

Company announcement 2/2019 January 29, 2019

Financial report 2018 and Annual General Meeting 2019

Full year revenue growth of 5.5% and an operating profit margin of 10.2%

Performance highlights for full year 2018

- Revenue from clients outside the Novo Nordisk Group increased by 13% driven by the international life sciences, public and enterprise customer groups all increasing double-digit
- Due to a decline in revenue from the Novo Nordisk Group of 5.2% total revenue increased by 5.5% in reported currencies
- The share of revenue clients outside the Novo Nordisk Group increased from 58% in 2017 to 63% in 2018
- Operating profit increased by 17% leading to an operating profit margin of 10.2% in reported currencies compared to 9.2% in 2017
- Net profit of DKK 236m in 2018 compared to DKK 199m in 2017
- Free cash flow after acquisitions in 2018 was DKK 116m compared to negative DKK 13m in 2017
- Order backlog for 2019 at the beginning of Q1 2019 was DKK 2,171m, a decrease of 1.9% compared to the same time last year. The backlog for 2020-2021 increased by 3.5%
- Outlook for 2019:
 - Revenue growth of 3-6% in constant currencies
 - Operating profit margin of 10-10.5% in constant currencies
 - Level of investments is 5-7% of total revenue
- New strategy and long-term targets
 - Organic revenue growth of 6-8% excluding revenue from the Novo Nordisk Group
 - Operating profit margin of at least 10% is maintained
- The Board of Directors proposes to increase the dividend payments to DKK 4.60 per share corresponding to DKK 113.0m which includes the interim dividend for 2018 (DKK 49.1m) paid in August 2018. This corresponds to a pay-out ratio of net profit of 48%

Per Kogut, CEO at NNIT comments: *"I am pleased that the strong growth continued in Q4 securing full year revenue growth of 5.5% and an operating profit margin of 10.2% in line with our guidance. This strong performance was driven by double-digit growth from international life sciences, enterprise and public customer groups offsetting lower sales to the Novo Nordisk Group. We are launching a new strategy and a more customer focused organization to enable further innovation and digital transformation for our clients while accelerating our growth within international life sciences and Danish clients."*

Financial Overview

DKK million	Q4 2018 (reported)	Q4 2018 (constant) *	Q4 2017 *	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	823	822	780	5.5%	5.5%
Gross margin	20.1%	20.0%	21.1%	-1pp	-1.1pp
Operating profit	106	105	98	8.1%	7.1%
Operating profit margin	12.9%	12.8%	12.6%	0.3pp	0.2pp
Net profit	85	n.a.	73	16.3%	n.a.
Investments	232	n.a.	110	n.a.	n.a.
Free cash flow	0	n.a.	2	n.a.	n.a.

*Constant currencies measured using average exchange rates for Q4 2017

DKK million	2018 (reported)	2018 (constant) *	2017 *	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	3,007	3,016	2,851	5.5%	5.8%
Gross margin	18.0%	17.7%	18.0%	0pp	-0.3pp
Operating profit	307	300	262	17.2%	14.4%
Operating profit margin	10.2%	10.0%	9.2%	1pp	0.8pp
Net profit	236	n.a.	199	18.5%	n.a.
Investments	323	n.a.	435	n.a.	n.a.
Free cash flow	116	n.a.	-13	n.a.	n.a.

*Constant currencies measured using average exchange rates for 2017

Guidance 2019

The order backlog for 2019 at the beginning of Q1 2019 declined by DKK 41.7 million to DKK 2,171 million, or by 1.9%, compared to the order backlog one year earlier. Including the recent extension of the infrastructure outsourcing agreement with DSB the backlog increases by 0.2% compared to last year. The backlog development is impacted by a decline in multiyear outsourcing agreements, while business coming from projects with low backlog visibility increases.

The guidance for 2019 revenue growth is 3-6% in constant currencies and excluding potential new acquisitions in 2019.

The operating profit margin in constant currencies is expected to be in the range of 10-10.5%.

Investments / revenue is expected to be 5-7% of revenue.

	Guidance for 2019	Long-term targets
Revenue growth In constant currencies* as reported**	3-6% Around 0.3pp higher	6-8% excl. Novo Nordisk Group
Operating profit margin In constant currencies* as reported**	10-10.5% Around 0.1pp lower	≥ 10%
Investments / Revenue***	5-7%	

*Constant currencies measured using average exchange rates for 2018

**Based on exchange rates as of January 23, 2019 as illustrated under key currency assumptions on page 26

*** Investments and re- investments are in 2019 expected to be between 5-7 percent of total revenue.

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

New long-term financial targets

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

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

These targets have served NNIT well as an integral part of the strategic planning and have guided NNIT to strong financial performance. The segments to drive revenue growth for NNIT going forward is our international life sciences and the Private & Public segments. Combined with continued uncertainty regarding sales to the Novo Nordisk Group, the long-term financial target for organic revenue growth is adjusted giving the following targets:

- Organic revenue growth of 6-8% excluding revenue from the Novo Nordisk Group
- Operating profit margin of at least 10% is maintained

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

About NNIT

NNIT A/S is one of Denmark's leading IT service providers and consultancies. NNIT A/S offers a wide range of IT services and solutions to its customers, primarily in the life sciences sector in Denmark and internationally and to customers in the public, enterprise and finance sectors in Denmark. As of December 31, 2018 NNIT A/S had 3,214 employees. NNIT has approximately 400 clients of which around 150 are located outside Denmark. Some 20% are international life sciences clients (December, 2018). For more information please visit www.nnit.com.

Conference call details

NNIT will host a teleconference January 30, 2019 at 10:30 CET about the financial report for 2018. Please visit the NNIT webpage at www.nnit.com to access the teleconference, which can be found under 'Investors – Events & presentations'. Presentation material will be available on the website approximately one hour prior to the start of the presentation.

Conference call details

<https://nnit.eventcdn.net/20190130>

Participant telephone numbers:

Denmark:	+45 3544 5583
United Kingdom:	+44 20 3194 0544
Sweden:	+46 8 5664 2661
United States:	+1 855 269 2604

Financial Calendar 2019

March 7, 2019	Annual General Meeting
March 8, 2019	Dividend ex dividend date
March 11, 2019	Dividend record date
March 12, 2019	Dividend payment date
May 14, 2019	Interim report for the first three months of 2019
August 14, 2019	Interim report for the first six months of 2019
October 24, 2019	Interim report for the first nine months of 2019

Forward-looking statements

This announcement contains forward-looking statements. Words such as 'believe', 'expect', 'may', 'will', 'plan', 'strategy', 'prospect', 'foresee', 'estimate', 'project', 'anticipate', 'can', 'intend', 'outlook', 'guidance', 'target' and other words and terms of similar meaning in connection with any discussion of future operating or financial performance identify forward-looking statements. Statements regarding the future are subject to risks and uncertainties that may result in considerable deviations from the outlook set forth. Furthermore, some of these expectations are based on assumptions regarding future events which may prove incorrect.

Please also refer to the overview of risk factors in the 'risk management' section on page 33-35 in the Annual Report 2018.

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Financial figures and highlights

DKK million, reported currencies	Q4 2018	Q4 2017 ¹	2018	2017 ¹	12M Change
Financial performance					
Revenue					
Novo Nordisk Group	323.0	318.5	1,124.2	1,185.4	-5.2%
Life sciences excl. NNG	132.8	95.4	433.4	374.6	15.7%
Enterprise	202.1	191.3	793.8	684.3	16.0%
Public	92.6	115.0	399.2	353.9	12.8%
Finance	72.4	59.6	256.6	253.2	1.3%
Revenue by customer group	822.9	779.7	3,007.2	2,851.4	5.5%
IT Operation Services	503.1	480.5	1,842.3	1,831.9	0.6%
IT Solution Services	319.8	299.2	1,164.9	1,019.5	14.3%
Revenue by business area	822.9	779.7	3,007.2	2,851.4	5.5%
EBITDA	170.6	155.2	554.9	494.1	12.3%
Depreciations and amortizations	64.4	57.0	247.5	231.8	6.8%
Operating profit (EBIT)	106.2	98.2	307.4	262.3	17.2%
Net financials	1.5	-4.2	-2.3	-9.9	-77.1%
Net profit	84.8	72.9	235.6	198.8	18.5%
Investments in tangible assets	65.7	102.5	146.2	326.6	-55.2%
Investments in intangible assets and acquisition in subsidiaries	166.1	7.3	176.5	108.3	63.1%
Total assets	2,544.3	2,322.3	2,544.3	2,322.3	9.6%
Equity	1,084.9	973.6	1,084.9	973.6	11.4%
Dividends paid	0.0	0.0	105.5	102.0	3.4%
Free cash flow	0.1	1.6	116.1	-12.6	n.a.
Earnings per share					
Earnings per share (DKK)	3.46	3.02	9.60	8.17	17.5%
Diluted earnings per share (DKK)	3.42	2.92	9.52	7.97	19.4%
Employees					
Average number of full-time employees	3,207	3,010	3,129	2,937	6.5%
Financial ratios					
Gross profit margin	20.1%	21.1%	18.0%	18.0%	0pp
EBITDA margin	20.7%	19.9%	18.5%	17.3%	1.1pp
Effective tax rate	21.2%	22.5%	22.8%	21.2%	1.6pp
Investments/Revenue	8.5%	14.1%	5.3%	11.8%	-6.5pp
Return on equity ²	22.9%	21.8%	22.9%	21.8%	1.1pp
Solvency ratio	42.6%	41.9%	42.6%	41.9%	0.7pp
Return on invested capital (ROIC) ^{2,3}	18.5%	20.8%	18.5%	20.8%	-2.3pp
Cash to earnings ²	49.3%	-6.3%	49.3%	-6.3%	55.6pp
Cash to earnings (three-year average) ²	44.9%	61.7%	44.9%	61.7%	-16.8pp
Long-term financial metrics					
Revenue growth	5.5%	1.4%	5.5%	3.1%	2.3pp
Operating profit margin	12.9%	12.6%	10.2%	9.2%	1pp
Additional numbers⁴					
Order entry backlog for the current year	2,171.3	2,213.0	2,171.3	2,213.0	-1.9%
Order entry backlog for the following years 2+3 ⁵	2,404.3	2,323.8	2,404.3	2,323.8	3.5%

1) Numbers includes the effect of the implementation of IFRS 15 and IFRS 16 (please see note 1 for further information)

2) Financial metrics are moving annual total (MAT), i.e. annualized. Cash to earnings (three-year-average) is calculated using the past 36 months

3) Net profit/Average invested capital.

4) Order entry backlog figures in the 2017 column have been restated to reflect the implementation of IFRS15. Please see note 1 for further information. Backlog represents anticipated revenue from contracts or orders executed but not yet completed or performed in full, and the revenue that is expected to be recognized in a future financial year.

5) Year 2+3 represents 2020 and 2021 in the 2018 column and 2019 and 2020 in the 2017 column etc.

Highlights

Below are the key highlights for Q4 2018.

Key wins in Q4 2018:

- New infrastructure and application outsourcing agreement with AP Pension representing a lower three-digit DKK million amount over a five-year period. The contract is effective as of January 2019, see press release December 12, 2018
- New agreement handling the IT work stations for SDC over a five-year period, see press release January 21, 2019
- New infrastructure, upgrade and application outsourcing agreement with Sund & Bælt Holding A/S representing a lower double-digit DKK million amount over a two-year period, see press release November 26, 2018
- New SAP operation agreement with Copenhagen Airports A/S representing a lower double-digit DKK million amount over a five-year period, see press release October 29, 2018

Key wins in Q1 2019:

- Extension of infrastructure outsourcing agreement with DSB amount over a two-year-period, see press release January 22, 2019

Acquisition of Valiance Partners, LLC

October 9, 2018 NNIT signed an agreement to acquire 100% of the shares in Valiance Partners, a computer software and services data migration company primarily for the life sciences industry. The company employs 60 staff and independent contractors located in its headquarters in New Jersey, US and the company's Dublin, Ireland office. Valiance was included in the NNIT's accounts from November 1, 2018, see company announcement 9/2018 October 9, 2018

New offerings

- NNIT's Cloud Access Security Broker (CASB) service allows clients to get control of their cloud usage. This enables clients to unveil cloud services accessed by their employees and will empower them to either block, alert or accept access to the cloud services. Further, CASB empowers the organization to collect insights on data level and enforce policies on the data saved in the cloud services

New partnerships

NNIT enters into partnership with Virsabi focusing on life sciences and Danish manufacturing companies. Virsabi is one of the first companies offering consultancy, advisory and technical development for the utilization of virtual reality and augmented reality. Advanced solutions employees will be able to assist one another and collaborate in a virtual space, see press release January 9, 2019.

New strategy and organization

The Board of Directors has approved a new strategy and a new organization to enable further innovation and digital transformation for our clients while accelerating our growth in international life sciences and Danish clients. The strategy is to be supported by strategic acquisitions primarily in life sciences. Please see separate company announcement 1/2019, January 29, 2019.

From Q1 2019, we adapt our segment information to the new organizational structure in the following way:

- Revenue will be reported for:
 - Life sciences
 - International life sciences
 - Life sciences in Denmark

- The Novo Nordisk Group
 - Private and public
 - Enterprise
 - Public
 - Finance
- Operating profit will be reported for:
 - Life sciences
 - Private and public clients

Operating profit margin in the life sciences segment will be substantially higher than in the private & public segment due to the regulated nature, high complexity and our strong domain knowledge within the life sciences segment. Comparison figures for 2018 will be restated to the new reporting structure above when reporting Q1 2019.

Financial expectations and results 2018

	Realized 2018	Q3 2018 guidance	Q2 2018 guidance	Q1 2018 guidance	Annual report 2017 guidance
Revenue growth					
In constant currencies*	5.8%	4-7%	3-6%	3-6%	4-7%
as reported	0.3pp lower	Around 0.3pp lower	Around 0.3pp lower	Around 0.3pp lower	Around 0.4pp lower
Operating profit margin					
In constant currencies*	10.0%	10-10.5%	10-10.5%	10-10.5%	10-10.5%
as reported	0.2pp higher	Around 0.3pp higher	Around 0.2pp higher	Around 0.2pp higher	Around 0.4pp higher
Investments / Revenue**	5.3%	5-7%	6-8%	6-8%	6-8%

*Constant currencies measured using average exchange rates for 2018

**The up-front payment for Valiance Partners of USD 25.0m is not included.

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

The operating profit margin was 10.2% (10.0% in constant currencies), consistent with the 10.0-10.5% guidance provided in January 2018 and reiterated in October 2018. The operating profit margin was adversely impacted by a 5.2% decline in revenue from the Novo Nordisk Group mitigated by efficiencies and a revenue increase of 13% from other clients.

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

Annual General Meeting

The Annual General Meeting of NNIT A/S will be held on Thursday March 7, 2019 at 2 pm at the NNIT head office, Oestmarken 3A, 2860 Soeborg, Denmark.

The Board of Directors intends to propose re-election of Anne Broeng, Carsten Dilling, Eivind Kolding, Peter Haahr, Caroline Serfass and Christian Kanstrup. The Board of Directors also intends to propose re-election of Carsten Dilling as Chairman and re-election of Peter Haahr as Deputy Chairman.

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

Proposed dividend

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 2.60 per share be distributed for the financial year 2018. Including the interim dividend of DKK 2.00 per share in August 2018 this brings the total dividend for the financial year 2018 to DKK 4.60 per share (2017: DKK 4.30 per share), equal to a dividend pay-out ratio of 48% of the 2018 net results.

Performance overview

DKK million (reported currencies)	Q4 2018	Q4 2017	Change (reported)
Revenue	822.9	779.7	5.5%
Cost of goods sold	657.6	614.9	6.9%
Gross profit	165.3	164.8	0.3%
<i>Gross profit margin</i>	20.1%	21.1%	-1pp
Sales and marketing costs	30.5	36.0	-15.3%
Administrative expenses	28.7	30.5	-6.2%
Operating profit	106.2	98.2	8.1%
<i>Operating profit margin</i>	12.9%	12.6%	0.3pp
Net financials	1.5	-4.2	-134.9%
Profit before tax	107.6	94.1	14.4%
Tax	22.8	21.2	7.9%
<i>Effective tax rate</i>	21.2%	22.5%	-1.3pp
Net profit	84.8	72.9	16.3%

DKK million (reported currencies)	2018	2017	Change (reported)
Revenue	3,007.2	2,851.4	5.5%
Cost of goods sold	2,465.9	2,338.4	5.5%
Gross profit	541.2	512.9	5.5%
<i>Gross profit margin</i>	18.0%	18.0%	0pp
Sales and marketing costs	127.6	135.3	-5.7%
Administrative expenses	106.2	115.3	-7.9%
Operating profit	307.4	262.3	17.2%
<i>Operating profit margin</i>	10.2%	9.2%	1pp
Net financials	-2.3	-9.9	77.1%
Profit before tax	305.1	252.4	20.9%
Tax	69.5	53.6	29.8%
<i>Effective tax rate</i>	22.8%	21.2%	1.6pp
Net profit	235.6	198.8	18.5%

Revenue in reported currencies increased by 5.5% in Q4 2018 (5.5% in constant currencies) driven by a 39% growth from life sciences clients of which 13.6pp came from the acquisition of Valiance Partners. Adjusting for Valiance Partners the underlying total organic growth was 3.8% in reported currencies.

2018 revenue increased by 5.5% (5.8% in constant currencies) driven by double-digit growth in the international life sciences, enterprise and public customer groups partly countered by the decline in revenue from the Novo Nordisk Group of 5.2%. Clients outside the Novo Nordisk Group increased by 13%.

Operating profit margin in reported currencies was 12.9% in Q4 2018 and 10.2% in 2018 compared to 12.6% in Q4 2017 and 9.2% in full year 2017. The improvement in full year 2018 compared to 2017 was mainly due to the one-off revenue reversal of DKK 26.1m in 2017.

For a detailed performance overview in both reported and constant currencies please see note 8 on page 27. Comparisons in this financial report are hereafter in reported currencies. NNIT's major currencies have depreciated giving operating profit margin in 2018 a tailwind of 0.2pp mainly due to the depreciation of CNY (average 2018 compared to average 2017 exchange rates) which lowers the cost of NNIT's offshore center in DKK. Revenue growth was impacted negatively by 0.3pp mainly due to depreciation of USD (average 2018 compared to average 2017 exchange rates).

Cost of goods sold increased by 6.9% in Q4 2018 and 5.5% in 2018 compared to the same periods last year. The gross profit margin was 20.1% in Q4 2018 (21.1% in Q4 2017) and 18.0% in 2018 (18.0% in 2017). The decrease in gross profit margin in Q4 was driven the business area IT Operation Services which was impacted by costs of the newly established data center which are not yet fully covered by revenue due to a low utilization rate, which is to be expected in the first years of an investment period. Further, price reductions in major service level agreements also impacted the gross profit margin negatively.

Sales and marketing costs decreased by 15% in Q4 2018 and 5.7% in 2018 compared to the same periods last year primarily due to cost efficiencies.

Administrative expenses decreased by 6.2% in Q4 2018 and 7.9% in 2018 compared to the same periods last year mainly due to cost efficiencies and layoffs in staff functions in 2017.

Operating profit in Q4 2018 increased by DKK 8.0m corresponding to an operating profit margin of 12.9% compared to 12.6% in Q4 2017. In 2018, operating profit increased by 17.2% to DKK 307.4 million, corresponding to an operating profit margin of 10.2%, which was 1.0pp higher than in 2017 due to the one-off revenue reversal of DKK 26.1m in 2017 and the above-mentioned developments.

Net financials in Q4 2018 were positive DKK 1.5m corresponding to a positive development of DKK 5.7m compared to Q4 2017. In 2018, net financials were an expense of DKK 2.3 million in 2018 compared to an expense of DKK 9.9 million in 2017. The improvement was primarily due to higher gains on cash flow hedges which were partly offset by a tax-related interest expense.

The effective tax rate for 2018 was 22.8%, an increase of 1.1pp compared to 2017 due to a correction for a non-deductible expense from prior years. The effective tax rate in Q4 2018 was 21.2% representing a decrease of 1.3pp compared to Q4 2017 impacted by an adjustment of the above correction.

Net profit in Q4 2018 was DKK 84.8m corresponding to an increase of 16% compared to Q4 2017. Net profit in 2018 was DKK 235.6m compared to DKK 198.8m in 2017, an increase of 19%.

Revenue

Revenue distribution:

DKKm (reported currencies)	Q4 2018	Q4 2017	Pct Change (reported)
Novo Nordisk Group	323.0	318.5	1.4%
Life sciences excl. NNG	132.8	95.4	39.2%
Enterprise	202.1	191.3	5.6%
Public	92.6	115.0	-19.5%
Finance	72.4	59.6	21.5%
Total	822.9	779.7	5.5%

DKKm (reported currencies)	2018	2017	Pct Change (reported)
Novo Nordisk Group	1,124.2	1,185.4	-5.2%
Life sciences excl. NNG	433.4	374.6	15.7%
Enterprise	793.8	684.3	16.0%
Public	399.2	353.9	12.8%
Finance	256.6	253.2	1.3%
Total	3,007.2	2,851.4	5.5%

Novo Nordisk Group:

Revenue from the Novo Nordisk Group increased by 1.4% in Q4 2018 while full year revenue declined by 5.2% compared to the same periods last year, primarily due to reduced project activity and price reductions on major service level agreements.

As a consequence of the decline in revenue from the Novo Nordisk Group and growth from other clients, the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 63% in 2018 from 58% in 2017.

Life sciences excl. Novo Nordisk Group customers:

Revenue from life sciences excl. Novo Nordisk Group customers increased 39% in Q4 2018 and 16% in 2018 compared to the same periods last year driven by strong growth from international life sciences customers of more than 30% continuing the development from recent quarters. Valiance Partners had a positive impact on growth in Q4 of 13.6pp and 2018 of 5.0pp. Revenue from Danish life sciences customers was unchanged.

Enterprise customers:

Revenue in Q4 2018 and full year 2018 increased by 5.6% and 16%, respectively, compared to the same periods last year. Revenue growth was driven by PANDORA, STARK and a number of IT Solution Services clients.

Public customers:

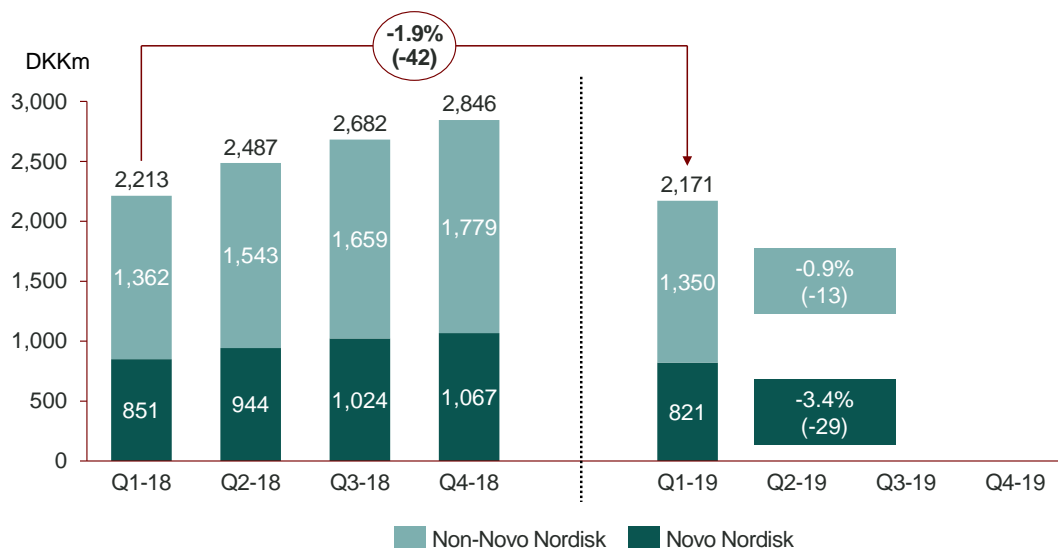
Revenue decreased by DKK 20% in Q4 2018 compared to Q4 2017 mainly due to a lower level of software sales and part of the DSB agreement which was not extended. Full year, revenue increased by 13% compared to 2017, driven by the Danish Tax Agency and the Agency for Digitisation. Further, 2017 was negatively impacted by a one-off settlement with a client in IT Solution Services.

Finance customers:

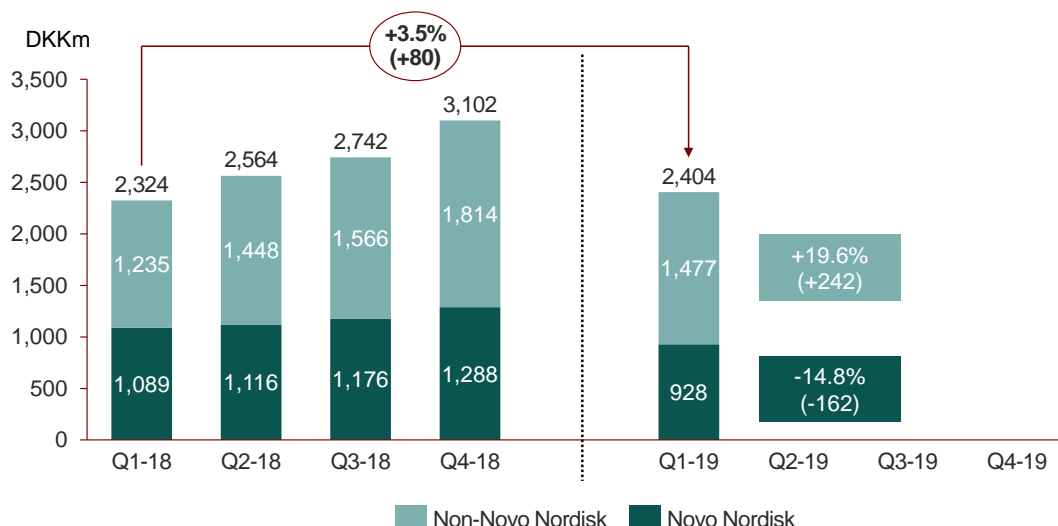
Revenue in Q4 2018 increased by 22% mainly due to expansion of operation agreements with existing customers and an increase in number of projects. Full year revenue increased by 1.3% compared to 2017, driven by the expansion of operation agreements with existing clients and higher project sales. This was partly offset by a client contract in IT Operation Services, which was discontinued mid-2017.

Order backlog

Backlog for the year, beginning of quarter



Backlog for the following two calendar years, beginning of quarter

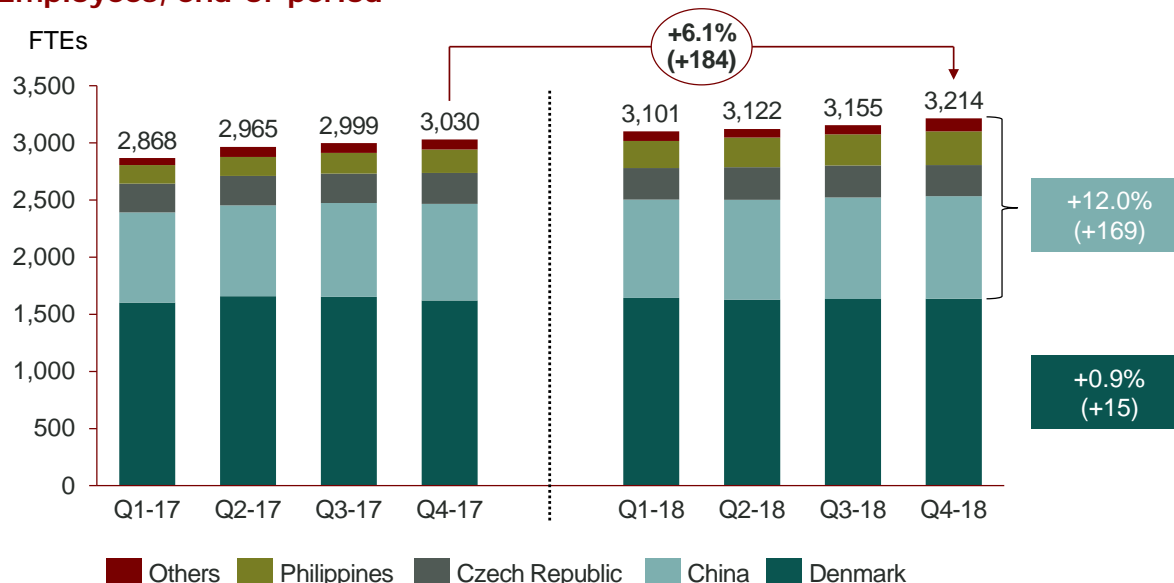


At the beginning of 2019, NNIT's order entry backlog for 2019 amounted to DKK 2,171 million, which was a decline of 1.9% compared to one year earlier. The backlog from the Novo Nordisk Group and clients outside the Novo Nordisk Group declined by 3.4% and 0.9%, respectively.

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

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

Employees, end-of-period



At the end of 2018, the number of employees increased by 184 FTE corresponding to 6.1% compared to the same time last year. The increase was driven by the Philippines (87 FTEs) and China (52 FTEs) in-line with the long-term offshoring strategy as well as the inclusion of Valiance Partners. Employees in Denmark increased by 0.9% including around 50 employees taken over from STARK. Excluding the employees from STARK the underlying decline in Denmark was 2.2%.

Balance sheet

Total assets at December 31, 2018 increased by DKK 222.0m to DKK 2,544.3m compared to DKK 2,322.3m at December 31, 2017 primarily due to an increase in intangible assets after the acquisition of Valiance Partners and work in progress.

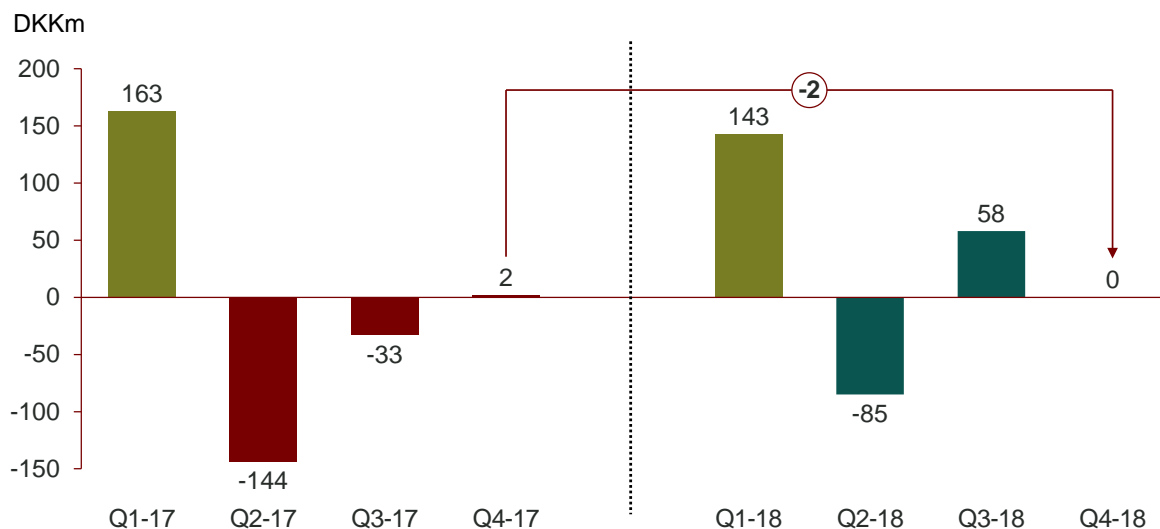
The net of Cash and cash equivalents amounted to DKK -135.1m at December 31, 2018, a decrease of DKK 116.5m compared to December 31, 2017. The decrease was due to the up-front payment for Valiance Partners (DKK 162.3m), acquisition of treasury shares (DKK 37.3m) and the payment of an ordinary dividend for 2017 (DKK 56.4m) and interim dividend for 2018 (DKK 49.1m) partly countered by net profits from operating activities.

Equity at December 31, 2018 amounted to DKK 1,084.9m, an increase of DKK 111.4m compared to December 31, 2017. The improvement was mainly due to net profits for the period offset by acquisition of treasury shares (DKK 37.3m), paid ordinary dividends for 2017 (DKK 56.4m) and interim dividend for 2018 (DKK 49.1m).

Investments

Investments excluding acquisitions amounted to DKK 69.5m in Q4 2018 compared to DKK 109.8m in Q4 2017 which included DKK 45.6m related to the new data center. Full year investments excluding acquisitions amounted to DKK 160.5m compared to DKK 336.9m in 2017, of which DKK 181.1 million was related to the new data center.

Free cash flow



The free cash flow for Q4 2018 was DKK 0.1m which was DKK 1.5m below Q4 2017 mainly due the acquisition of Valiance Partners (DKK 162.3 million), while 2017 was impacted by the investment in a new data center.

The free cash flow for 2018 was DKK 116.1 million compared to the negative free cash flow of DKK 12.6 million in 2017. 2018 was impacted by the acquisition of Valiance Partners (DKK 162.3 million), whereas 2017 was impacted by the acquisition of SCALES (DKK 98.0 million) and the investment in a new data center (DKK 181.1 million).

The underlying free cash flow was consistent with the level of 2017 when adjusted for the acquisitions and the investment in a new data center. The underlying cash-to-earnings ratio was 80% also in line with 2017.

Business areas

IT Operation Services

DKK million (reported currencies)	Q4 2018	Q4 2017	Change
Revenue			
Novo Nordisk Group	229.8	220.9	4.0%
Non-Novo Nordisk Group	273.3	259.6	5.3%
Total	503.1	480.5	4.7%
Costs	440.8	418.8	5.3%
Operating profit	62.3	61.7	0.9%
<i>Operating profit margin</i>	<i>12.4%</i>	<i>12.8%</i>	<i>-0.5pp</i>

DKK million (reported currencies)	2018	2017	Change
Revenue			
Novo Nordisk Group	770.3	818.7	-5.9%
Non-Novo Nordisk Group	1,071.9	1,013.1	5.8%
Total	1,842.3	1,831.9	0.6%
Costs	1,663.7	1,627.8	2.2%
Operating profit	178.6	204.1	-12.5%
<i>Operating profit margin</i>	<i>9.7%</i>	<i>11.1%</i>	<i>-1.5pp</i>

IT Operation Services revenue increased by 4.7% in Q4 2018 compared to Q4 2017 mainly driven by the finance and life sciences excl. Novo Nordisk Group customer groups. The increase in revenue of 0.6% in 2018 compared to 2017 was driven by clients outside the Novo Nordisk Group. Revenue from the Novo Nordisk Group decreased by 5.9% following reduced project activity and price reductions on major service level agreements. Revenue from clients outside the Novo Nordisk Group increased by 5.8% in 2018, driven by STARK, PANDORA and Danske Bank.

In Q4 2018 operating profit was in line with Q4 2017, while the operating profit margin decreased by 0.5pp mainly due to costs from the newly established data center. This is due to low utilization which is to be expected in the first years of the investment period. Operating profit decreased by 12.5% to DKK 178.6 million in 2018 corresponding to an operating profit margin of 9.7%. The decrease was driven by the additional data center costs, price reductions in major service level agreements and the declining revenue from the Novo Nordisk Group.

IT Solution Services

DKK million (reported currencies)	Q4 2018	Q4 2017	Change
Revenue			
Novo Nordisk Group	93.3	97.5	-4.4%
Non-Novo Nordisk Group	226.5	201.7	12.3%
Total	319.8	299.2	6.9%
Costs	275.9	262.7	5.0%
Operating profit	43.9	36.5	20.2%
<i>Operating profit margin</i>	<i>13.7%</i>	<i>12.2%</i>	<i>1.5pp</i>

DKK million (reported currencies)	2018	2017	Change
Revenue			
Novo Nordisk Group	353.8	366.7	-3.5%
Non-Novo Nordisk Group	811.1	652.8	24.2%
Total	1,164.9	1,019.5	14.3%
Costs	1,036.0	961.3	7.8%
Operating profit	128.9	58.2	121.5%
<i>Operating profit margin</i>	<i>11.1%</i>	<i>5.7%</i>	<i>5.4pp</i>

IT Solution Services revenue increased by 6.9% in Q4 2018 and 14% in 2018 compared to the same periods last year, driven by an increase in revenue from clients outside the Novo Nordisk Group of 12.3% and 24%, respectively. Revenue from the Novo Nordisk Group declined by 4.4% and 3.5% compared to the same periods in 2017 due to reduced project activities.

Operating profit increased by 20% in Q4 2018 and by 122% in 2018 compared to the same periods last year leading to an operating profit margins of 13.7% and 11.1% in the respective periods. The increase was due to a one-off revenue reversal in 2017 impacting comparison figures in 2017 negatively, increased revenue and higher utilization of billable resources.

Events after balance sheet date

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

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

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

Management statement

The Board of Directors and Executive Management have approved the Annual Report 2018 of NNIT A/S (NNIT A/S, together with its subsidiaries, the "Group") – including the audited consolidated financial statements. The Board of Directors and Executive Management also approved this financial statement containing condensed financial information for 2018.

The consolidated financial statements in the Annual Report 2018 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.

This financial statement is prepared in accordance with the recognition and measurement requirements in the IFRS, the accounting policies as applied in the audited consolidated financial statements of 2018.

In our opinion, the accounting policies used are appropriate, and the overall presentation of this financial statement is adequate. Furthermore, in our opinion, this company announcement of the financial statement for 2018 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 as well as, together with the Annual Report 2018, a description of the most significant risks and elements of uncertainty facing the Group in accordance with Danish disclosure requirements for listed companies.

Søborg, January 29, 2019

Executive management

Per Kogut
CEO

Board of Directors

Carsten Krogsgaard Thomsen
CFO

Carsten Dilling
Chairman

Peter H. J. Haahr
Deputy Chairman

Anne Broeng

Eivind Kolding

Christian Kanstrup

Caroline Serfass

Anders Vidstrup

Henrik Vienberg Andersen

Consolidated financial statements

Income statement and Statement of comprehensive income

	Note	Q4 2018 DKK '000	Q4 2017 ¹⁾ DKK '000	12M 2018 DKK '000	12M 2017 ¹⁾ DKK '000
Income statement					
Revenue	2	822,870	779,722	3,007,154	2,851,387
Cost of goods sold		657,558	614,945	2,465,941	2,338,437
Gross profit		165,312	164,777	541,213	512,950
Sales and marketing costs		30,480	35,995	127,613	135,348
Administrative expenses		28,662	30,548	106,191	115,299
Operating profit		106,170	98,234	307,409	262,303
Financial income		4,442	1,412	11,203	5,059
Financial expenses		2,992	5,564	13,481	14,987
Profit before income taxes		107,620	94,082	305,131	252,375
Income taxes		22,845	21,166	69,525	53,558
Net profit for the period		84,775	72,916	235,606	198,817

	DKK	DKK	DKK	DKK
Earnings per share				
Earnings per share	3.46	3.00	9.60	8.17
Diluted earnings per share	3.42	2.92	9.52	7.97

Statement of comprehensive income

	DKK '000	DKK '000	DKK '000	DKK '000
Net profit for the period	84,775	72,916	235,606	198,817
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to the Income statement:</i>				
Remeasurement related to pension obligations	4,441	3,600	4,441	4,798
Tax on other comprehensive income	-846	-559	-846	-1,314
<i>Items that will be reclassified subsequently to the Income statement, when specific conditions are met:</i>				
Currency revaluation related to subsidiaries (net)	1,331	1,856	1,246	-1,550
Recycled to financial items	4,245	1,378	8,875	2,799
Unrealized value adjustments	715	2,010	-5,076	2,043
Cash flow hedges	4,960	3,388	3,799	4,842
Tax on other comprehensive income related to cash flow hedges	-1,626	-1,036	-1,371	-1,065
Other comprehensive income, net of tax	8,260	7,249	7,269	5,711
Total comprehensive income	93,035	80,165	242,875	204,528

¹⁾ The numbers includes the effect of the implementation of IFRS 15 and IFRS 16. Please refer to note 1 for a bridge between 2017 previous practice and 2017 adjusted.

Balance sheet

Assets

	Note	Dec 31, 2018	Dec 31, 2017 ¹⁾
		DKK '000	DKK '000
Intangible assets	3	432,152	212,057
Tangible assets		593,649	573,982
Lease assets		371,742	369,572
Contract assets		111,070	109,951
Deferred tax		39,336	64,707
Deposits		32,730	32,637
Total non-current assets		1,580,679	1,362,906
Inventories		1,718	1,566
Contract assets		52,459	69,379
Trade receivables	4	500,627	574,808
Work in progress	4	151,050	56,069
Other receivables and pre-payments		140,135	164,431
Tax receivable		224	0
Shares		0	13,950
Derivative financial instruments		9,842	4,598
Cash and cash equivalents		107,547	74,577
Total current assets		963,602	959,378
Total assets		2,544,281	2,322,284

Equity and liabilities

		Dec 31, 2018	Dec 31, 2018 ¹⁾
		DKK '000	DKK '000
Share capital		250,000	250,000
Treasury shares		-4,641	-6,567
Retained earnings		764,110	665,444
Other reserves		11,526	8,698
Proposed dividends		63,935	55,990
Total equity		1,084,930	973,565
Lease liability		298,823	298,810
Deferred tax		2,741	0
Employee benefit obligation		15,497	15,397
Contingent consideration (earn out)		112,715	54,345
Provisions	3	24,576	24,681
Total non-current liabilities		454,352	393,233
Prepayments received, contract assets	4	87,533	135,225
Prepayments received, work in progress		115,252	158,428
Lease liability		83,590	80,539
Bank overdraft		242,675	93,194
Trade payables		97,476	58,948
Employee cost payable		253,285	255,421
Tax payables		6,675	18,096
Other current liabilities	4	117,207	132,777
Derivative financial instruments		1,306	1,164
Employee benefit obligation		0	21,694
Total current liabilities		1,004,999	955,486
Total equity and liabilities		2,544,281	2,322,284

Contingent liabilities and legal proceedings 5

Currency hedging 6

¹⁾ The numbers includes the effect of the implementation of IFRS 15 and IFRS 16. Please refer to note 1 for a bridge between 2017 previous practice and 2017 adjusted.

Statement of cash flow

		Q4 2018	Q4 2017 ¹⁾	12M 2018	12M 2017
		DKK '000	DKK '000	DKK '000	DKK '000
Net profit for the period	Note	84,775	72,916	235,606	198,817
Reversal of non-cash items		92,401	117,400	341,402	329,809
Interest received		-609	48	185	171
Interest paid		-9,241	-10,423	-13,453	-12,744
Income taxes paid		-21,034	-30,866	-63,204	-80,220
Cash flow before change in working capital		146,292	149,075	500,536	435,833
Changes in working capital		85,582	-37,507	-61,840	-10,752
Cash flow from operating activities		231,874	111,568	438,696	425,081
Capitalization of intangible assets		-3,893	-7,290	-14,283	-10,279
Purchase of tangible assets		-49,005	-96,544	-164,347	-323,710
Change in trade payables related to investments		-16,681	-5,939	18,105	-2,887
Sale of tangible assets		0	0	0	0
Dividends received		0	0	0	317
Sale/(purchase) of shares (net)		0	0	89	0
Payment/refund of deposits		38	-206	51	-3,142
Acquisition of subsidiary	3	-162,253	0	-162,253	-97,991
Cash flow from investing activities		-231,794	-109,979	-322,638	-437,692
Dividends paid		0	0	-105,488	-102,037
Purchase of treasury shares		0	0	-37,345	0
Installments on lease liabilities		-17,710	-13,977	-89,736	-77,881
Bank overdraft		41,557	93,194	149,481	93,194
Cash flow from financing activities		23,847	79,217	-83,088	-86,724
Net cash flow		23,927	80,806	32,970	-99,335
Cash and cash equivalents at the beginning of the period		83,620	-6,229	74,577	173,912
Cash and cash equivalents at the end of the period		107,547	74,577	107,547	74,577
Additional information²:					
Cash and cash equivalents		107,547	74,577	107,547	74,577
Bank overdraft		-242,675	-93,194	-242,675	-93,194
Committed credit facilities		540,000	400,000	540,000	400,000
Financial resources at the end of the period		404,872	381,383	404,872	381,383
Cash flow from operating activities		231,874	111,568	438,696	425,081
Cash flow from investing activities		-231,794	-109,979	-322,638	-437,692
Free cash flow		80	1,589	116,058	-12,611

¹⁾ The numbers includes the effect of the implementation of IFRS 15 and IFRS 16.

²⁾ Additional non-IFRS measures. 'Financial resources at the end of the period' is defined as the sum of cash and cash equivalents at the end of the period and undrawn committed credit facilities. Free cash flow is defined as 'cash flow from operating activities' less 'cash flow from investing activities'.

Statement of changes in equity

DKK '000	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
December 31, 2018									
Balance at the beginning of the period	250,000	-6,567	665,444	5,234	3,521	-57	8,698	55,990	973,565
Net profit for the period	0	0	235,606	0	0	0	0	0	235,606
Other comprehensive income for the period	0	0	4,441	1,246	3,799	-2,217	2,828	0	7,269
Total comprehensive income for the period	0	0	240,047	1,246	3,799	-2,217	2,828	0	242,875
Transactions with owners:									
Purchase of treasury shares	0	-2,030	-35,315	0	0	0	0	0	-37,345
Transfer of treasury shares	0	3,956	-5,059	0	0	0	0	0	-1,103
Share-based payments	0	0	16,092	0	0	0	0	0	16,092
Deferred tax on share-based payments	0	0	-3,666	0	0	0	0	0	-3,666
Adjustment to proposed dividend	0	0	-428	0	0	0	0	428	0
Dividends paid	0	0	0	0	0	0	0	-105,488	-105,488
Interim dividend for 2018	0	0	-49,070	0	0	0	0	49,070	0
Proposed dividend for 2018	0	0	-63,935	0	0	0	0	63,935	0
Total dividends for 2018	0	0	-113,005	0	0	0	0	113,005	0
Balance at the end of the period	250,000	-4,641	764,110	6,480	7,320	-2,274	11,526	63,935	1,084,930

DKK '000	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
December 31, 2017									
Balance at the beginning of the period	250,000	-7,500	542,833	6,784	-1,321	2,322	7,785	53,350	846,468
Effect of IFRS 15 and IFRS 16			-20,599						-20,599
Tax effect of IFRS 15 and 16			6,307						6,307
Adjusted balance at the beginning of the period	250,000	-7,500	528,541	6,784	-1,321	2,322	7,785	53,350	832,176
Net profit for the period	0	0	198,817	0	0	0	0	0	198,817
Other comprehensive income for the period	0	0	4,798	-1,550	4,842	-2,379	913	0	5,711
Total comprehensive income for the period	0	0	203,615	-1,550	4,842	-2,379	913	0	204,528
Transactions with owners:									
Transfer of treasury shares	0	933	18,190	0	0	0	0	0	19,123
Share-based payments	0	0	21,342	0	0	0	0	0	21,342
Deferred tax on share-based payments	0	0	-1,567	0	0	0	0	0	-1,567
Dividends paid	0	0	0	0	0	0	0	-102,037	-102,037
Interim dividend for 2017	0	0	-48,687	0	0	0	0	48,687	0
Proposed dividend for 2017	0	0	-55,990	0	0	0	0	55,990	0
Total dividends for 2017	0	0	-104,677	0	0	0	0	104,677	0
Balance at the end of the period	250,000	-6,567	665,444	5,234	3,521	-57	8,698	55,990	973,565

Notes**Note 1***Accounting policies*

The Board of Directors and Executive Management have approved the Annual Report 2018 of NNIT A/S including the audited consolidated financial statements. The Board of Directors and Executive Management also approved this financial statement containing condensed financial information for 2018.

This financial statement is 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 accounting policies used in this financial statement are consistent with those used in the audited consolidated financial statements in the Annual Report 2018.

Changes in accounting policies

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

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

Please refer to section 1.3 in the annual report 2018 for a description of the changes and effects of IFRS 15 and IFRS 16.

Note 2

Quarterly numbers

DKK '000	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	822,870	733,226	752,556	698,502	779,722	661,464	695,089	715,112
Cost of goods sold	657,558	611,717	617,521	579,145	612,807	571,039	572,753	579,697
Gross profit	165,312	121,509	135,035	119,357	166,915	90,425	122,336	135,415
Sales and marketing costs	30,480	30,483	34,675	31,975	35,870	33,786	32,758	32,812
Administrative expenses	28,662	25,023	25,825	26,681	31,549	28,602	28,501	27,649
Operating profit	106,170	66,003	74,535	60,701	99,496	28,037	61,077	74,954
Net financials	1,450	-274	-1,432	-2,022	-4,270	1,324	-3,368	-3,732
Profit before income taxes	107,620	65,729	73,103	58,679	95,226	29,361	57,709	71,222
Income taxes	22,845	17,290	16,521	12,869	21,602	6,166	10,984	15,242
Net profit for the period	84,775	48,439	56,582	45,810	73,624	23,195	46,725	55,980

Segment disclosures

DKK '000	2018				2017			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by business area								
Operations	503,070	455,261	458,344	425,611	480,475	438,310	440,405	472,703
<i>hereof Novo Nordisk Group</i>	229,757	181,508	189,197	169,884	220,909	192,634	180,207	224,993
<i>hereof non-Novo Nordisk Group</i>	273,312	273,754	269,147	255,727	259,566	245,676	260,198	247,710
Solutions	319,800	277,965	294,212	272,891	299,247	223,154	254,684	242,409
<i>hereof Novo Nordisk Group</i>	93,268	85,105	89,237	86,200	97,547	86,220	86,955	95,936
<i>hereof non-Novo Nordisk Group</i>	226,533	192,859	204,975	186,691	201,699	136,933	167,729	146,473
Total revenue	822,870	733,226	752,556	698,502	779,722	661,464	695,089	715,112
Revenue by customer group								
Life Sciences	455,821	366,253	380,161	355,321	413,866	372,063	364,527	409,548
<i>hereof Novo Nordisk Group</i>	323,025	266,613	278,434	256,084	318,457	278,854	267,162	320,928
Enterprise	202,102	198,283	206,183	187,251	191,300	177,458	164,497	151,034
Public	92,551	103,324	103,902	99,379	114,992	57,104	95,641	86,114
Finance	72,396	65,366	62,311	56,551	59,564	54,839	70,424	68,416
Total revenue	822,870	733,226	752,556	698,502	779,722	661,464	695,089	715,112
Operating profit by business area								
Operations	62,260	41,323	42,659	32,313	61,689	47,167	44,407	50,856
Solutions	43,910	24,680	31,876	28,388	36,546	-19,130	16,670	24,098
Total operating profit	106,170	66,003	74,535	60,701	99,496	28,037	61,077	74,954
Ammortization, depreciation and impairment losses								
Operations	52,862	52,839	48,475	52,790	46,858	48,764	51,288	50,967
Solutions	11,542	9,809	10,160	8,999	10,110	8,859	7,771	7,180
Total amortization, depreciation and impairment losses	64,404	62,648	58,635	61,789	56,968	57,623	59,059	58,147

The Danish operations generated 87.4% of NNIT's revenue in 12M 2018 and 88.8% in 12M 2017 based on the location of customer purchase orders. As a consequence of the predominantly Danish revenue, we will not disclose a geographical revenue split.

Note 3

Acquisition of subsidiaries

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

DKK '000

	Valiance Partners LLC	Valiance Partners Ltd	2018	2017
Acquisition cost				
Cash paid	126.324	39.530	165.854	130.837
Consideration in NNIT A/S shares	0	0	0	19.123
Contingent consideration (earn out)	46.027	14.380	60.407	54.345
Total acquisition cost	172.351	53.910	226.261	204.305
Fair value of net assets acquired				
Intangible assets	17.027	3.993	21.020	9.200
Lease assets	1.991	530	2.521	0
Other non-current assets	159	0	159	1.772
Trade receivables and work in progress ¹⁾	12.132	2.013	14.145	33.218
Other receivables and pre-payments	117	18	135	1.582
Cash and cash equivalents	1.446	2.155	3.601	5.846
Non-current liabilities	-4.597	-438	-5.035	-2.055
Prepayments received	-1.652	0	-1.652	-7.986
Lease liability	-2.067	-531	-2.598	0
Employee costs payable	-2.924	-1.090	-4.014	-15.890
Other current liabilities	-1.466	-364	-1.830	-16.070
Net assets acquired	20.166	6.286	26.452	9.617
Goodwill	152.185	47.624	199.809	167.688
Acquisition cost	172.351	53.910	226.261	177.305
Of which cash and cash equivalents	-1.446	-2.155	-3.601	-5.846
Consideration in NNIT A/S shares	0	0	0	-19.123
Contingent consideration (earn out)	-46.027	-14.380	-60.407	-54.345
Paid acquisition cost, net	124.878	37.375	162.253	97.991

¹⁾ All contractual receivables are expected to be collected.

Acquisitions during 2018

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

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

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

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

Earn out target is DKK 60.4 million with an earn out range of DKK 0-85.9 million depending on performance on five KPIs: EBITDA in Valiance Partners, additional revenue derived for NNIT A/S, R&D investments, unmanaged attrition as well as successful integration with the NNIT Group. The KPIs are weighted with EBITDA having the highest weight and with additional NNIT revenue having the second highest weight. The earn-out period ends 2021 and the yearly earn-out payments are settled annually after approval of the annual report. The earn-out weights are highest at the end of the period.

There have been no changes to the carrying amount of the contingent consideration since the date of the acquisition.

Earnings impact

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

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

Acquisitions during 2017

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

Note 4
Related party transactions

DKK'000	Dec 31, 2018	Dec 31, 2017
Assets		
Receivables from related parties	163,882	216,131
Work in progress related parties	90,547	37,652
Liabilities		
Liabilities to related parties	3,364	1,264
Prepayments from related parties	24,315	48,760

Note 5
Contingent liabilities and legal proceedings
Contingent liabilities

None

Legal proceedings

None

Note 6
Currency hedging

NNIT's objective is at any time to limit the company's financial risks.

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

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, Czech koruna and the Philippine peso. Due to the size of the exposure Swiss franc is not hedged.

Cumulative profit on derivative financial instruments regarding future cash flow per December 31, 2018 is recognized in Equity (Other comprehensive income) with an amount of DKK 3.8m before tax (DKK 2.4m after tax).

Note 7

Currency sensitivities

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

Hedging gains and losses do not impact operating profit as they are recognized under net financials. For further details on hedging, please see note 6 above.

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

Key currency assumptions

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

Currency development

NNIT has a net cost exposure in the Chinese yuan, the Czech koruna, the Philippine peso and the Swiss franc. Therefore a depreciation of these currencies versus Danish kroner has a positive impact on reported operating profit, whereas an increase will have the reverse effect.



NNIT has hedged 90% of its net exposure in Chinese yuan (CNY hedged with CNH (CNY offshore)) and Czech koruna (CZK) for the coming 14 months.

Note 8
Performance in constant and reported currencies
Performance overview

DKK million (reported currencies)	Q4 2018	Q4 2018 (constant *)	Q4 2017	Change (reported)	Change (constant)
Revenue	822.9	822.3	779.7	5.5%	5.5%
Cost of goods sold	657.6	657.9	614.9	6.9%	7.0%
Gross profit	165.3	164.4	164.8	0.3%	-0.3%
<i>Gross profit margin</i>	20.1%	20.0%	21.1%	-1pp	-1.1pp
Sales and marketing costs	30.5	30.5	36.0	-15.3%	-15.4%
Administrative expenses	28.7	28.7	30.5	-6.2%	-6.0%
Operating profit	106.2	105.2	98.2	8.1%	7.1%
<i>Operating profit margin</i>	12.9%	12.8%	12.6%	0.3pp	0.2pp
Net financials	1.5	n.a.	-4.2	-134.9%	n.a.
Profit before tax	107.6	n.a.	94.1	14.4%	n.a.
Tax	22.8	n.a.	21.2	7.9%	n.a.
<i>Effective tax rate</i>	21.2%	n.a.	22.5%	-1.3pp	n.a.
Net profit	84.8	n.a.	72.9	16.3%	n.a.

DKK million (reported currencies)	2018	2018 (constant *)	2017	Change (reported)	Change (constant)
Revenue	3,007.2	3,015.8	2,851.4	5.5%	5.8%
Cost of goods sold	2,465.9	2,481.1	2,338.4	5.5%	6.1%
Gross profit	541.2	534.8	512.9	5.5%	4.3%
<i>Gross profit margin</i>	18.0%	17.7%	18.0%	0pp	-0.3pp
Sales and marketing costs	127.6	128.1	135.3	-5.7%	-5.3%
Administrative expenses	106.2	106.5	115.3	-7.9%	-7.6%
Operating profit	307.4	300.1	262.3	17.2%	14.4%
<i>Operating profit margin</i>	10.2%	10.0%	9.2%	1pp	0.8pp
Net financials	-2.3	n.a.	-9.9	77.1%	n.a.
Profit before tax	305.1	n.a.	252.4	20.9%	n.a.
Tax	69.5	n.a.	53.6	29.8%	n.a.
<i>Effective tax rate</i>	22.8%	n.a.	21.2%	1.6pp	n.a.
Net profit	235.6	n.a.	198.8	18.5%	n.a.

*Constant currencies measured using average exchange rates for 2017.

Revenue distribution

DKKm (reported currencies)	Q4 2018	Q4 2018 (constant *)	Q4 2017	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	323.0	322.9	318.5	1.4%	1.4%
Life sciences excl. NNG	132.8	132.5	95.4	39.2%	38.9%
Enterprise	202.1	201.8	191.3	5.6%	5.5%
Public	92.6	92.6	115.0	-19.5%	-19.5%
Finance	72.4	72.4	59.6	21.5%	21.5%
Total	822.9	822.3	779.7	5.5%	5.5%

DKKm (reported currencies)	2018	2018 (constant *)	2017	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	1,124.2	1,127.6	1,185.4	-5.2%	-4.9%
Life sciences excl. NNG	433.4	439.1	374.6	15.7%	17.2%
Enterprise	793.8	793.3	684.3	16.0%	15.9%
Public	399.2	399.2	353.9	12.8%	12.8%
Finance	256.6	256.6	253.2	1.3%	1.3%
Total	3,007.2	3,015.8	2,851.4	5.5%	5.8%

*Constant currencies measured using average exchange rates for 2017.