All NNIT employees are trained in above-mentioned procedures, and NNIT conducts internal audits as well as compliance reviews at HQ and affiliates.

Not attracting/retaining sufficient talent

RISK	ROOT CAUSES OF THE RISK	MITIGATING ACTIONS
NNIT's business is founded on the expertise and innovation of IT specialists. NNIT's ability to maintain and renew existing client contracts and win new business depends on NNIT's ability to attract, retain and develop qualified IT professionals with the skills to keep pace with the continuing changes in information technology, evolving industry standards and changing client preferences. The shortage of, and significant competition for, qualified IT professionals with the advanced technology skills necessary to provide the services and solutions that NNIT offers constitute a risk for the company.	**Market** The number of university graduates with IT backgrounds impacts the supply of IT professionals. Technology and market disruption changes alter the need for skills. **Competition** More aggressive behavior by existing competitors and/or the entry of new competitors could increase demand and competition for the same qualified IT professionals.	NNIT has a good track record of attracting talented employees. Employer branding and an attractive working environment are tools used to ensure that we can continue to attract high-potential individuals. NNIT is ranked among the very top IT employers in Denmark NNIT strives to maintain market-conform compensation packages and has established a long-term incentive program for senior executives and other key employees. NNIT actively uses delivery centers outside of Denmark as a means of mitigating any shortage of qualified IT professionals in the Danish IT services market. NNIT runs graduate programs for talented young IT professionals at corporate level and at affiliate level at the main delivery centers. NNIT plans to establish a security academy in order to be able to educate, train, attract and retain security resources. NNIT has conducted an education program for almost 300 leaders to enhance managers' inspiration, motivation and guidance skills.

Currency exposure

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

[1] Ranked second most attractive IT workplace in Denmark and best in the category 'Consulting and development' in IT Company Rank by Ingeniøren/Version2 (http://www.e-pages.dk/ming/81/). Ranked number seven in Denmark's Most Attractive Employers 2017 Professionals - IT by Universum (https://universum-global.com/rankings/denmark/)

SCALES, AN NNIT GROUP COMPANY

On May 17, 2017, NNIT announced the acquisition of SCALES Group Holding ApS. The acquisition makes NNIT a full stack provider of Dynamics 365, spanning advisory, implementation and operations, including application and infrastructure.

SCALES Group's deep knowledge, technical competencies and experience with Dynamics AX and particularly with the Dynamics 365 platform combined with NNIT's ability to handle large Dynamics 365 environments gives NNIT a powerful Dynamics 365 offering. NNIT's strong portfolio of Microsoft products, its ability and experience with integration as well as the company's offshore capabilities, position NNIT uniquely as a leading Dynamics 365 consultancy in the Danish market.

According to Gartner, the market for ERP services is predicted to grow at an annual rate of 4%, and Microsoft Dynamics 365 is increasingly being accepted as an attractive ERP solution for medium- and large sized enterprises.

The acquisition complements NNIT's SAP capabilities, creating an unrivalled Danish ERP house providing a full stack value proposition for the leading ERP solution providers in the Danish market.

SCALES
An NNIT Group Company

Headquartered in Copenhagen, Denmark, SCALES Group is a leading Danish-based consultancy delivering state-of-the-art implementations of Microsoft Dynamics ERP solutions. SCALES Group is among the largest Microsoft Dynamics 365 consultancies in Denmark, employing more than 125 staff in Denmark and Norway. In November 2017, SCALES Group was recognized as the '2017 Microsoft ERP Cloud Partner of the year in Denmark' – for the second straight year. The group has been among the final three nominees for this award for the past five years.

SHAREHOLDER INFORMATION

NNIT had approximately 22,600 registered shareholders at December 31, 2017, representing 98% of the company's share capital.

NNIT shares were priced at DKK 171.50 per share at December 31, 2017, for a market capitalization of DKK 4,288m. The share price fell by 16% during 2017. In comparison, the Nasdaq Copenhagen A/S blue chip index (OMXC20 CAP) increased by 13%, while the Nasdaq Copenhagen MidCap index, of which NNIT is a component, increased by 9% in the same period. Peer stocks in the Nordic and European IT services markets decreased by 13% and 6% respectively, in the same period.

Share capital and ownership

NNIT's share capital is DKK 250,000,000 divided into 25,000,000 shares, each with a nominal value of DKK 10. NNIT has a single share class, each share carrying 10 votes. There are no restrictions on ownership or voting rights.

NNIT had approximately 22,600 registered shareholders at December 31, 2017. The four largest shareholders held at least two-thirds of the share capital, with 51 percent being directly or indirectly controlled by Novo A/S.

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

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

At December 31, 2017, about 82% of NNIT's shares were held by investors based in Denmark, while 4% were held by inves-

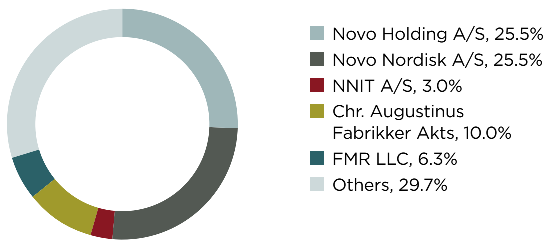
SHARE DATA

Stock exchange:	Nasdaq Copenhagen A/S
Index:	Mid Cap
Share capital (DKK):	250,000,000
Number of shares:	25,000,000
Nominal value (DKK):	10
ISIN code:	DK0060580512
Trading symbol:	NNIT
Share price at year-end (DKK):	171.50
Treasury shares:	656,717 (2.6%)

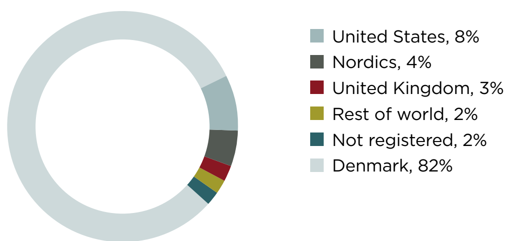
FINANCIAL CALENDAR FOR 2018

Deadline for shareholders submitting proposals for matters to be considered at the Annual General Meeting	January 24, 2018
Full year report for the period January 1, 2017 to December 31, 2017 and Annual Report	January 25, 2018
Annual General Meeting	March 8, 2018
Interim report for the first three months of 2018	May 16, 2018
Interim report for the first six months of 2018	August 17, 2018
Interim report for the first nine months of 2018	October 25, 2018

SHAREHOLDER OVERVIEW



SHAREHOLDERS BY GEOGRAPHY



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

tors based in other Nordic countries. Outside of the Nordic region, US and UK investors held 8% and 3% of the shares, respectively. The remaining proportion of 2% of the registered shares was held by investors in other countries, while the outstanding 2% of the shares are not registered by name.

Dividend policy and capital structure
NNIT intends to deliver a competitive return to its shareholders through dividend payouts. The guiding principle is that excess capital after funding of NNIT's growth opportunities including investments should be returned to the shareholders. NNIT intends to pay interim and ordinary dividends corresponding to a total of at least 40% of the annual net profit, while remaining cash and debt neutral.

Due to the strong underlying cash flow generation, the Board of Directors intends to propose to the shareholders at the annual general meeting that dividends of DKK 2.30 per share be distributed for the financial year 2017. Including the interim dividend of DKK 2.00 per share in August 2017 this brings the total dividend for the financial year 2017 to DKK 4.30 per share compared to DKK 4.20 per share in 2016 and equal to a dividend payout of 48% of the 2017 net results.

Annual General Meeting
The Annual General Meeting of NNIT A/S will be held on Thursday March 8, 2018 at 2 pm at the NNIT head office, Oestmarken 3A, 2860 Soeborg, Denmark.

The Board of Directors intends to propose Anne Broeng, Carsten Dilling, Eivind Kolding and Peter Haahr for re-election, and Caroline Serfass and Christian Kanstrup for election as new members of the Board of Directors. The Board of Directors also intends to propose the re-election of Carsten Dilling as Chairman and re-election of Peter Haahr as Deputy Chairman. The members of the Board of Directors are elected for a one-year period,

Further, the Board of Directors intends to propose the re-election of PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab as the Company's auditor.

The Board of Directors also intends to propose to extend the period of the authorisation to increase the Company's share capital without pre-emption rights for the Company's existing shareholders from 30 April 2018 to 30 April 2021.

Finally, the Board of Directors intends to propose an extension of the period of the authorisation for the Board of Directors to increase the Company's share capital in connection with the issue of new shares for the benefit of the Company's employees and/or employees of its subsidiaries from 30 April 2018 to 30 April 2021.

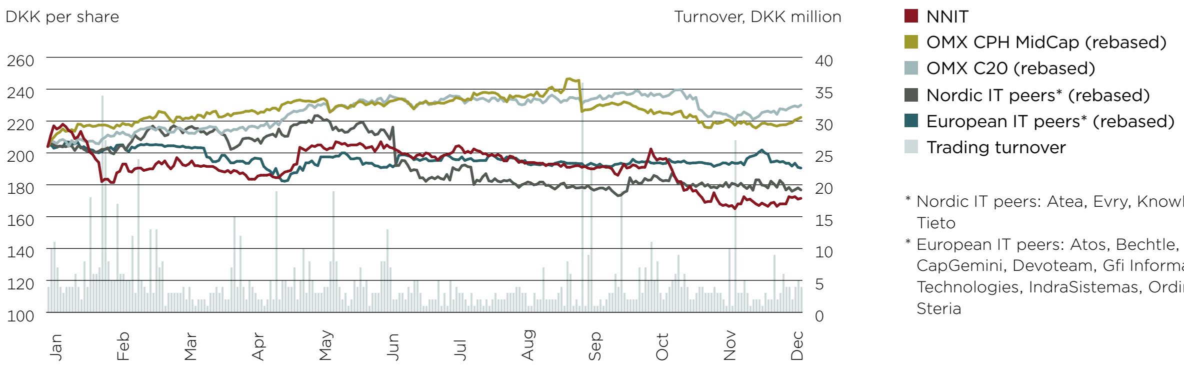
Communication with shareholders
NNIT aims to give investors the best possible insight into the company to ensure fair and efficient pricing of NNIT shares. This is done by pursuing an open dialog with investors and analysts. NNIT's Executive Management hosts conference calls following the release of quarterly financial results. The Executive Management and The Investor Relations departmen travel extensively and participate in relevant seminars to ensure that investors with significant shareholdings in NNIT can meet with NNIT on a regular basis and to provide other shareholders and potential shareholders access to NNIT's Executive Management and investor relations officers.

NNIT is currently covered by six financial analysts, who regularly issue research reports on NNIT. A full list of the analysts covering NNIT can be found at https://www.nnit.com/Pages/investor.aspx together with an overview of all company announcements, press releases, historical financial figures and further information on NNIT.

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

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

NNIT SHARE PRICE PERFORMANCE RELATIVE TO PEERS



* Nordic IT peers: Atea, Evry, KnowIT, HiQ, Tieto
* European IT peers: Atos, Bechtle, CapGemini, Devoteam, Gfi Informatique, GFT Technologies, IndraSistemas, Ordina, Sopra Steria

CORPORATE GOVERNANCE

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

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

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

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

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

THE BASIS FOR THE CORPORATE GOVERNANCE STRUCTURE OF NNIT INCLUDES:

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

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

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

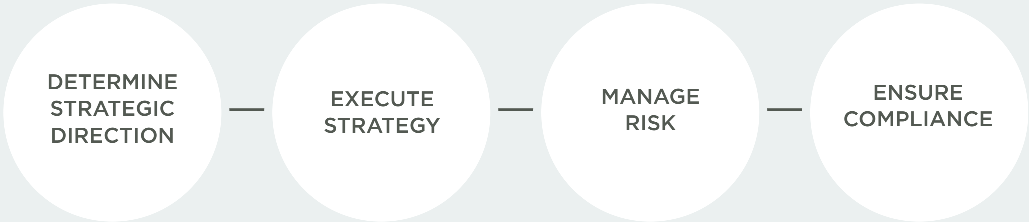
Management and Board Committees

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

NNIT has a two-tier management structure in which powers and responsibilities are distributed between the Board of Directors and the Executive Management. The Board of Directors supervises the work of the Executive Management and is responsible for the overall management and strategic direction, while the Executive Management is in charge of the day-to-day management. The Audit Committee is responsible for assisting the Board in overseeing the financial reporting process and the effectiveness of the internal control and risk management systems.

NNIT's Board of Directors currently consists of six shareholder-elected members and two employee-elected members. Four of the six members elected by the shareholders in general meeting are considered to be independent.
The composition of the Board of Directors ensures that its members represent the required professional breadth, industry knowledge, diversity and international experience.

Corporate Governance at NNIT



Board members elected by the shareholders in annual general meeting are elected for terms of one year, whereas members elected by NNIT's employees are elected for four-year terms. Pursuant to the articles of association, no candidate for Board membership may have reached the age of 70 at the date of the annual general meeting.

In 2017, the Board of Directors held six ordinary meetings.

Self-assessment

The Board of Directors annually performs both a self-assessment and a review of Group Management's performance and succession preparedness. The 2017 self-assessment included an assessment of the Board of Directors and Group Management's contribution to finance, operation, company strategy, organization and management. It also included an assessment of the CEO's and the Chairmanship's contribution to the cooperation between the Board of Directors and Group Management and the Board of Director's supervision of the Executive Management.

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

Remuneration

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

The shareholders approve the remuneration of the Board of Directors for both the previous and the coming year at the annual general meeting. The level of the total remuneration for the Board of Directors proposed to the annual general meeting is in line with conventional compensation for boards of directors of comparable Danish companies.

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

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

NNIT's Remuneration Principles, which are available at the company's website were adopted by the Board of Directors and approved by the shareholders in general meeting on March 8, 2017. In addition to the principles for fixed fees or salary and incentive-based remuneration described above, the Remuneration Principles include principles for pension, other benefits, termination of employment and severance payment. Severance payment can be up to a

NNIT's statutory Corporate Governance Statement pursuant to section 107 B of the Danish Financial statements Act for the financial year 2017 is available on the company's website at **https://www.nnit.com/about-us/Pages/corporate-governance.aspx**

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

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

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

limit of 12 months' fixed base salary including pension contribution except for one contract entered before 2008 which exceeds the 12 months' limit but is below 18 months fixed base salary including pension contribution.

Risk management and control activities

In order to sustain a robust business, risk monitoring and control activities are designed and implemented to obtain the desired overview and assurance. The control activities are based on a risk assessment performed by Group Management and installed to prevent, detect and take steps to counter any material risks. A general description of risks is provided in the section 'Risk Management' on pages 29-32.

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

Corporate social responsibility

NNIT is committed to developing its business based on the combination of running a profitable company with continued growth, while acting in a socially responsible manner.

Our DNA emerges from the regulated pharmaceutical industry and it reflects our approach to quality and business ethics as well as our definition of corporate responsibility. Further, our ownership structure entails that we are a company within the Novo Group.[7]

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

Diversity

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

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

NNIT's statutory statement pursuant to section 99 a and section 99 b of the Danish Financial Statements Act for the financial year 2017 is available from the company's website at **https:/media.nnit.com/Governance/COP17.pdf**

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

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

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

DEFENDING AGAINST CYBER CRIME – IT SECURITY

In today's world, businesses are faced with increasingly sophisticated and complex security challenges. Random and targeted cyberattacks have fundamentally changed the way everyone looks at IT security, and new measures are continuously taken to mitigate IT risks.

While prevention is of course the primary strategy for securing business, the need for fast and effective breach detection and response is a top priority for maintaining business continuity. These are high-complexity tasks that require skilled and experienced security professionals – who are hard to come by and expensive to keep on 24/7 rotation.

NNIT has a large number of information security specialists ready to assist our clients. Together we have a wide range and depth of competencies, adding to that our own Cyber Defense Center (CDC). So, if lightning strikes, we are able to respond and assist – fast.

We offer a range of services that help our clients achieve the right level of security protection for their business and to avoid financial and reputational damage. Following an initial security assessment, we assist our clients in gaining an understanding of their current threat landscape, pain points, and desired risk profile. We then work with the client to develop a roadmap for implementing the identified security initiatives and advise and manage across all aspects of the security landscape, including the people, process and technology areas.

BOARD OF DIRECTORS

Henrik Vienberg Andersen

Personal background: Born 1957. Danish citizen. Motor mechanic. Directorships: Employee-elected member of the Board of Directors since 2018. Operations Specialist at NNIT.

Employee-elected member.

Peter Haahr
Deputy Chairman

Personal background: Born 1968. Danish citizen. MSc in Finance and Accounting from Aarhus Business School and Executive MBA from IMD. Directorships: Member of the Board of Directors since 2017. Chairman of the Board of Directors of House of Denmark A/S. Chief Financial Officer of Novo Holdings A/S.

Not regarded as independent.

John Beck
Member of the Audit committee

Personal background: Born 1962. British citizen. BA in Economics and Fellow of the Institute of Chartered Accountants in England and Wales. Directorships: Member of the Board of Directors since March 2015. Independent Consultant and Business Advisor. Previously held management position with IBM's global life sciences unit.

Regarded as independent.

Anne Broeng
Chairman of the Audit committee

Personal background: Born 1961. Danish citizen. MSc in Economics from the University of Aarhus. Directorships: Member of the Board of Directors since 2014. Member of the boards of NASDAQ Nordic Oy, VKR Holding A/S, Velux A/S, Købmand Hermand Sallings Fond, Købmand Ferdinand Sallings Mindefond, F. Salling Holding A/S, F. Salling Invest A/S, ATP, Lønmodtagernes Garantifond, PensionDanmark, Bikubenfonden, Danske Commodities A/S and Deputy Chairman of Bruhn Holding ApS.

Regarded as independent.

Carsten Dilling
Chairman

Personal background: Born 1962. Danish citizen. Bachelor of Science and Bachelor of Commerce, Int. Marketing from Copenhagen Business School. Chairman of the Board of Directors since 2017. Deputy Chairman of the Board of Directors since 2016. Chairman of the Board of Directors of Icotera A/S. Member of the Board of Directors of SAS AB Terma A/S, and Maj Invest Investment Committee.

Regarded as independent.

Anders Vidstrup

Personal background: Born 1962. Danish citizen. Graduate Diploma in Business Administration from Copenhagen Business School. Directorships: Employee-elected member of the Board of Directors since 2015. Chairman of the Board of Directors of Residence Massena Nice A/S. Senior IT Quality SME at NNIT A/S.

Employee-elected member.

René Stockner

Personal background: Born 1957. Danish citizen. MSc in Engineering and PhD in Systems Science and Database Applications from the Technical University of Denmark. Independent consultant. Directorships: Member of the Board of Directors since 2009. Chairman of the Board of Directors of Dexi Aps, deputy chairman of the Board of Directors of VP Securities A/S, member of the Board of Directors of E Foqus Danmark A/S.

Regarded as independent.

Eivind Kolding

Personal background: Born 1959. Danish citizen. Master of Laws from the University of Copenhagen and AMP from Wharton Business School. Directorships: Member of the Board of Directors since 2015. Chairman of the Board of Directors of Danmarks Skibskredit A/S and CC Oscar Holding A/S (CASA A/S gruppen). Member of the Board of Directors of LEO Holding A/S and BiQ ApS.

Regarded as independent.

GROUP MANAGEMENT

Jacob Hahn Michelsen
Senior Vice President,
Client Management

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

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

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

Carsten Krogsgaard Thomsen
Executive Vice President and CFO, Member of the Executive Management

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

Per Kogut
President and CEO, Member of the Executive Management

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

Claus Middelboe Andersen
Senior Vice President, IT Solution Services

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

Ricco Larsen
Senior Vice President, IT Operation Services

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

FINANCIAL STATEMENTS 2017

Statements

Consolidated financial statements

Parent company financial statements

MANAGEMENT'S STATEMENT

The Board of Directors and the Executive Management (the "Management") have today discussed and approved the annual report of NNIT A/S (NNIT A/S together with its subsidiaries the "Group") for the financial year 2017.

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

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

In our opinion, the accounting policies applied are appropriate, and the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at December 31, 2017 and of the results of the Group's and Parent Company's operations and cash flows for the Group for the financial year 2017.

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

Soeborg, January 25, 2018

NNIT A/S

EXECUTIVE MANAGEMENT

Per Kogut
President and CEO

Carsten Krogsgaard Thomsen
Executive Vice President and CFO

BOARD OF DIRECTORS

Carsten Dilling
Chairman

Peter Haahr
Deputy Chairman

Anne Broeng

Eivind Kolding

John Beck

René Stockner

Anders Vidstrup
Employee-elected representative

Henrik Vienberg Andersen
Employee-elected representative

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of NNIT A/S

Our opinion
In our opinion, the consolidated financial statements give a true and fair view of the Group's financial position at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January to 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Moreover, in our opinion, the parent company financial statements give a true and fair view of the Parent Company's financial position at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

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

What we have audited
The consolidated financial statements of NNIT A/S for the financial year 1 January to 31 December 2017 comprise the consolidated income statement and statement of comprehensive income, consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, including summary of significant accounting policies.

The parent company financial statements of NNIT A/S for the financial year 1 January to 31 December 2017 comprise the income statement, the balance sheet, the statement of changes in equity and the notes, including summary of significant accounting policies.

Collectively referred to as the "financial statements".

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

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

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

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

Appointment
Following the admission of the shares of NNIT A/S for listing on Nasdaq OMX Copenhagen, we were first appointed auditors of NNIT A/S on 11 March 2016. We have been reappointed annually by shareholder resolution for a total period of uninterrupted engagement of 2 years including the financial year 2017.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Revenue recognition The Group has a number of revenue streams reflecting the diversity of services offered to its customers. Although the recognition of revenue for Solution and Operation services is relatively straightforward, certain income streams, particularly construction contracts and contracts with multiple elements, can be more complex We focused on revenue recognition related to construction contracts, because accounting treatment of contracts are dependent on complex and subjective judgements by Management. The most judgmental accounting estimates relate to assessing the stage of completion, which Management determines by reference to the proportion of costs to date to total cost estimate. Assessments of cost estimates is made periodically following management review, which may result in a re-assessment of the percentage of completion as of the date of review. Such re-assessments results in revisions to revenue attributable to work performed up until the date of revision. In addition, we focused on the application of the Group's accounting for arrangements involving multiple elements, which include both transition and transformation projects, because the accounting treatment is complex, as the total contract value is allocated to each identified component on a relative fair value basis and recognized as revenue as the related goods or services are delivered. With regard to these contracts the identification of components and allocation and recognition of revenue is a key area of judgement. Refer to Note 1.1, 1.2 and 3.6.	Our audit procedures in regard of revenue recognition included testing of relevant application controls. This included testing the setup in relevant applications including Management's review controls. We assessed the appropriateness of the Group's revenue recognition policies, with reference to relevant accounting standards, and considered whether revenue on the contracts selected, including amendments, change orders, etc. was recognized in accordance with these policies. We also challenged the revenue amounts assigned to each deliverable by assessing the Group's delivery of its performance obligations with respect to contractual terms, particularly where the Group made estimates or applied judgement relating to the timing and value of revenue recognized. We considered the adequacy of the disclosures in the financial statements. We also assessed the accuracy of the stage of completion assessment, including the key assumptions, and considered the historical accuracy of the assessment of stage of completion. During the year, we tested the run-off on closed projects.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Hellerup, January 25, 2018

PRICEWATERHOUSECOOPERS
Statsautoriseret Revisionspartnerselskab
CVR No. 3377 1231

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

CONSOLIDATED FINANCIAL STATEMENTS

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

for the year ended December 31

DKK '000	Note	2017	2016
INCOME STATEMENT			
Revenue	2.1	**2,891,878**	**2,764,592**
Cost of goods sold	2.2, 2.3, 2.4, 5.1	2,362,506	2,223,006
Gross profit		**529,372**	**541,586**
Sales and marketing costs	2.2, 2.3, 2.4, 5.1	135,563	134,794
Administrative expenses	2.2, 2.3, 2.4, 5.1	116,986	113,889
Operating profit		**276,823**	**292,903**
Financial income	4.1	5,059	6,922
Financial expenses	4.1	5,993	19,550
Profit before income taxes		**275,889**	**280,275**
Income taxes	2.5	59,410	64,575
Net profit for the year		**216,479**	**215,700**
Earnings per share			
Earnings per share (DKK)	4.2	**8.89**	**8.89**
Diluted earnings per share (DKK)	4.2	**8.72**	**8.85**
STATEMENT OF COMPREHENSIVE INCOME			
Net profit for the year		**216,479**	**215,700**
Other comprehensive income:			
Items that will not be reclassified subsequently to the income statement:			
Remeasurement related to post employment benefit obligations	3.7	4,798	(1,015)
Tax on other comprehensive income	2.5	(1,314)	(338)
Items that may be reclassified to the income statement, when specific conditions are met:			
Exchange rate adjustment related to subsidiaries (net)		(1,755)	820
Recycled to financial items		*2,799*	*(3,362)*
Unrealized value adjustments		*2,043*	*5,942*
Cash flow hedges		4,842	2,580
Tax on other comprehensive income related to cash flow hedges	2.5	(1,065)	(626)
Other comprehensive income, net of tax		**5,506**	**1,421**
Total comprehensive income		**221,985**	**217,121**

BALANCE SHEET at December 31

ASSETS

DKK '000	Note	2017	2016
Intangible assets	3.1, 5.5	212,057	33,307
Tangible assets	3.3	573,982	412,920
Deferred taxes	2.5	52,548	52,390
Deposits	3.4	32,637	28,730
Total non-current assets		**871,224**	**527,347**
Inventories		1,566	2,797
Trade receivables	3.5, 5.7	574,808	604,567
Work in progress	3.6	122,868	136,370
Other receivables and pre-payments		164,432	126,183
Shares	4.3	13,950	18,200
Derivative financial instruments	4.4	4,598	1,140
Cash and cash equivalents	4.3	74,577	173,912
Total current assets		**956,799**	**1,063,169**
Total assets		**1,828,023**	**1,590,516**

BALANCE SHEET at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2017	2016
Share capital	4.2	250,000	250,000
Treasury shares	4.2	(6,567)	(7,500)
Retained earnings		697,398	542,833
Other reserves		8,493	7,785
Proposed dividends	4.2	55,990	53,350
Total equity		**1,005,314**	**846,468**
Employee benefit obligations	3.7	15,397	34,251
Contingent consideration	5.5	54,345	-
Provisions	3.8	13,245	11,395
Total non-current liabilities		**82,987**	**45,646**
Prepayments received	3.6, 5.7	158,428	186,507
Bank overdraft		93,194	-
Trade payables	5.7	58,948	59,282
Employee costs payable		255,421	258,386
Tax payables	2.5	18,096	29,913
Other current liabilities		132,617	140,946
Derivative financial instruments	4.4	1,164	2,098
Employee benefit obligations	3.7	21,694	7,577
Provisions	3.8	160	13,693
Total current liabilities		**739,722**	**698,402**
Total equity and liabilities		**1,828,023**	**1,590,516**

STATEMENT OF CASH FLOWS

for the year ended December 31

DKK '000	Note	2017	2016
Net profit for the year		**216,479**	**215,700**
Reversal of non-cash items	5.3	247,097	270,666
Interest received	4.1	171	102
Interest paid	4.1	(3,750)	(3,569)
Income taxes paid	2.5	(80,220)	(51,415)
Cash flow before changes in working capital		**379,777**	**431,484**
Changes in working capital	5.4	(32,577)	(68,667)
Cash flow from operating activities		**347,200**	**362,817**
Capitalization of intangible assets	3.1	(10,279)	(13,575)
Purchase of tangible assets	3.3, 5.4	(326,597)	(164,574)
Sale of tangible assets		-	2,236
Dividends received	4.1	317	721
Sale/(purchase) of shares (net)		-	1,236
Payment of deposits	3.4	(3,142)	(475)
Acquisition of subsidiary	5.5	(97,991)	-
Cash flow from investing activities		**(437,692)**	**(174,431)**
Dividends paid		(102,037)	(145,500)
Cash flow from financing activities		**(102,037)**	**(145,500)**
Net cash flow		**(192,529)**	**42,886**
Cash and cash equivalents at the beginning of the year		173,912	131,026
Cash and cash equivalents at the end of the year (net)	5.4	**(18,617)**	**173,912**

STATEMENT OF CHANGES IN EQUITY

at December 31

DKK '000

					Other reserves					
2017	Note	Share capital	Treasury shares	Retained earnings	Exchange rate adjustments	Cash flow hedges	Tax	Total other reserves	Proposed dividends	Total
Balance at the beginning of the year		**250,000**	**(7,500)**	**542,833**	**6,784**	**(1,321)**	**2,322**	**7,785**	**53,350**	**846,468**
Net profit for the year		-	-	216,479	-	-	-	-	-	216,479
Other comprehensive income for the year		-	-	4,798	(1,755)	4,842	(2,379)	708	-	5,506
Total comprehensive income for the year		**-**	**-**	**221,277**	**(1,755)**	**4,842**	**(2,379)**	**708**	**-**	**221,985**
Transactions with owners:										
Transfer of treasury shares		-	933	18,190	-	-	-	-	-	19,123
Share-based payments	5.1	-	-	21,342	-	-	-	-	-	21,342
Deferred tax on share-based payments[1]		-	-	(1,567)	-	-	-	-	-	(1,567)
Dividends paid		-	-	-	-	-	-	-	(102,037)	(102,037)
Interim dividend for 2017		-	-	(48,687)	-	-	-	-	48,687	-
Proposed dividend for 2017		-	-	(55,990)	-	-	-	-	55,990	-
Total dividends for 2017		**-**	**-**	**(104,677)**	**-**	**-**	**-**	**-**	**104,677**	**-**
Balance at the end of the year	4.2	**250,000**	**(6,567)**	**697,398**	**5,029**	**3,521**	**(57)**	**8,493**	**55,990**	**1,005,314**
2016										
Balance at the beginning of the year		**250,000**	**(7,500)**	**395,969**	**5,964**	**(3,901)**	**3,286**	**5,349**	**97,000**	**740,818**
Net profit for the year		-	-	215,700	-	-	-	-	-	215,700
Other comprehensive income for the year		-	-	(1,015)	820	2,580	(964)	2,436	-	1,421
Total comprehensive income for the year		**-**	**-**	**214,685**	**820**	**2,580**	**(964)**	**2,436**	**-**	**217,121**
Transactions with owners:										
Share-based payments	5.1	-	-	30,212	-	-	-	-	-	30,212
Deferred tax on share-based payments[1]		-	-	3,817	-	-	-	-	-	3,817
Dividends paid		-	-	-	-	-	-	-	(145,500)	(145,500)
Interim dividend for 2016		-	-	(48,500)	-	-	-	-	48,500	-
Proposed dividend for 2016		-	-	(53,350)	-	-	-	-	53,350	-
Total dividends for 2016		**-**	**-**	**(101,850)**	**-**	**-**	**-**	**-**	**101,850**	**-**
Balance at the end of the year	4.2	**250,000**	**(7,500)**	**542,833**	**6,784**	**(1,321)**	**2,322**	**7,785**	**53,350**	**846,468**

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

NOTES

1. Basis of preparation

1.1 Summary of significant accounting policies

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and further requirements in the Danish Financial Statements Act. The Consolidated Financial Statements are prepared in accordance with IFRS standards and interpretations applicable to the 2017 financial year.

Measurement basis

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

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

Accounting policies

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

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

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

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

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

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

Construction contracts and the percentage of completion method
The percentage of completion method is used to determine the proportion of a construction contract's sales value that is to be recognized as revenue in a particular period, whether the basis for charging under the contract is fixed price, time-and-material, or a mix of both. The proportion of revenue to be recognized in a particular period is calculated according to the stage of completion of the project. For most contracts this is measured by reference to the costs of performing the contract incurred up to the relevant balance sheet date as a percentage of the total estimated costs of performing the contract. The sales value agreed in the contract is recognized over the contract period using this method.

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

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

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

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

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

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

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

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

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

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

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

1.2 Summary of key accounting estimates

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

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

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

Management considers judgments and estimates under the following items as significant to these consolidated financial statements:
• Impairment test, goodwill (note 3.2)
• Construction contracts (note 3.5)

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

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

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

1.3 Changes in accounting policies and disclosures

Adoption of new or amended IFRSs
No new or amended and revised accounting standards and interpretations (IFRSs) issued by IASB and IFRSs endorsed by the European Union have any effect on the consolidated financial statements for 2017.

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

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

Revenue is recognized when an asset on behalf of a customer is created with no alternative use and NNIT has an enforceable right to payment for performance completed to date, or the customer obtains control of a service and thus has the ability to direct the use and obtain the benefit from the service. The standard will impact outsourcing contracts. Revenue and operating profit on some phases in outsourcing contracts will be postponed to later periods other than the period during which the activities are performed.

This postponement arises from the fact that some of the activities performed in the transition and transformation phases do not transfer services to the customer under IFRS 15. In this case, the costs incurred to perform those activities are considered start-up costs, which are capitalized and amortized over the contract period. Equity will be impacted negatively by deferral of profit from such start up activities.

Based on the level of profit margins on outsourcing contracts in 2017 and prior periods, it is assessed that the standard has a significant impact on the consolidated financial statements for 2017.

The standard will be applied fully retrospectively as of January 1, 2018, thus the 2017 comparative figures will be adjusted in the consolidated financial statement for 2018.

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

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

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

Based on current level of financial instruments as of December 31, 2017, it is assessed that the standard will not have an impact on operating profit.

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

The effect of IFRS 15 and IFRS 16 are shown in the table below:

DKKm	2017	IFRS 15 adj.	IFRS 16 adj.	2017 adjusted
Revenue	2,891.9	(40.5)	-	2,851.4
EBITDA	429.1	(21.8)	83.9	491.2
EBIT	276.8	(21.8)	4.2	259.2
Financials	(0.9)	-	(8.1)	(9.0)
Net profit	216.7	(17.0)	(3.0)	196.7
Total assets	1,828.0	113.8	362.6	2,304.4
Liabilities	822.7	131.6	393.0	1,347.3
Equity	1,005.3	(17.8)	(30.4)	957.1
EBITDA Margin	*14.8%*			*17.2%*
EBIT Margin	*9.6%*			*9.1%*
Solvency ratio	*55.0%*			*41.5%*
ROIC	*26.1%*			*16.9%*

1.4 General accounting policies

Principles of consolidation

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

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

Other accounting policies

Acquisition of subsidiaries

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

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

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

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

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

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

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

Segment reporting

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

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

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

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

Translation of foreign currency

Functional currency and presentation currency

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Goodwill is not amortized, but the carrying amount is tested for impairment once a year.

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

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

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

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

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

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

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

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

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

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

Tangible assets
Tangible fixed assets are measured at cost less accumulated depreciation and any impairment losses. Cost price includes

the purchase price and costs relating directly to the purchase. Subsequent costs are either included in the carrying amount of the asset or recognized as a separate asset, where there are likely future economic benefits for the Group and the value of the asset can be reliably measured.

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

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

Land is not depreciated.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Launch incentive program (LIP)
Group Management and Vice Presidents have acquired shares at the offer price. For each share they have been granted two

Restricted Shares Units (RSU). The shares are subject to a lock up period of three years following which they are released if certain KPI's are met and the employee is still employed with NNIT.

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

During that period the shares are administered as part of the Company's treasury shares, and no dividends are paid on such shares and the participants are not able to exercise any voting rights during the lock-up period.

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

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

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

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

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

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

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

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

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

Provision for refurbishment obligation
This refers to refurbishment obligations on the part of NNIT under lease contracts on office premises.

Trade payables
Trade payables are measured at amortized cost.

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents include cash and deposits less bank overdraft.

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

1.5 Financial definitions

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

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

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

Non-IFRS financial measures

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

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

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

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

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

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

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

2. Results for the year

2.1 Segment information

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

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

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

DKK '000	2017	2016
Revenue by business area		
Operations	1,860,567	1,823,682
hereof Novo Nordisk Group	*862,142*	*841,397*
hereof non-Novo Nordisk Group	*998,425*	*982,285*
Solutions	1,031,311	940,910
hereof Novo Nordisk Group	*371,628*	*396,998*
hereof non-Novo Nordisk Group	*659,683*	*543,912*
Total revenue	**2,891,878**	**2,764,592**
Revenue by customer group		
Life Sciences	1,612,311	1,597,022
hereof Novo Nordisk Group	*1,233,770*	*1,238,395*
hereof other Life Sciences	*378,541*	*358,627*
Enterprise	689,214	545,620
Public	345,891	385,288
Finance	244,462	236,662
Total revenue	**2,891,878**	**2,764,592**
Operating profit by business area		
Operations	218,089	206,831
Solutions	58,734	86,072
Total operating profit	**276,823**	**292,903**
Amortization, depreciation and impairment losses		
Operations	145,306	141,517
Solutions	6,962	2,845
Total amortization, depreciation and impairment losses	**152,268**	**144,362**

The Danish operations generated 88.8% of the revenue in the year ended December 31, 2017 (2016: 91.0%) based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, NNIT will not disclose a geographical revenue split.

96.8% of tangible assets are placed in Denmark (2016: 95.9%).

The Novo Nordisk Group generated 42.7% of the revenue in the year ended December 31, 2017 (2016: 44.8%).

2.2 Employee costs

DKK '000	2017	2016
Employee costs comprise:		
Wages and salaries	1,420,376	1,373,703
Pensions - defined contribution plans	131,640	121,921
Pensions - defined benefit obligations (note 3.7)	4,587	5,125
Other employee costs	115,618	103,867
Total employee costs	**1,672,221**	**1,604,616**
Included in the income statement under the following headings:		
Cost of goods sold	1,495,486	1,427,703
Sales and marketing costs	108,815	107,147
Administrative expenses	67,920	69,766
Total employee costs	**1,672,221**	**1,604,616**
Average number of full-time employees	2,937	2,677

Group Management's remuneration and share-based payment

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

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

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

2.2 Employee costs – continued

Board of Directors DKK '000	Fixed base fee	Fee for ad hoc tasks [3] and committee work	Travel allowance	Total
2017				
Carsten Dilling (Chairman of the Board of Directors) [1]	688	-	-	688
Peter H.J. Haahr (Deputy Chairman of the Board of Directors) [1]	366	-	-	366
Jesper Brandgaard [2]	138	-	-	138
Anne Broeng (Chairman of the Audit Committee)	300	150	-	450
Eivind Kolding	300	-	-	300
John Beck (member of the Audit Committee)	300	75	193	568
René Stockner	300	-	-	300
Alex Steninge Jacobsen (member of the Audit Committee) [5]	300	75	-	375
Anders Vidstrup	300	-	-	300
Henrik Vienberg Andersen [5]	-	-	-	-
Total fees to Board of Directors	**2,992**	**300**	**193**	**3,485**[4]
Total fees to Group Management and Board of Directors				**32,618**

[1] Elected at the Annual General Meeting March 8, 2017
[2] Chairman until the Annual General Meeting March 8, 2017, where he did not seek re-election
[3] No ad hoc fees in 2017
[4] Excluding social security taxes DKK 78 thousand (2016: DKK 76 thousand)
[5] Alex Steninge Jacobsen, employee-elected member of the Board of Directors, resigned as member of the Board of Directors of NNIT A/S as of December 31, 2017, and was replaced by substitute employee-elected member of the Board of Directors Henrik Vienberg Andersen

DKK '000	Fixed base fee	Fee for ad hoc tasks [2] and committee work	Travel allowance	Total
2016				
Jesper Brandgaard (Chairman of the Board of Directors)	750	-	-	750
Carsten Dilling (Deputy Chairman of the Board of Directors) [1]	337	-	-	337
Anne Broeng (Chairman of the Audit Committee)	300	150	-	450
Eivind Kolding	300	-	-	300
John Beck (member of the Audit Committee)	300	75	179	554
René Stockner	300	-	-	300
Alex Steninge Jacobsen (member of the Audit Committee)	300	75	-	375
Anders Vidstrup	300	-	-	300
Total fees to Board of Directors	**2,887**	**300**	**179**	**3,366**[3]
Total fees to Group Management and Board of Directors				**53,256**

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

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

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

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

2.2 Employee costs – continued

2015 and onwards
The allocation under LTIP for the CEO cannot exceed the equivalent of ten months' fixed base salary including pension contribution, and the allocation for the CFO cannot exceed the equivalent of eight months of such person's fixed base salary including pension contribution. The allocation for the other members of Group Management cannot exceed the equivalent of six months fixed base salary including pension contribution. A fixed and predefined number of shares will be allocated to Vice Presidents.

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

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

The shares allocated to the members of Group Management based on the 2014 performance, will be released to the individual participants subsequent to the approval of the Annual Report 2017 by the Board of Directors. Based on the share price at the end of 2017, the value of the released shares is as follows:

DKK	Number of shares	Market value
Values at December 31, 2017 of shares to be released February 1, 2018:		
Per Kogut	9,370	3,134,265
Carsten Krogsgaard Thomsen	6,138	2,053,161
Executive Management	**15,508**	**5,187,426**
Other members of Group Management	**3,014**	**1,008,183**
Group Management total	**18,522**	**6,195,609**

2.3 Development costs

DKK '000	2017	2016
Costs for development of new projects, not eligible for recognition in the balance sheet are charged immediately to the income statement:		
Cost of goods sold	28,127	25,439
Total development costs	**28,127**	**25,439**

2.4 Amortization, depreciation, and impairment losses

DKK '000	2017	2016
Amortization	8,417	7,839
Depreciation	143,851	136,523
Total amortization, depreciation, and impairment losses	**152,268**	**144,362**
Amortization, depreciation and impairment losses are recognized in the income statement:		
Cost of goods sold	149,737	142,089
Sales and marketing costs	481	434
Administrative expenses	2,050	1,839
Total amortization, depreciation, and impairment losses	**152,268**	**144,362**

2.5 Income taxes

DKK '000	2017	2016
Current tax	68,327	71,502
Deferred tax	(8.949)	(7,320)
Adjustments recognized for current tax of prior periods	(3,458)	(2,504)
Adjustments recognized for deferred tax of prior periods	2,709	1,785
Withholding tax not deductible	781	1,112
Income taxes in the income statement	**59,410**	**64,575**
Computation of effective tax rate:		
Statutory corporate income tax rate in Denmark	22.0%	22.0%
Deviation in foreign subsidiaries' tax rates compared to Danish tax rate (net)	(0,2%)	(0.1%)
Other adjustments to taxable income	0,0%	1.4%
Adjustment of current and deferred tax regarding previous years	(0,3%)	(0.3%)
Effective tax rate	**21,5%**	**23.0%**
Tax on other comprehensive income for the year	**(2,379)**	**(964)**

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

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

Deferred taxes

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2017								
Deferred tax asset/liability								
At the beginning of the year	(4,341)	49,751	(29,769)	3,160	5,881	290	27,418	52,390
Additions from business combinations	(2,024)	-	592	-	-	-	-	(1,432)
Adjustments related to previous years	(2,986)	272	-	-	-	-	5	(2,709)
Exchange rate adjustments	(18)	(207)	24	-	-	-	(503)	(704)
Movements within the year	(594)	(1,377)	6,621	837	-	-	3,462	8,949
Movements in equity	-	-	-	-	(1,567)	-	-	(1,567)
Movements in comprehensive income in the year	-	-	-	-	-	(1,065)	(1,314)	(2,379)
At the end of the year	**(9,963)**	**48,439**	**(22,532)**	**3,997**	**4,314**	**(775)**	**29,068**	**52,548**

2.5 Income taxes – continued

DKK '000	Intangible assets	Tangible assets	Current assets	Lease receivables and liabilities	Share based programs	Cash flow hedges	Provisions	Total
2016								
Deferred tax asset/liability								
At the beginning of the year	(6,066)	53,187	(30,334)	2,572	2,065	916	21,553	43,893
Adjustments related to previous years	-	(1,784)	-	(1)	-	-	-	(1,785)
Exchange rate adjustments	-	47	5	-	-	-	5	57
Movements within the year	1,725	(1,699)	560	589	-	-	6,198	7,373
Movements in equity	-	-	-	-	3,816	-	-	3,816
Movements in comprehensive income in the year	-	-	-	-	-	(626)	(338)	(964)
At the end of the year	**(4,341)**	**49,751**	**(29,769)**	**3,160**	**5,881**	**290**	**27,418**	**52,390**

DKK '000	2017	2016
Tax payable/receivable		
Tax payable/receivable at the beginning of the year	(29,913)	(11,338)
Tax payable from business combinations	(3,814)	-
Income tax paid during the year	50,396	42,529
Tax paid related to previous years	27,554	6,523
Withholding taxes paid during the year	2,270	1,251
Current tax on profit for the year	(68,327)	(71,502)
Adjustments related to previous years	3,458	2,505
Exchange rate adjustments	280	119
Tax payable at the end of the year	**(18,096)**	**(29,913)**

3. Operating assets and liabilities

3.1 Intangible assets

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

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

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

3.2 Impairment test

Goodwill
The carrying amount of goodwill relates to SCALES Group.

SCALES Group is a leading Danish-based consultancy, who delivers implementations of Microsoft Dynamics 365 ERP solutions.

Goodwill has been tested for impairment at December 31, 2017.

Net cash flows for the years 2018-2022 are determined on the basis of assumptions and estimates based on realized results, budgets, business plans and growth expectations. The uncertainty associated with these expectations is reflected in the discount rate used amounting to 8.5%. The valuation method is based on annual revenue growth in the range of 2.5-10.0% from 2018-2022. Growth is expected to be 2.5% in the terminal period. The revenue growth is decreasing compared to historically growth and operating profit margin is slightly increasing.

The test did not result in any impairment of the carrying amounts.

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

3.3 Tangible assets

DKK '000	Land and buildings	Other equipment	Leasehold improvements	Payments on account and assets under construction	2017
2017					
Cost at the beginning of the year	147,381	852,300	58,178	33,428	1,091,287
Additions	14,432	79,510	8,097	221,984	324,023
Disposals	(921)	(77,726)	(586)	-	(79,233)
Transfer	2,407	21,536	1,563	(25,506)	-
Exchange rate adjustment	-	(199)	(819)	-	(1,018)
Cost at the end of the year	**163,299**	**875,421**	**66,433**	**229,906**	**1,335,059**
Depreciation and impairment losses at the beginning of the year	47,445	591,236	39,686	-	678,367
Depreciation	9,236	128,858	5,757	-	143,851
Depreciation reversed on disposals	(191)	(59,436)	(586)	-	(60,213)
Exchange rate adjustment	-	(165)	(763)	-	(928)
Depreciation and impairment losses at the end of the year	**56,490**	**660,493**	**44,094**	**-**	**761,077**
Carrying amount at the end of the year	**106,809**	**214,928**	**22,339**	**229,906**	**573,982**
Depreciation period	12-50 years [1]	3-10 years	5-10 years		

3.3 Tangible assets - continued

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

[1] Land is not depreciated.

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

3.4 Deposits

DKK '000	2017	2016
Cost at the beginning of the year	28,730	28,313
Exchange rate adjustments	(102)	(58)
Addition from business combinations	867	-
Additions	3,997	863
Disposal	(855)	(388)
Carrying amount at the end of the year	**32,637**	**28,730**

3.5 Trade receivables

DKK '000	2017	2016
Total trade receivables (gross)	575,408	614,284
Allowances for bad debt at the beginning of the year	(9,717)	(411)
Losses on bad debts	9,059	-
Adjustment of allowances for bad debt in the year	58	(9,306)[1]
Allowances for bad debt at the end of the year	(600)	(9,717)
Total trade receivables (net)	**574,808**	**604,567**

NNIT continuously conduct individual assessments of bad debts. If this leads to an assessment that NNIT will not be able to collect all outstanding payments, an allowance for bad debt is made. Based on historical data, the allowance for bad debt at December 31, 2017 was DKK 600 thousand (2016: DKK 9,717 thousand). Our customer portfolio primarily consists of large national and international companies. The credit quality of trade receivables at December 31, 2017 is considered satisfactory.

Aging of non-impaired trade receivables:		
Not due at balance sheet date	482,515	474,962
Overdue between 1 and 30 days	60,487	52,903
Overdue between 31 and 60 days	3,846	21,247
Overdue by more than 60 days [1]	27,960	55,455
Total trade receivables	**574,808**	**604,567**

[1] Includes allowance for bad debt on a customer due to a dispute, which was settled in January 2017. The dispute led to an increase in 2016 in 'Overdue by more than 60 days'.

Trade receivables include receivables from related parties amounting to DKK 215,178 thousand (2016: DKK 238,208 thousand).

3.6 Work in progress

DKK '000	2017	2016
Cost of work in progress	299,450	543,369
Gross profit	113,360	137,258
Work in progress at sales value	412,810	680,627
Received payments on account	(448,370)	(730,764)
Work in progress at the balance sheet date (net)	**(35,560)**	**(50,137)**
Recognized in the balance sheet as follows:		
Work in progress, assets	122,868	136,370
Prepayments, liabilities	(158,428)	(186,507)
Work in progress at the balance sheet date (net)	**(35,560)**	**(50,137)**

3.7 Employee benefit obligations

Defined benefit pension obligations

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

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

The defined benefit plans are usually funded by payments from Group companies and by employees to funds independent of NNIT. Where a plan is unfunded, a liability for the retirement obligation is recognized in the balance sheet. NNIT does not expect the contributions over the next five years to differ significantly from current contributions. The weighted average duration of the defined benefit obligation is 19.5 years (2016: 20.5 years).

3.7 Employee benefit obligations – continued

DKK '000	2017	2016
Assumptions used for valuation		
Discount rate	0.75%	0.25%
Price inflation	1.25%	1.00%
Projected future remuneration increases	1.75%	1.50%
Future increases in social security	1.50%	1.25%

Actuarial valuations are performed annually.

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

DKK '000	2017	2016
Discount rate increase 0.25%	(948)	(702)
Discount rate decrease 0.25%	1,132	539
Future remuneration increase 1.0%	770	1,130
Future remuneration decrease 1.0%	(509)	(1,128)

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

DKK '000	2017	2016
Defined benefit pension obligations	9,850	13,226
Jubilee benefit obligations	4,410	5,754
Long-term bonus plan	1,137	-
Long-term incentive and launch incentive programs	-	15,271
Total employee benefit obligations, non-current	**15,397**	**34,251**
Provision for long-term incentive and launch incentive programs		
At the beginning of the year	22,848	39,634
Transfer to employees	(9,696)	(18,629)
Additions	1,806	3,770
Cancelled	(757)	(1,094)
Fair value adjustments	7,493	(833)
At the end of the year	**21,694**	**22,848**
Recognized in the balance sheet as follows		
Employee benefit obligations, non-current liabilities	-	15,271
Employee benefit obligations, current liabilities	21,694	7,577
At the end of the year	**21,694**	**22,848**

3.8 Provisions

DKK '000	2017	2016
Provision for onerous contracts/projects		
At the beginning of the year	13,693	4,393
Additions	-	10,876
Utilized	(12,484)	(1,576)
Reversed	(660)	-
Transferred work in progress	(549)	-
At the end of the year	**-**	**13,693**

Provision for onerous contracts/projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects.

Provision for refurbishment obligation		
At the beginning of the year	11,395	9,440
Exchange rate adjustment	(73)	(2)
Additions	2,243	2,143
Utilized	(160)	(186)
At the end of the year	**13,405**	**11,395**

Provision for refurbishment obligation mainly relates to the leasehold agreement regarding Oestmarken 3A, DK-2860 Soeborg, Denmark and Bändliweg 20, CH-8048 Zurich, Switzerland.

Provisions are recognized in the balance sheet as follows:		
Non-current provisions	13,245	11,395
Current provisions	160	13,693
Total provisions	**13,405**	**25,088**

4. Capital structure and financing items

4.1 Financial income and expenses

DKK '000	2017	2016
Financial income		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	2,799	-
Dividends from shares	317	721
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	5,828
Unrealized gain on shares (net)	1,607	-
Realized gain on shares (net)	165	271
Other financial income	171	102
Total financial income	**5,059**	**6,922**
Financial expenses		
Fair value adjustments of financial instruments (net) recycled from comprehensive income	-	3,362
Interest related to tax	29	2
Guarantee commission	997	1,007
Realized/unrealized loss on currency	214	1,098
Value adjustment of long-term incentive programs in Novo Nordisk shares	2,029	-
Unrealized loss on shares (net)	-	11,521
Other financial expenses	2,724	2,560
Total financial expenses	**5,993**	**19,550**

4.2 Share capital, distribution to shareholder and earnings per share

DKK '000	2017	2016
Net profit for the year	**216,479**	**215,700**
Number '000		
Average number of shares outstanding	24,343	24,250
Dilutive effect of share-based payments	496	110
Average number of shares outstanding, including dilutive effect of share-based payments	**24,840**	**24,360**
Earnings per share DKK	**8.89**	**8.89**
Diluted earnings per share DKK	**8.72**	**8.85**

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

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

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

DKK '000	Nominal value	Market value	As % of share capital	Number of shares (thousand)
2017				
Treasury shares				
Holding at the beginning of the year	10	153,000	3%	750
Value adjustment	-	(21,343)	0%	
Disposal	-	(19,030)	-	(94)
Holding at the end of the year	**10**	**112,627**	**3%**	**656**

Treasury shares held relates to the long-term incentive program. In connection with the acquisition of SCALES Group NNIT A/S paid part of the consideration in NNIT A/S shares. Therefore 94 thousand shares have been disposed in 2017.

Retained earnings are accumulated earnings.

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

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

DKK '000	2017	2016
Net cash distribution to shareholders		
Ordinary dividends	55,990	53,350
Interim dividends	48,687	48,500
Total	**104,677**	**101,850**

The proposed dividend at the end of 2016 was DKK 53,350 thousand (DKK 2.00 per share) and in addition at June 30, 2017 an interim dividend of DKK 48,687 thousand (DKK 2.00 per share) was declared and paid out. At the end of 2017, proposed dividends (not yet declared) of DKK 55,990 thousand (DKK 2,30 per share) are recognized in retained earnings.

4.3 Financial assets and liabilities

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

DKK '000	Cash and cash equivalents	Cash flow hedging instruments at fair value	Financial assets at fair value through the income statement	Loans and receivables	Total
2017					
Financial assets by category					
Deposits	-	-	-	32,637	32,637
Trade receivables	-	-	-	574,808	574,808
Work in progress	-	-	-	122,868	122,868
Other receivables and pre-payments	-	-	-	164,432	164,432
Shares [1]	-	-	13,950	-	13,950
Derivative financial instruments	-	4,598	-	-	4,598
Cash and cash equivalents	74,577	-	-	-	74,577
Total financial assets at the end of the year	**74,577**	**4,598**	**13,950**	**894,745**	**987,870**

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

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

4.3 Financial assets and liabilities – continued

DKK '000	Financial liabilities at fair value through comprehensive income	Financial liabilities measured at amortized cost	Total
2017			
Financial liabilities by category			
Bank overdraft	-	93,194	93,194
Trade payables	-	58,948	58,948
Derivative financial instruments	1,164	-	1,164
Other current liabilities	-	132,618	132,618
Total financial liabilities at the end of the year	**1,164**	**284,760**	**285,924**

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

Fair value measurement hierarchy
Financial assets at fair value through the income statement are categorized in the fair value hierarchy as level 1 (active market data). Financial assets and liabilities at fair value through comprehensive income are categorized in the fair value hierarchy as level 2 (directly or indirectly observable market data).
The remaining categories of financial assets and liabilities are measured at amortized cost.

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

The interest-bearing liabilities relate to limited overdrafts made on NNIT's DKK 400,000 thousand credit facility, which bears interest according to movements in the T/N rate, and cash balances which bear negative interest due to the current environment of low interest rates. The bank overdraft is expected to be reduced through future cash inflow from operating activities.

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

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

4.3 Financial assets and liabilities – continued

Foreign exchange sensitivity analysis
NNIT estimates that, all other variables being constant, a 10% depreciation of the average 2017 exchange rate of the Danish kroner against the following currencies would have had the indicated impact (in Danish kroner) on our operating profit (EBIT) for 2017. The following sensitivity analysis addresses hypothetical situations and is provided for illustrative purposes only:

DKK '000	2017	2016
CNY	(17,313)	(17,883)
CZK	(9,964)	(7,524)
USD	(6,318)	(478)
PHP	(4,561)	(3,628)
CHF	(859)	(1,650)

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

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

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

At December 31, 2017 NNIT A/S' net balance position (trade receivables minus trade payables) divided on currency amounted to a short term inflow primarily in Chinese yuan, Czech koruna, Swiss franc, US dollars and British pound and a short term outflow in the Euro. A 10% depreciation of the exchange rate of the Danish kroner against NNIT A/S' transaction exposures (net balance position less hedging contracts) will have the below illustrated impact (in Danish kroner) on the net profit before tax for the year ended December 31, 2017.

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

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

DKK '000	Trade Receivables	Trade Payables	Net balance position	Transaction exposure [1]	10% sensitivity
December 31, 2016					
CNY	-	17,036	(17,036)	(3,011)	(301)
CZK	-	9,163	(9,163)	(3,103)	(310)
CHF	-	2,637	(2,637)	(2,637)	(264)
GBP	756	2,504	(1,748)	(1,748)	(175)
USD [2]	2,019	10,727	(8,708)	(5,302)	(530)

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

4.3 Financial assets and liabilities – continued

At December 31, 2017 NNIT A/S' hedge contracts covered the period from January 2018 to February 2019. Taking into account contracts affecting other comprehensive income (equity) (contracts expiring between February 2018 and February 2019), a 10% depreciation of the exchange rate of the Danish krone, will result in an unrealized hedge gain as illustrated below.

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

[1] Only purchase of foreign currencies

DKK '000	Contract amount[1]	of which hedging of balance sheet items	Transaction exposure	10% sensitivity
December 31, 2016				
CNY	187,663	12,993	174,670	17,467
CZK	106,925	6,060	100,865	10,087
USD	15,211	3,406	11,706	1,171

[1] Only purchase of foreign currencies

Credit risk
NNIT's credit risk principally arises from trade receivables, which amounted to DKK 575,059 thousand as at December 31, 2017 (December 31, 2016: DKK 604,567 thousand). NNIT's single largest concentration of credit risk is with the Novo Nordisk Group. At December 31, 2017, our trade receivables from the Novo Nordisk Group amounted to DKK 210,735 thousand (December 31, 2016: DKK 229,199 thousand). The classification of trade receivables according to maturity date is set out in note 3.5.

Cash management
NNIT is committed to maintaining a flexible capital structure. At December 31, 2017, NNIT had undrawn committed credit facilities in the amount of DKK 306,806 thousand (2016: DKK 400,000 thousand). The credit facility includes financial covenants with reference to the ratio between net debt and EBITDA. At December 31, 2017, NNIT had 'cash and cash equivalents' and 'bank overdraft', net of DKK -93,194 thousand in Denmark and DKK 74,577 thousand outside Denmark.

Capital management
NNIT monitors capital on the basis of the solvency ratio, which is calculated on the basis of total equity as a percentage of total equity and liabilities. At the end of the year, the solvency ratio was 55.0% (2016: 53.2%).

4.4 Derivative financial instruments

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

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

DKK '000	Contract amount, net [3]	Positive fair value at year-end [4]	Negative fair value at year-end [4]	Current hedge duration (month)
2016				
Cash flow hedges				
CNH [1]	187,663	399	(1,564)	14
CZK	106,925	50	(529)	14
USD [2]	15,112	691	(5)	5
	309,700	**1,140**	**(2,098)**	

[1] CNY is hedged via CNH
[2] PHP is proxy hedged via USD. The hedging as discontinued in March 2016. Last contract has expired in May 2017
[3] Only purchase of foreign currencies
[4] Of the net fair value December 31, 2017 DKK 363 thousand has been transferred to the P/L and DKK -1,321 thousand to equity

5. Other disclosures

5.1 Long-term incentives and launch incentives

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

Share-based payments are recognized at the following amounts:

DKK '000	2017	2016
Long-term incentive program (LTIP) in Novo Nordisk shares - cash based	5,003	(1,388)
Long-term incentive program (LTIP) in NNIT shares - share based	7,340	9,427
Launch incentive program (LIP) - share based (Group Management and Vice Presidents)	8,250	13,715
Launch incentive program (ELI) - share based (Employees not part of LIP)	5,752	5,863
Launch incentive program (ELI) - cash based (Foreign employees not part of LIP)	1,420	3,185
Incentive program charged to income statement	**27,765**	**30,802**
Recognized in the income statement:		
Cost of goods sold	11,202	22,969
Sales and marketing costs	2,416	5,069
Administrative expenses	10,562	8,592
Financial items	3,585	(5,828)
Total	**27,765**	**30,802**

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

5.1 Long-term incentives and launch incentives - continued

Outstanding restricted stock units (in NNIT shares)

Number '000	2017	2016
Outstanding at the beginning of the year	638	636
Restricted stock units issued to employees		
Launch incentive program (LIP)	-	-
Long-term incentive program (LTIP)	63	71
Shares allocated to Group Management	**63**	**71**
Cancelled during the year	(22)	(69)
Outstanding at the end of the year (in NNIT shares)	**679**	**638**

Outstanding restricted stock units (in NNIT shares)

Number '000

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

Number '000

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

5.1 Long-term incentives and launch incentives – continued

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

Number

2017	At the beginning of the year [1]	Additions during the year	Sold/ transferred during the year	**At the end of the year**	Market value (DKK'000)
Carsten Dilling	2,740	-	-	2,740	470
Peter H.J. Haahr	-	-	-	-	-
Anne Broeng	2,516	-	-	2,516	431
Eivind Kolding	2,400	-	-	2,400	412
John Beck	2,000	-	-	2,000	343
René Stockner	2,400	-	-	2,400	412
Alex Steninge Jacobsen	1,600	-	-	1,600	274
Henrik Vienberg Andersen	-	-	-	-	-
Anders Vidstrup	900	-	(750)	150	26
Total Board of Directors	**14,556**	**-**	**(750)**	**13,806**	**2,368**
Per Kogut	32,664	-	-	32,664	5,602
Carsten Krogsgaard Thomsen	19,248	-	-	19,248	3,301
Total Executive Management	**51,912**	**-**	**-**	**51,912**	**8,903**
Other members of Group Management [2]	8,944	-	-	8,944	1,534
Total	**75,412**	**-**	**(750)**	**74,662**	**12,805**

[1] Following the changes in the Board of Directors and Group Management, the holding of shares at the beginning of the year has been updated compared with the Annual Report 2016

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

Besides the long-term share-based incentive programs with NNIT shares, referred to above, a long-term incentives program with Novo Nordisk shares exist for Executive Management, other members of Group Management and Vice Presidents. These long-term incentive programs include the 2014 programs to be released February 1, 2018 after approval of the annual report for 2017. The annual allocation of the shares under this program is locked for three years before it is transferred to the participants employed at the end of each three-year period. In the lock-up period the number of shares may be reduced in the event of lower-than-planned performance. As of December 31, 2017 NNIT has an obligation to provide 18,522 Novo Nordisk shares (December 31, 2016 24,501 shares). Further NNIT has an obligation to provide 22,886 Novo Nordisk shares (December 31, 2016 47,430 shares) to resigned members of Executive Management, other members of Group Management and Vice Presidents.

5.2 Fee to statutory auditors

DKK '000	**2017**	**2016**
Statutory audit	1,080	1,007
Audit-related services	1,068	341
Tax advisory services	176	75
Other services	3,272	3,282
Total fee to statutory auditors	**5,596**	**4,705**

Fees for services other than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Group consists of accounting services in connection with the acquisition of Scales Group, review of interim balance and other accounting and tax services including IT customer-audits and assistance regarding IT security.

IT customer-audits in 2017 amounts to DKK 2,529 thousand (2016: DKK 2,391 thousand). From 2018 the IT customer-audits will be performed by KPMG.

5.3 Reversal of non-cash items

DKK '000	2017	2016
Income taxes	59,410	64,575
Amortization and depreciation	152,268	144,362
Scrapping of tangible assets	19,020	4,528
Increase/(decrease) in provisions and employee benefits	(15,314)	(4,598)
Dividends received reclassified to investing activities	(317)	(721)
Provision share-based payments NNIT shares	21,342	30,212
Provision share-based payments Novo Nordisk shares	6,278	29,880
Interest paid/received	3,579	3,467
Other adjustments for non-cash items	831	(1,039)
Total	**247,097**	**270,666**

5.4 Statement of cash flows - specifications

DKK '000	2017	2016
Changes in working capital		
Increase/(decrease) in current receivables less tax receivables	41,042	(217,508)
Increase/(decrease) in current liabilities less provisions and tax payables	(76,506)	138,387
- hereof change in trade payables related to investments	2,887	10,454
Total	**(32,577)**	**(68,667)**
Purchase of tangible assets		
Purchase of tangible assets	(324,023)	(154,120)
Addition from business combinations	313	-
Change in trade payables related to purchase of tangible assets	(2,887)	(10,454)
Total	**(326,597)**	**(164,574)**
Additional cash flow information [1]		
Cash and equivalents, assets	74,577	-
Bank overdraft	(93,194)	-
Cash and cash equivalents at the end of the year (net)	(18,617)	173,912
Undrawn committed credit facilities	306,806	400,000
Financial resources at the end of the year	**288,189**	**573,912**
Cash flow from operating activities	347,200	362,759
Cash flow from investing activities	(437,692)	(174,373)
Free cash flow	**(90,492)**	**188,386**

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

NNIT has a credit facility of DKK 400,000 thousand with Danske Bank A/S.

5.5 Acquisition of subsidiaries

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

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

DKK '000	June 1, 2017
Acquisition cost	
Cash paid	103,837
Consideration in NNIT A/S shares (93,283 shares)	19,123
Contingent consideration (earn out)	54,345
Total acquisition cost	**177,305**
Fair value of net assets acquired	
Intangible assets	9,200
Other non-current assets	1,772
Trade receivables and work in progress	33,218
Other receivables and pre-payments	1,582
Cash and cash equivalents	5,846
Non-current liabilities	(2,055)
Prepayments received	(7,986)
Employee costs payable	(15,890)
Other current liabilities	(16,070)
Net assets acquired	**9,617**
Goodwill	167,688
Acquisition cost	**177,305**
Of which cash and cash equivalents in SCALES Group	(5,846)
Consideration in NNIT A/S shares	(19,123)
Contingent consideration (earn out)	(54,345)
Paid acquisition cost, net	**97,991**

Goodwill relates to expected synergies regarding revenue from new Dynamics 365 projects where SCALES previously has been too small to implement such large scale projects and cost savings from off shoring of coding and other tasks in SCALES Group done in NNIT Philippines off shore center. Further synergies are expected regarding additional revenue in NNIT from application maintenance service on Dynamics 365 customers.

Recognized goodwill is non-deductible for tax purposes.

Transaction cost of DKK 1,5 million has been recognized in administrative expenses.

Earn out target is DKK 52 million with an earn out range of 0-130% of target depending on performance on three KPIs: EBITDA in SCALES business, total revenue derived from Microsoft Dynamics as well as unmanaged attrition in the SCALES business area. The KPIs are weighted with EBITDA having the highest weight.

There have been no changes to the carrying amount of the contingent consideration since the date of the acquisition.
The period for earn out target ends 2019 and will be settled after approval of the annual report for 2019.

Earnings impact
Revenue and EBIT comprise DKK 86,249 thousand and DKK 12,330 thousand, respectively, reported by SCALES Group since the date of acquisition June 1, 2017.

On a pro forma basis, if the acquisition had been effective from January 1, 2017 SCALES Group would have contributed DKK 143,854 thousand to revenue and DKK 17,960 thousand to EBIT.

5.6 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2017	2016
Operating lease commitments expiring within the following periods from balance sheet date		
Within 1 year	95,511	76,886
Between 1 and 5 years	245,946	244,781
After 5 years	104,444	153,531
Total	**445,901**	**475,198**
Operating leases recognized as an expense	92,603	82,851

Operating leases include rental of premises, it-equipment and vehicles.

DKK '000	2017	2016
Other contractual obligations expiring within the following periods from balance sheet date		
Within 1 year	22,259	38,456
Between 1 and 5 years	-	1,781
Total	**22,259**	**40,237**
Other contractual obligations recognized as an expense	21,301	38,602

Other contractual obligations include service and construction agreements.

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

Contractual obligations with related parties
Contractual obligations with related parties for 2017 amount to DKK 873 thousand (2016: DKK 1,783 thousand).
These obligations include service agreements.

Contingent liabilities and legal proceedings
Contingent liabilities
None

Legal proceedings
None

5.7 Related party transactions and ownership

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

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

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

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

DKK '000	2017	2016
Net sales		
Novo Nordisk Group	1,231,209	1,238,395
Novozymes Group	34,315	38,442
Novo Holdings A/S	2,561	27
Xellia Pharmaceuticals Group	-	1,834
Total	**1,268,085**	**1,278,698**
Net purchases		
Novo Nordisk Group	25,226	30,212
Total	**25,226**	**30,212**
Trade receivables		
Novo Nordisk Group	210,735	229,199
Novozymes Group	3,868	8,968
Novo Holding A/S	1,528	-
Xellia Pharmaceuticals Group	-	41
Total	**216,131**	**238,208**
Work in progress		
Novo Nordisk Group	37,652	37,579
Total	**37,652**	**37,579**

5.7 Related party transactions and ownership – continued

DKK '000	2017	2016
Liabilities to related parties		
Novo Nordisk Group	1,264	799
Total	**1,264**	**799**
Prepayments from related parties		
Novo Nordisk Group	48,760	95,103
Total	**48,760**	**95,103**

Companies in the NNIT Group:

	Country	Year of incorporation/ acquisition	Share capital	Percentage of shares owned
NNIT (Tianjin) Technology Co.Ltd.	China	2007	CNY 10,804,229	100
NNIT Philippines Inc.	Philippines	2009	PHP 24,000,002	100
NNIT Switzerland AG	Switzerland	2010	CHF 500,000	100
NNIT Germany GmbH	Germany	2011	EUR 25,000	100
NNIT Inc.	USA	2011	USD 250,000	100
NNIT Czech Republic s.r.o.	Czech Republic	2014	CZK 2,000,000	100
NNIT UK Ltd.[1]	UK	2015	GBP 50,000	100
SCALES A/S [2]	Denmark	2017	DKK 600,000	100
SCALES AS	Norway	2017	NOK 500,000	100
SCALES AB	Sweden	2017	SEK 500,000	100

[1] NNIT UK Limited, registration number 09399926, is exempt from the UK requirements relating to the audit of financial statements under section 479A of the Companies Act 2006.
[2] The Danish subsidiaries in SCALES Group have merged with SCALES A/S as the continuing company retroactively from January 1, 2017. The merger was approved January 2, 2018.

5.8 Events after the balance sheet date

There have been no events after the balance sheet date which would have a significant impact on an assessment of NNIT's financial position at December 31, 2017.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT for the year ended December 31

DKK '000	Note	2017	2016
Revenue		**2,641,757**	**2,654,468**
Cost of goods sold	2.1	2,213,802	2,175,011
Gross profit		**427,955**	**479,457**
Sales and marketing costs	2.1	114,228	115,098
Administrative expenses	2.1	81,598	92,319
Operating profit		**232,129**	**272,040**
Financial income	4.1	21,617	31,589
Financial expenses	4.2	5,640	18,299
Profit before income taxes		**248,106**	**285,330**
Income taxes		50,213	60,073
Net profit for the year		**197,893**	**225,257**
Proposed allocation:			
Interim dividends		48,687	48,500
Dividends		55,990	53,350
Reserve IT-development projects		7,662	10,589
Retained earnings		85,554	112,818
		197,893	225,257

BALANCE SHEET at December 31

ASSETS

DKK '000	Note	2017	2016
Intangible assets	3.1	37,205	33,307
Tangible assets	3.2	565,495	410,583
Deferred taxes		44,011	40,930
Financial assets	3.3	243,270	65,965
Total fixed assets		**889,981**	**550,785**
Inventories		1,566	2,797
Trade receivables		309,552	350,888
Trade receivables - related parties		204,312	242,728
Work in progress		76,947	97,257
Work in progress - related parties		37,652	37,579
Other receivables and pre-payments		154,211	113,490
Shares		13,950	18,200
Derivative financial instruments	4.3	4,598	1,140
Cash and cash equivalents		-	112,837
Total current assets		**802,788**	**976,916**
Total assets		**1,692,769**	**1,527,701**

BALANCE SHEET at December 31

EQUITY AND LIABILITIES

DKK '000	Note	2017	2016
Share capital		250,000	250,000
Retained earnings		644,443	-
Reserve IT-development projects		18,251	10,589
Proposed dividends		55,990	53,350
Total equity		**968,684**	**830,151**
Employee benefit obligations		5,548	14,603
Contingent consideration		54,345	-
Provisions	3.4	12,638	10,483
Total non-current liabilities		**72,531**	**25,086**
Prepayments received		88,904	78,464
Prepayments received - related parties		48,760	95,103
Bank overdraft		93,194	-
Trade payables		40,730	48,404
Trade payables - related parties		31,108	35,017
Employee costs payable		211,033	232,383
Tax payables		10,538	25,324
Other current liabilities		112,272	134,401
Derivative financial instruments	4.3	1,164	2,098
Employee benefit obligations		13,851	7,577
Provisions	3.4	-	13,693
Total current liabilities		**651,554**	**672,464**
Total equity and liabilities		**1,692,769**	**1,527,701**

STATEMENT OF CHANGES IN EQUITY

at December 31

DKK '000	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
2017							
Balance at the beginning of the year	**250,000**	**(7,500)**	**524,743**	**10,589**	**(1,031)**	**53,350**	**830,151**
Net profit for the year	-	-	197,893	-	-	-	197,893
Capitalized IT development projects	-	-	(7,662)	7,662	-	-	-
Transfer of treasury shares	-	933	18,190	-	-	-	19,123
Share-based payments	-	-	21,343	-	-	-	21,343
Deferred tax on share-based payments [1]	-	-	(1,567)	-	-	-	(1,567)
Cash flow hedges	-	-	-	-	4,842	-	4,842
Tax on cash flow hedges	-	-	-	-	(1,064)	-	(1,064)
Dividends paid	-	-	-	-	-	(102,037)	(102,037)
Interim dividend	-	-	(48,687)	-	-	48,687	-
Proposed dividends for 2017	-	-	(55,990)	-	-	55,990	-
Total dividends for 2017	**-**	**-**	**(104,677)**	**-**	**-**	**104,677**	**-**
Balance at the end of the year	**250,000**	**6,567**	**648,263**	**18,251**	**2,747**	**55,990**	**968,684**

DKK '000	Share capital	Treasury share	Retained earnings	Reserve IT-development projects	Cash flow hedges	Proposed dividends	Total
2016							
Balance at the beginning of the year	**250,000**	**(7,500)**	**377,896**	**-**	**(2,985)**	**97,000**	**714,411**
Net profit for the year	-	-	225,257	-	-	-	225,257
Capitalized IT development projects	-	-	(10,589)	10,589	-	-	-
Share-based payments	-	-	30,212	-	-	-	30,212
Deferred tax on share-based payments [1]	-	-	3,817	-	-	-	3,817
Cash flow hedges	-	-	-	-	2,580	-	2,580
Tax on cash flow hedges	-	-	-	-	(626)	-	(626)
Dividends paid	-	-	-	-	-	(145,500)	(145,500)
Interim dividend	-	-	(48,500)	-	-	48,500	-
Proposed dividends for 2016	-	-	(53,350)	-	-	53,350	-
Total dividends for 2016	**-**	**-**	**(101,850)**	**-**	**-**	**101,850**	**-**
Balance at the end of the year	**250,000**	**(7,500)**	**524,743**	**10,589**	**(1,031)**	**53,350**	**830,151**

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

NOTES

1. Basis of preparation

1.1 Accounting policies

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

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

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

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

Cash flow statement
A separate cash flow statement regarding the parent company is not prepared.
For the group cash flow statement, please refer to page 52.

2. Results for the year

2.1 Employee costs

DKK '000	2017	2016
Wages and salaries	1,093,108	1,135,668
Pensions	104,961	103,325
Other employee costs	37,146	34,703
Total employee costs	**1,235,215**	**1,273,696**
Included in the income statement:		
Cost of goods sold	1,088,446	1,128,065
Sales and marketing costs	91,176	90,649
Administrative expenses	55,593	54,982
Total employee costs	**1,235,215**	**1,273,696**
Average number of full-time employees	1,564	1,556

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

3. Operating assets and liabilities

3.1 Intangible assets

DKK '000	IT development projects	IT development projects under construction	2017	2016
Cost at the beginning of the year	62,069	13,575	75,644	62,069
Additions	8,148	2,131	10,279	13,575
Transfer	9,251	(9,251)	-	-
Cost at the end of the year	**79,468**	**6,455**	**85,923**	**75,644**
Amortization and impairment losses at the beginning of the year	42,337	-	42,337	34,498
Amortization	6,381	-	6,381	7,839
Amortization and impairment losses at the end of the year	**48,718**	**-**	**48,718**	**42,337**
Carrying amount at the end of the year	**30,750**	**6,455**	**37,205**	**33,307**
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	2017	2016
Cost at the beginning of the year	147,381	849,470	47,398	33,428	1,077,677	968,527
Additions	14,432	77,380	1,989	221,983	315,784	152,625
Disposals	(921)	(77,726)	(586)	-	(79,233)	(43,475)
Transfer	2,407	21,536	1,563	(25,506)	-	-
Cost at the end of the year	**163,299**	**870,660**	**50,364**	**229,905**	**1,314,228**	**1,077,677**
Depreciation and impairment losses at the beginning of the year	47,445	589,261	30,388	-	667,094	569,389
Depreciation	9,236	128,201	4,415	-	141,852	134,416
Depreciation reversed on disposals during the year	(191)	(59,436)	(586)	-	(60,213)	(36,711)
Depreciation and impairment losses at the end of the year	**56,490**	**658,026**	**34,217**	**-**	**748,733**	**667,094**
Carrying amount at the end of the year	**106,809**	**212,634**	**16,147**	**229,905**	**565,495**	**410,583**
Depreciation period	12-50 [1] years	3-10 years	5-10 years			

[1] Land is not depriciated

3.3 Financial assets

DKK '000	Deposits	Investment in subsidiaries	2017	2016
Cost				
Cost at the beginning of the year	25,559	40,406	65,965	44,671
Additions	738	177,305	178,043	21,294
Disposals	(738)	-	(738)	-
Cost at the end of the year	**25,559**	**217,711**	**243,270**	**65,965**
Carrying amount at the end of the year	**25,559**	**217,711**	**243,270**	**65,965**

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

3.4 Provisions

DKK '000	2017	2016
Provision for refurbishment obligation (non-current liabilities)		
At the beginning of the year	10,483	8,340
Additions	2,155	2,143
At the end of the year	**12,638**	**10,483**

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

DKK '000	2017	2016
Provision for onerous contractes/projects (current liabilities)		
At the beginning of the year	13,693	4,393
Additions	-	10,876
Utilized	(12,484)	(1,576)
Reversed	(660)	-
Transferred to 'work in progress'	(549)	-
At the end of the year	**0**	**13,693**

Provision for onerous contracts/projects on projects relates to projects that NNIT is obligated to finalize and where the total project costs exceed the total project income. The provision is based on historical data and an individual evaluation of ongoing projects.

4. Capital structure and financing items

4.1 Financial income

DKK '000	2017	2016
Interest income from related parties	179	140
Fair value adjustments of financial instruments (net)	2,799	-
Dividends from shares	317	721
Dividends from subsidiaries	16,463	23,536
Unrealized gain on shares (net)	1,608	-
Realized gain on shares (net)	165	271
Realized/unrealized loss on currency	-	1,040
Value adjustment of long-term incentive programs in Novo Nordisk shares	-	5,828
Other financial income	86	53
Total financial income	**21,617**	**31,589**

4.2 Financial expenses

DKK '000	2017	2016
Fair value adjustments of financial instruments (net)	-	3,362
Interest related to tax	20	2
Guarantee commission	997	1,007
Unrealized loss on shares (net)	-	11,521
Realized/unrealized loss on currency	186	-
Value adjustment of long-term incentive programs in Novo Nordisk shares	2,029	-
Other financial expenses	2,408	2,407
Total financial expenses	**5,640**	**18,299**

4.3 Derivative financial instruments

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

5. Other disclosures

5.1 Fee to statutory auditors

DKK '000	2017	2016
Statutory audit	641	641
Other assurance engagements	1,028	341
Tax advisory services	116	75
Other services	3,216	3,282
Total fee to statutory auditors	**5,001**	**4,339**

Fees for services other than statutory audit of the financial statements provided by PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab to the Company consists of accounting services in connection with the acquisition of Scales Group, review of interim balance and other accounting and tax services including IT customer audits and assistance regarding IT security.

IT customer-audits in 2017 amounts to DKK 2,529 thousand (2016: DKK 2,391 thousand). From 2018 the IT customer-audits will be performed by KPMG.

5.2 Contingent liabilities, other contractual obligations and legal proceedings

DKK '000	2017	2016
Operating lease commutments expiring within the following periods from balance sheet date		
Within 1 year	73,073	63,223
Between 1 and 5 years	208,765	223,992
After 5 years	102,582	153,531
Total operating lease commitments	**384,420**	**440,746**
Total operating leases in the income statement for the year	**71,875**	**67,258**

Operating leases include rental of premises, it-equipment and vehicles.

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

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

Within 1 year	22,259	38,456
Between 1 and 5 years	-	1,781
Total	**22,259**	**40,237**
Other contractual obligations in the income statement for the year	21,301	38,602

Other contractual obligations include service and construction agreements.

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

5.3 Related party transactions and ownership

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

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

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