

Company announcement 2/2020 January 29, 2020

Financial report 2019 and Annual General Meeting 2020

Revenue increased 1.7% and operating profit margin before special items was 7.8% (8.0% in constant currencies) in 2019

Performance highlights for the fourth quarter of 2019 and guidance

- Revenue decreased by 2.7% in Q4 2019 compared to Q4 2018 driven by a 27% decline from the Novo Nordisk Group. This was partly countered by growth from international life sciences (35%), finance (24%), public (18%) and Danish life sciences (5.9%)
- Excluding business from Novo Nordisk Group, revenue increased 13% (8.4% organic) in Q4 2019. The share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 70% in Q4 2019 from 61% in Q4 2018
- Gross profit decreased by 13% in Q4 2019 following the significant decline in revenue from the Novo Nordisk Group where costs could not be adjusted at the same pace. This led to an operating profit margin before restructuring costs of 10.1% and an operating profit margin of 9.1%
- Net profit was DKK 58m in Q4 2019 compared to DKK 85m in Q4 2018
- Order backlog for 2020 at the beginning of Q1 2020 was DKK 2,039m, a decrease of 6.1% compared to the same time last year negatively impacted by a decline of 26% from the Novo Nordisk Group partly countered by other clients which grew by 6.3%
- NNIT's revenue growth of 1.7% and operating profit margin before special items of 8.0% (constant currencies) in 2019 were in line with the most recent guidance
- To drive growth and support margins, NNIT implements new go-to market strategy which focuses on high growth areas where NNIT can leverage existing strong capabilities or has the potential to build strong capabilities
- Guidance for 2020:
 - Revenue growth of -4% to -8% in constant currencies
 - Operating profit margin before special items of 6-8% in constant currencies
 - Level of investments (CAPEX) is 5-7% of total revenue
- The Board of Directors proposes to pay out DKK 4.00 per share corresponding to DKK 98.5m which includes the interim dividend for 2019 (DKK 49.2m) paid in August 2019. This corresponds to a pay-out ratio of net profit of 54% a dividend yield of 3.6%

Per Kogut, CEO at NNIT comments: *"Regarding Q4 2019, it is encouraging that we ended a challenging year on a strong note with revenue growth of 13% outside Novo Nordisk Group driven by life sciences, finance and public clients. This partly mitigated the decline in revenue from the Novo Nordisk Group of 27% and ensured results in line with the most recent guidance. I expect 2020 to be a tough transition year with a declining revenue due to loss of business from our two largest clients as earlier announced. For other clients we expect to see strong growth and with our new focused go-to market strategy I am confident that we are well positioned for the future."*

Financial Overview

DKK million	Q4 2019 (reported)	Q4 2019 (constant)*	Q4 2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	801	798	823	-2.7%	-3.1%
Gross profit margin	18.0%	18.1%	20.1%	-2.1pp	-2pp
Operating profit before special items**	81	81	106	-24.2%	-23.2%
Operating profit margin before special items**	10.1%	10.2%	12.9%	-2.9pp	-2.7pp
Special items**	8	8	0	n.a.	n.a.
Operating profit	73	74	106	-31.4%	-30.8%
Operating profit margin	9.1%	9.2%	12.9%	-3.8pp	-3.7pp
Net profit	58	n.a.	85	-31.4%	n.a.
Investments (CAPEX)	21	n.a.	70	-69.6%	n.a.
Free cash flow	311	n.a.	0	n.a.	n.a.

*Constant currencies measured using average exchange rates for Q4 2018

**Special items comprise restructuring costs related to the business and cost restructuring plan

DKK million	2019 (reported)	2019 (constant)*	2018*	Pct./pp Change (reported)	Pct./pp Change (constant)
Revenue	3,058	3,042	3,007	1.7%	1.2%
Gross profit margin	15.5%	15.7%	18.0%	-2.5pp	-2.3pp
Operating profit before special items**	239	242	307	-22.3%	-21.3%
Operating profit margin before special items**	7.8%	8.0%	10.2%	-2.4pp	-2.3pp
Special items**	24	24	0	n.a.	n.a.
Operating profit	215	218	307	-30.1%	-29.0%
Operating profit margin	7.0%	7.2%	10.2%	-3.2pp	-3pp
Net profit	183	n.a.	236	-22.5%	n.a.
Investments (CAPEX)	166	n.a.	161	3.7%	n.a.
Free cash flow	242	n.a.	116	108.2%	n.a.

*Constant currencies measured using average exchange rates for 2018

**Special items comprise restructuring costs related to the business and cost restructuring plan

Guidance 2020

The order entry backlog for 2020 at the beginning of Q1 2020 declined by DKK 131.9m to DKK 2,039m, or by 6.1%, compared to the order entry backlog for 2019 at the beginning of Q1 2019. The declining order entry backlog is primarily due to the earlier announced termination of the application maintenance agreement with the Novo Nordisk Group (effect from January 1, 2020) and the termination of the business with PANDORA (expected revenue of around one quarter of the revenue in 2019).

The high growth in NNIT's project business with low backlog visibility and a declining multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth than in previous years.

The large operations maintenance agreement with the Novo Nordisk Group expires at the end of 2020, see company announcement 10/2019. However, in the following guidance it is assumed that the agreement is renegotiated and prolonged during the first half of 2020 with an impact from the time of signing.

NNIT's guides a revenue decline of 4-8% in constant currencies for 2020 excluding potential new acquisitions in 2020.

The operating profit margin before special items in constant currencies is expected to be in the range of 6-8%. As in 2019, the operating profit margin is expected to be considerably higher in the second half of the year than in the first half of the year.

Investments are expected to be 5-7% of revenue.

Revenue growth

Organic in constant currencies*
as reported**

Operating profit margin

In constant currencies*
as reported**

Investments / Revenue

Guidance for 2020

-4% to -8%
Around 0.2pp higher

**6-8% before special
items of DKK 15-25m**

Around 0.2pp lower

5-7%

*Constant currencies measured using average exchange rates for 2019

**Based on exchange rates as of January 22, 2020 as illustrated under key currency assumptions on page 28

The guidance is based on a number of important assumptions, including that business performance, client and competitor actions will remain stable and that key currency exchange rates will remain at the current (as of January 22, 2020) levels versus Danish kroner.

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 clients, primarily in the life sciences sector in Denmark and internationally and to clients in the public, enterprise and finance sectors in Denmark. As of December 31, 2019, NNIT A/S had 3,207 employees. NNIT has approximately 350 clients of which around 150 are located outside Denmark. More than 30% are international life sciences clients (December 2019). For more information please visit www.nnit.com.

Conference call details

NNIT will host a teleconference January 29, 2020 at 10:30 CET about the financial report for 2019. 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/2019fy/>

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 2020

March 5, 2020	Annual General Meeting
March 6, 2020	Dividend ex-dividend date
March 9, 2020	Dividend record date
March 10, 2020	Dividend payment date
May 6, 2020	Interim report for the first three months of 2020
August 13, 2020	Interim report for the first six months of 2020
October 29, 2020	Interim report for the first nine months of 2020

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 29-31 in the Annual Report 2019.

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Financial figures and highlights

DKK million, reported currencies	Q4 2019	Q4 2018	2019	2018	12M Change
Financial performance					
Revenue					
Novo Nordisk Group	237.4	323.0	954.9	1,124.2	-15.1%
Life sciences international	98.8	73.1	360.9	211.7	70.5%
Life sciences Denmark	63.2	59.7	230.0	221.7	3.8%
Life sciences	399.4	455.8	1,545.8	1,557.6	-0.8%
Enterprise	202.9	202.1	802.3	793.8	1.1%
Public	108.7	92.6	392.2	399.2	-1.7%
Finance	90.0	72.4	317.6	256.6	23.7%
Private & Public	401.6	367.0	1,512.1	1,449.6	4.3%
Total revenue	801.0	822.9	3,057.9	3,007.2	1.7%
EBITDA	143.8	170.6	497.6	554.9	-10.3%
Depreciations and amortizations	63.3	64.4	258.8	247.5	4.6%
Operating profit before special items ¹	80.5	106.2	238.7	307.4	-22.3%
Special items ¹	7.7	0.0	23.8	0.0	n.a.
Operating profit	72.8	106.2	215.0	307.4	-30.1%
Net financials	4.2	1.5	16.1	-2.3	n.a.
Net profit	58.1	84.8	182.7	235.6	-22.5%
Investments in tangible assets	7.3	65.7	134.1	146.2	-8.3%
Investments in intangible assets and acquisition in subsidiaries	4.2	166.1	87.9	176.5	-50.2%
Total assets	2,612.7	2,544.3	2,612.7	2,544.3	2.7%
Equity	1,169.4	1,084.9	1,169.4	1,084.9	7.8%
Dividends paid	0.0	0.0	113.1	105.5	7.2%
Free cash flow	311.4	0.1	241.7	116.1	108.2%
Earnings per share					
Earnings per share (DKK)	2.36	3.46	7.43	9.60	-22.6%
Diluted earnings per share (DKK)	2.34	3.42	7.36	9.52	-22.7%
Employees					
Average number of full-time employees	3,241	3,207	3,237	3,129	3.4%
Financial ratios					
Revenue growth	-2.7%	5.5%	1.7%	5.5%	-3.8pp
Gross profit margin	18.0%	20.1%	15.5%	18.0%	-2.5pp
EBITDA margin	18.0%	20.7%	16.3%	18.5%	-2.2pp
Operating profit margin before special items	10.1%	12.9%	7.8%	10.2%	-2.4pp
Operating profit margin	9.1%	5.5%	7.0%	10.2%	-3.2pp
Effective tax rate	24.5%	21.2%	21.0%	22.8%	-1.8pp
Investments/Revenue	2.6%	8.5%	5.4%	5.3%	0.1pp
Return on equity ²	16.2%	22.9%	16.2%	22.9%	-6.7pp
Solvency ratio	44.8%	42.6%	44.8%	42.6%	2.1pp
Return on invested capital (ROIC) ^{2,3}	10.4%	16.1%	10.4%	16.1%	-5.7pp
Cash to earnings ²	132.3%	49.3%	132.3%	49.3%	83pp
Cash to earnings (three-year average) ²	55.9%	44.9%	55.9%	44.9%	11pp
Additional numbers⁴					
Order entry backlog for the current year	2,039.4	2,171.3	2,039.4	2,171.3	-6.1%

1) Special items comprises restructuring costs related to the cost restructuring plan

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) 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 the future

Highlights

Below are the key highlights for Q4 2019.

Key wins in Q4 2019:

- Extension and expansion of an operation and development agreement with the Association of Danish Pharmacies representing around DKK 200m over a four-year-period, see press release January 17, 2020
- Cloud-enabling IT-infrastructure operations agreement with Radius Elnet A/S representing a minor triple-digit DKKm amount over a five-year-period, see press release November 8, 2019
- Extension and expansion of an application management agreement covering several applications with Lundbeck representing a large double-digit DKKm amount over a four-year-period, see press release January 15, 2020
- Cloud operation services agreement with Bang & Olufsen representing a medium double-digit DKKm amount over a five-year-period, see press release December 4, 2019
- Veeva Vault Regulatory Information Management implementation project with an international life sciences client representing around DKK 25m over a two and a half-year-period
- A number of project agreements with large life sciences clients related to Veeva representing a large double-digit DKKm amount over a two-year-period. NNIT is now the largest Veeva implementation partner in the EU

Business and cost restructuring plan

The business and cost restructuring plan is progressing as planned with reductions in manning in mainly Denmark and China giving restructuring costs of DKK 24m primarily related to severance payments. Further, billable utilization is increasing and the initiatives in the profit recovery plan are beginning to have a positive impact. That said, it has been difficult to mitigate the significant drop in project activity from the Novo Nordisk Group in Q4 2019.

Adjusted strategy

The strategy presented in January 2019 was based on a thorough review of the direction set at the IPO and included greater customer centricity and a new organization.

With the unexpected sharp decline in business with the Novo Nordisk Group, termination of the PANDORA agreement, increasing competition from new entrants, increased price pressure within the infrastructure outsourcing area and the need for faster adoption of cloud/hybrid solutions, the board has adjusted the strategy with a new focused go-to market approach.

The adjusted strategy includes:

- Continue the successful life sciences strategy with focus on Regulatory Affairs, Quality Management, Pharma Production IT and Veeva solutions with a targeted annual organic growth of around 20%
- Continue to actively pursue acquisitions of IT companies serving life sciences and/or companies with capabilities within selected technology areas
- Continue the earlier announced business and cost restructuring plan reducing costs by DKK 150 million in 2020; targeting a full-year run rate impact of minimum DKK 200 million in 2021. Significant cost reductions have already been carried out in Denmark and China
- Implement a new focused go-to market strategy in high growth areas leveraging existing strong capabilities or areas where NNIT has the potential to build strong capabilities – named "winning solutions". These winning solutions will be built on

proven standardized concepts which are delivered fit for purpose and first time right. This will underpin the customer centricity while at the same time ensuring higher margins. A selection of winning solutions can also act as door opener to infrastructure outsourcing contracts. Please see the annual report 2019 for further information. The “winning solutions” are within the following areas:

SAP Solutions	Veeva Solutions	Employee Experience	Cybersecurity	Quality Management
Pharma Production IT	Data & AI	Hybrid cloud	Integration	Microsoft solutions

The segmental reporting structure with revenue and operating profit for life sciences and private & public, respectively, remains unchanged.

Financial expectations and results 2019

	Realized 2019	Q3 2019 guidance	Q2 2019 guidance	Q1 2019 guidance	Annual report 2018 guidance
Revenue growth	1.7%	Low single digit	Low single digit	3-6%	3-6%
Operating profit margin In constant currencies*	8.0%	8-9% excluding restructuring costs of DKK 15-25m	8-9% excluding restructuring costs of DKK 15-25m	8-9%	10-10.5%
as reported	0.2pp lower	Around 0.2pp lower	Around 0.2pp lower	Around 0.4pp lower	Around 0.1pp lower
Investments / Revenue	5.4%	5-7%	5-7%	5-7%	5-7%

*Constant currencies measured using average exchange rates for 2018

NNIT's 2019 revenue growth of 1.7% and operating profit margin before special items of 7.8% (8.0% in constant currencies) were in line with the most recent guidance provided in October 2019. Revenue growth and operating profit margin before special items were below the guidance provided in January 2019 due to a large decrease in revenue and operating profit margin from the Novo Nordisk Group.

Investments were in line with the guidance provided in January 2019 and reiterated in October 2019.

Annual General Meeting

The Annual General Meeting of NNIT A/S will be held on Thursday March 5, 2020 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, Caroline Serfass, Carsten Dilling, Christian Kanstrup, Eivind Kolding, Peter Haahr. 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 2.00 per share be distributed for the financial year 2019. Including the interim dividend of DKK 2.00 per share in August 2019 this brings the total dividend for the financial year 2019 to DKK 4.00 per share (2018: DKK 4.60 per share), equal to a dividend pay-out ratio of 54% of the 2019 net results compared to 48% in 2018. For 2019 this corresponds to a dividend yield of 3.6%.

Implementation of a supplementary share-based incentive program to a selected group of employees

NNIT has decided to offer a share-based retention program to a selected group of employees who are not already part of a retention program. The objective is to ensure retention of key employees and motivate focus on long term value creation.

The retention program comprises a self-investment element and a matching contribution component. Each participant must accordingly acquire NNIT shares corresponding to a value of DKK 500,000. In return hereof, NNIT shall grant each

participant up to one Restricted Share Unit (RSU) for each share acquired by the participant. Each RSU will upon vesting give the right to one NNIT share without consideration.

RSUs granted will be subject to a vesting period of three years and fulfilment of certain performance criteria for each of the years 2020-2022 relating to organic revenue growth, operating profit margin and individual objectives for each participant. If criteria are not met, the number of RSUs will be reduced or lapse entirely.

The NNIT shares purchased in connection with the retention program and RSUs granted will be subject to a lock-up restriction of at least three years from the grant date until the release of the annual report 2022 in 2023, at which point in time each vested RSUs will give the right to one NNIT share. If the employment of a participant is discontinued in the vesting period the RSUs will, under certain conditions, lapse.

No new shares will be issued to cover allocations under the retention program.

Performance overview

DKK million (reported currencies)	Q4 2019	Q4 2018	Change (reported)
Revenue	801.0	822.9	-2.7%
Cost of goods sold	656.8	657.6	-0.1%
Gross profit	144.2	165.3	-12.8%
<i>Gross profit margin</i>	<i>18.0%</i>	<i>20.1%</i>	<i>-2.1pp</i>
Sales and marketing costs	34.7	30.5	13.8%
Administrative expenses	29.0	28.7	1.2%
Operating profit before special items*	80.5	106.2	-24.2%
<i>Operating profit margin before special items*</i>	<i>10.1%</i>	<i>12.9%</i>	<i>-2.9pp</i>
Special items*	7.7	0.0	n.a.
Operating profit	72.8	106.2	-31.4%
<i>Operating profit margin</i>	<i>9.1%</i>	<i>12.9%</i>	<i>-3.8pp</i>
Net financials	4.2	1.5	190.7%
Profit before tax	77.0	107.6	-28.4%
Tax	18.9	22.8	-17.3%
<i>Effective tax rate</i>	<i>24.5%</i>	<i>21.2%</i>	<i>3.3pp</i>
Net profit	58.1	84.8	-31.4%

DKK million (reported currencies)	2019	2018	Change (reported)
Revenue	3,057.9	3,007.2	1.7%
Cost of goods sold	2,582.6	2,465.9	4.7%
Gross profit	475.3	541.2	-12.2%
<i>Gross profit margin</i>	<i>15.5%</i>	<i>18.0%</i>	<i>-2.5pp</i>
Sales and marketing costs	131.5	127.6	3.0%
Administrative expenses	105.1	106.2	-1.0%
Operating profit before special items*	238.7	307.4	-22.3%
<i>Operating profit margin before special items*</i>	<i>7.8%</i>	<i>10.2%</i>	<i>-2.4pp</i>
Special items*	23.8	0.0	n.a.
Operating profit	215.0	307.4	-30.1%
<i>Operating profit margin</i>	<i>7.0%</i>	<i>10.2%</i>	<i>-3.2pp</i>
Net financials	16.1	-2.3	n.a.
Profit before tax	231.1	305.1	-24.3%
Tax	48.4	69.5	-30.3%
<i>Effective tax rate</i>	<i>21.0%</i>	<i>22.8%</i>	<i>-1.8pp</i>
Net profit	182.7	235.6	-22.5%

*Special items comprise restructuring costs related to the business and cost restructuring plan

Revenue decreased by 2.7% in Q4 2019 (3.1% in constant currencies) due to a decline in revenue from the Novo Nordisk Group of 27% partly countered by strong growth from clients in international life sciences (35%), finance (24%), public (18%) and Danish life sciences (5.9%). Total revenue for Q4 2019 declined by 5.0% compared to Q4 2018 when adjusting for the acquisitions while organic revenue growth excluding business from the Novo Nordisk Group was 8.4%.

Revenue increased by 1.7% (1.2% in constant currencies) in 2019 driven by a 70% and 24% growth from the international life sciences and finance clients, respectively. Clients from life sciences Denmark increased by 3.6% and enterprise clients by 1.0%. This was partly countered by a decline in revenue from the Novo Nordisk Group of 15.0% and public clients of 1.7%. Revenue from clients outside the Novo Nordisk Group increased by 11.7%. Adjusted for acquisitions, organic growth was negative 1.5% including the Novo Nordisk Group and positive 6.2% excluding the Novo Nordisk Group.

Cost of goods sold decreased by 0.1% in Q4 2019 compared to Q4 2018, whereas costs of goods sold increased by 4.7% in 2019 compared to the same period last year leading to a lower gross profit margin. In the first two quarters and in Q4 it was not possible to reduce costs fast enough to match the large decline in project revenue from the Novo Nordisk Group.

Gross profit decreased by 13% in Q4 2019 giving a gross profit margin of 18.0% compared to 20.1% in Q4 2018. In 2019 the gross profit decreased by 12% due to declining revenue and lower margins from business with the Novo Nordisk Group. Following the unsatisfactory gross profit development, NNIT has initiated a business and cost restructuring plan with a targeted impact of DKK 150m in 2020 and a targeted full year run-rate impact of minimum DKK 200m from 2021. The gross profit margin was 15.5% in 2019 compared to 18.0% in 2018. This is entirely due to declining revenue and lower margins from the business with the Novo Nordisk Group.

Sales and marketing costs increased by 14% in Q4 2019 and 3.0% in 2019 compared to the same periods last year. The increase was due to the sales and marketing costs from the newly acquired companies Valiance and HGP. The costs from Halfmann Goetsch Partner (HGP) were classified as cost of goods sold in Q2 and Q3 and after the integration into NNIT these costs were reclassified to sales and marketing in Q4 2019 explaining the large increase in sales and marketing costs in Q4 2019.

Administrative expenses increased by 1.2% in Q4 2019, while administrative expenses decreased by 1.0% in 2019 compared to the same periods last year due to cost efficiencies.

Operating profit before restructuring costs in Q4 2019 decreased by DKK 25.7m corresponding to an operating profit margin of 10.1% which was below the operating profit margin in Q4 2018 of 12.9% due to the above-mentioned developments. In 2019 operating profit before special items decreased by 22% to DKK 238.7m, corresponding to an operating profit margin of 7.8%, which was 2.4pp lower than in 2018 due to the above-mentioned developments.

Special items amounted to DKK 23.8m and was mainly related to severance payments to terminated employees. Operating profit margin after special items was 7.0% in 2019.

Net financials in Q4 2019 were positive with DKK 4.2m which is an improvement of DKK 2.7m compared to Q4 2018 due to a positive effect from earn-out adjustments amounting to a net effect of DKK 8.3m partly countered by loss on currency accounts and financial fees. In 2019, net financials were positive with DKK 16.1m compared to an expense of DKK 2.3m in 2018. The improvement was primarily due to higher gains on cash flow hedges and the mentioned positive effect from earn-out adjustment.

The effective tax rate for Q4 2019 was 24.5%, an increase of 3.3pp compared to Q4 2018 due to Q4 2018 being affected by a positive adjustment regarding previous years and Q4 2019 being affected negatively by an adjustment regarding previous years. In 2019 the effective tax rate was 21.0%, down 1.8pp compared to 2018 due to 2018 being affected by negative adjustments regarding previous years and 2019 being affected positively by an adjustment regarding previous years.

Net profit in Q4 2019 was DKK 58.1m corresponding to a decrease of 31% compared to Q4 2018. Net profit in 2019 was DKK 182.75m compared to DKK 235.6m in 2018, a decrease of 22%.

For a detailed performance overview in both reported and constant currencies please see note 9 on page 29-30. Comparisons in this financial report are hereafter in reported

currencies. NNIT's major currencies have appreciated giving operating profit margin in 2019 a headwind of 0.2pp mainly due to the appreciation of CNY (average 2019 compared to average 2018 exchange rates) which increases the cost of NNIT's offshore center in DKK. Revenue growth in 2019 was impacted positively by 0.5pp mainly due to appreciation of USD (average 2019 compared to average 2018 exchange rates).

Life Sciences

DKK million (reported currencies)	Q4 2019	Q4 2018	Change
Novo Nordisk Group	237.4	323.0	-26.5%
Life sciences international	98.8	73.1	35.1%
Life sciences Denmark	63.2	59.7	5.9%
Revenue	399.4	455.8	-12.4%
Cost of goods sold	302.9	333.5	-9.2%
Gross profit	96.6	122.3	-21.1%
Gross profit margin	24.2%	26.8%	-2.7pp
Allocated costs	33.3	32.7	1.8%
Operating profit before special items*	63.3	89.6	-29.4%
Operating profit margin before special items*	15.8%	19.7%	-3.8pp
Special items*	3.8	0.0	n.a.
Operating profit	59.5	89.6	-33.7%
Operating profit margin	14.9%	19.7%	-4.8pp

DKK million (reported currencies)	2019	2018	Change
Novo Nordisk Group	954.9	1,124.2	-15.1%
Life sciences international	360.9	211.7	70.5%
Life sciences Denmark	230.0	221.7	3.8%
Revenue	1,545.8	1,557.6	-0.8%
Cost of goods sold	1,211.9	1,148.6	5.5%
Gross profit	333.9	408.9	-18.3%
Gross profit margin	21.6%	26.3%	-4.7pp
Allocated costs	130.9	128.8	1.7%
Operating profit before special items*	203.0	280.2	-27.5%
Operating profit margin before special items*	13.1%	18.0%	-4.9pp
Special items*	11.5	0.0	n.a.
Operating profit	191.5	280.2	-31.6%
Operating profit margin	12.4%	18.0%	-5.6pp

*Special items comprise restructuring costs related to the business and cost restructuring plan

Revenue

Revenue in life sciences decreased by 12% in Q4 2019 driven by the decline in revenue from the Novo Nordisk Group partly offset by growth from international life sciences and clients from life sciences Denmark, further explained below.

Novo Nordisk Group:

Revenue from the Novo Nordisk Group showed a large decrease of 27% in Q4 2019 and 15% in 2019 compared to the same periods last year due a significant reduction in project activity and lower prices. Thus, revenue from Novo Nordisk Group projects decreased with 43% in Q4 2019 and 30% in 2019.

As a consequence, the share of NNIT's revenue from clients outside the Novo Nordisk Group increased to 70% in Q4 2019 from 61% in Q4 2018.

Life sciences international:

Revenue from life sciences international clients increased by 35% in Q4 2019 and 70.3% in 2019 driven by the contribution from the Valiance acquisition with impact from November 2018, the HGP acquisition with impact from April 2019 and increased project activity. Organic growth was 6.0% in Q4 2019 and 17.0% in 2019 driven by increased revenue within Compliance as a Service, Veeva and regulatory affairs offerings. The lower growth in Q4 2019 is partly explained by a one-off sale in Q4 2018 of around DKK 8.5m.

Life sciences Denmark:

Revenue from clients in life sciences Denmark increased by 5.9% in Q4 2019 and 3.6% in 2019 mainly due to higher project activity with existing clients.

Gross profit and operating profit

The decline in revenue and prices from the Novo Nordisk Group had a significant negative impact on gross profit, operating profit and corresponding margins. Further, margins were impacted negatively by costs from purchase price allocation (PPA) in relation to the acquisitions of Valiance Partners and HGP which typically impact NNIT for a period of two-three years after the acquisitions. Operating profit before special items in the life sciences segment decreased by 28% to DKK 203.0m in 2019 leading to an operating profit margin of 13.1% compared to 18.0% in 2018.

Private & Public

DKK million (reported currencies)	Q4 2019	Q4 2018	Change
Enterprise	202.9	202.1	0.4%
Public	108.7	92.6	17.5%
Finance	90.0	72.4	24.3%
Revenue	401.6	367.0	9.4%
Cost of goods sold	354.0	324.1	9.2%
Gross profit	47.7	43.0	10.9%
<i>Gross profit margin</i>	<i>11.9%</i>	<i>11.7%</i>	<i>0.2pp</i>
Allocated costs	30.4	26.4	15.0%
Operating profit before special items*	17.3	16.5	4.4%
<i>Operating profit margin before special items*</i>	<i>4.3%</i>	<i>4.5%</i>	<i>-0.2pp</i>
Special items*	3.9	0.0	n.a.
Operating profit	13.3	16.5	-19.3%
<i>Operating profit margin</i>	<i>3.3%</i>	<i>4.5%</i>	<i>-1.2pp</i>

DKK million (reported currencies)	2019	2018	Change
Enterprise	802.3	793.8	1.1%
Public	392.2	399.2	-1.7%
Finance	317.6	256.6	23.7%
Revenue	1,512.1	1,449.6	4.3%
Cost of goods sold	1,370.7	1,317.3	4.1%
Gross profit	141.4	132.3	6.9%
<i>Gross profit margin</i>	9.4%	9.1%	0.2pp
Allocated costs	105.7	105.0	0.6%
Operating profit before special items*	35.7	27.2	31.2%
<i>Operating profit margin before special items*</i>	2.4%	1.9%	0.5pp
Special items*	12.3	0.0	n.a.
Operating profit	23.4	27.2	-13.9%
<i>Operating profit margin</i>	1.5%	1.9%	-0.3pp

*Special items comprise restructuring costs related to the business and cost restructuring plan

Revenue

Revenue in the private & public segment increased by 9.4% in Q4 2019 driven by strong growth in finance (24.3%) and public (17.5%) clients. Revenue in 2019 increased by 4.3% driven by finance and enterprise clients partly offset by public clients, further explained below.

Enterprise clients:

Revenue from enterprise clients increased by 0.4% in Q4 2019 and by 1.0% in 2019 driven by sales to GN Hearing and full year effect of STARK partly countered by price reductions and lower scope on some of the large enterprise agreements.

Public clients:

Revenue from public clients increased by 18% in Q4 2019 driven by Sund & Bælt and the fact that the lower scope from DSB already impacted Q4 2018. In 2019 revenue decreased by 1.7% due to the lower scope on the agreement with DSB.

Finance clients:

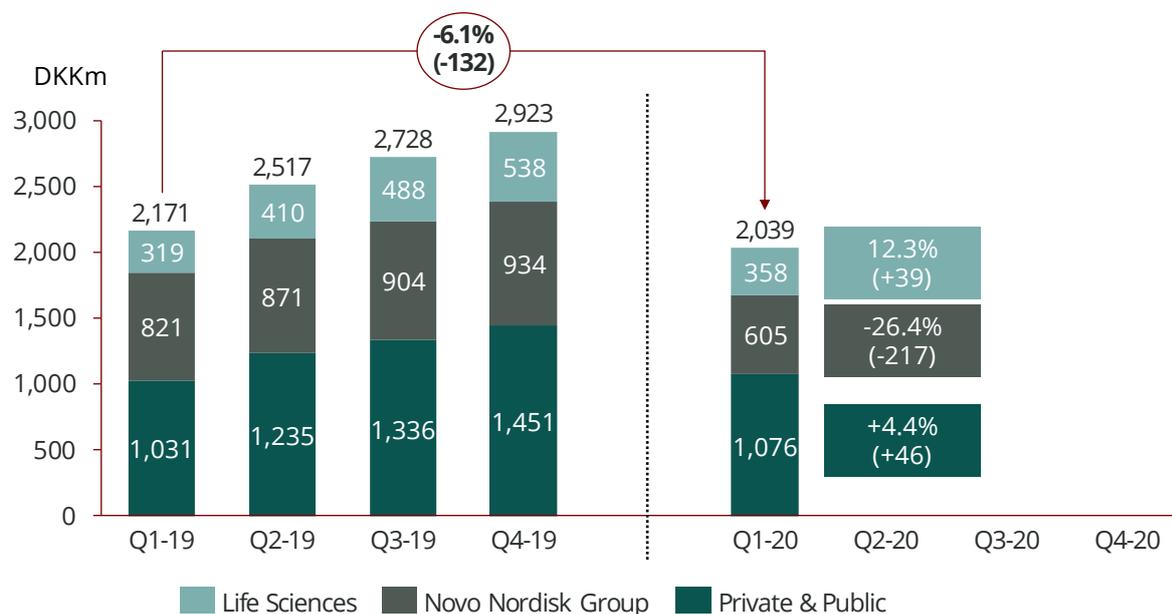
Revenue from finance clients increased by 24% both in Q4 2019 and 2019 mainly due to expansion of service level agreements with existing clients and the new contracts with AP Pension and SDC.

Gross profit and operating profit

Operating profit before special items in private & public increased by 31% to DKK 35.7m in 2019 leading to an operating profit margin before special items of 2.4% compared to 1.8% in 2018. A strong growth and margin development in the Microsoft D365 ERP implementation business is partly offset by price reductions and lower scope on large outsourcing agreements.

Order backlog

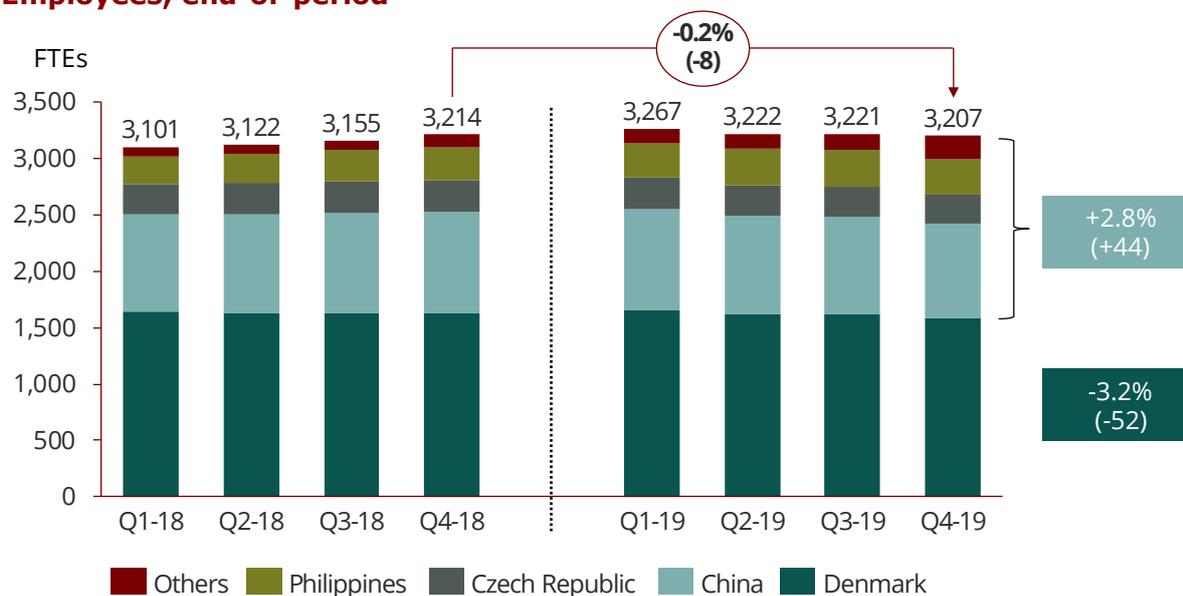
Backlog for the year, beginning of quarter



At the beginning of 2020, NNIT's order entry backlog for 2020 amounted to DKK 2,039m, which was a decline of 6.1% compared to the backlog for 2019 at the beginning of 2019. The backlog from the Novo Nordisk Group declined by 26%, while the backlog for life sciences and private & public clients increased by 12% and 4.4%, respectively. The decline in the Novo Nordisk Group order entry backlog is due to expiry of the large application maintenance agreement which has not been prolonged, while the order entry backlog in private & public is impacted by the loss of PANDORA agreement, but still showing a growth of more than 4% due to strong growth from other clients.

The high growth in NNIT's project business with low backlog visibility and a declining multiyear outsourcing business makes the backlog numbers less useful as a predictor for revenue growth than in previous years.

Employees, end-of-period



At the end of Q4 2019, the number of employees decreased by 8 FTE corresponding to -0.2% compared to the same time last year. The decrease was driven by fewer FTEs in Denmark which declined by 0.8%. The growth in employees outside Denmark is mainly due to the inclusion of Halfmann Goetsch Partner (HGP) increasing FTEs by around 50.

It should be noted that 41 FTEs in Denmark and 47 FTEs in China were terminated in 2019, but were on garden leave at the end of 2019 and therefore included in the FTE numbers at the end of 2019.

Balance sheet

Total assets at December 31, 2019 increased by DKK 68.4m to DKK 2,612.7m compared to DKK 2,544.3m at December 31, 2018 primarily due to an increase in intangible assets after the acquisition of HGP and an increase in trade receivables.

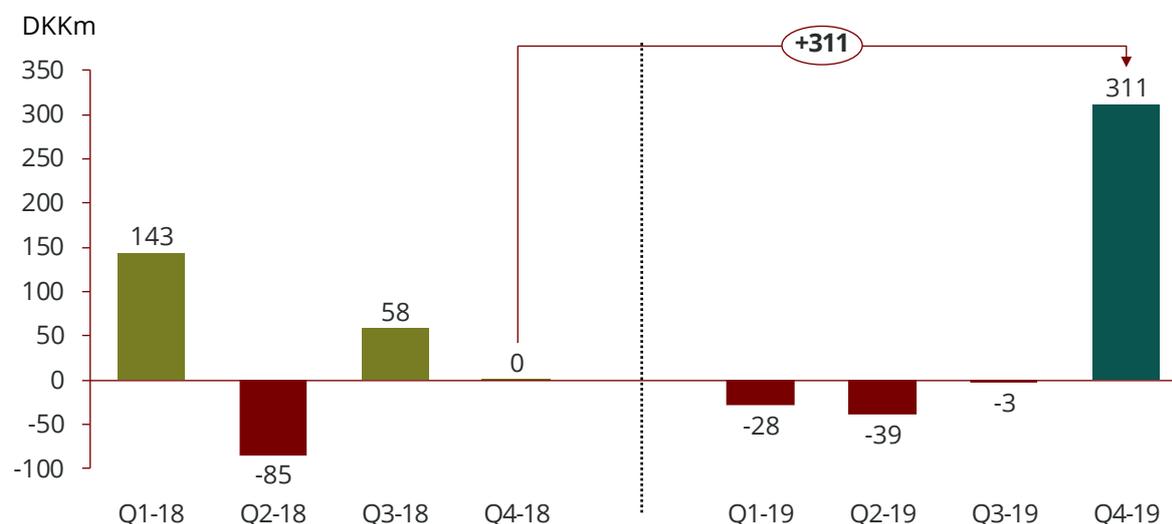
The net of Cash and cash equivalents amounted to DKK -109.1m at December 31, 2019, an increase of DKK 26.0m compared to December 31, 2018. The increase was mainly driven by cash flows from operating activities partly countered by the payments related to acquisitions (DKK 55.5m), the payment of ordinary dividend for 2018 (DKK 63.9m) and interim dividend for 2019 (DKK 49.2).

Equity at December 31, 2019 amounted to DKK 1,169.4m, an increase of DKK 84.5m compared to December 31, 2018. The improvement was mainly due to net profits for the period offset by the payment of ordinary dividend for 2018 (DKK 63.9m) and interim dividend for 2019 (DKK 49.2m).

Investments

Investments excluding the acquisition of HGP amounted to DKK 21.2m in Q4 2019 and DKK 166.5m in 2019 compared to DKK 69.6m in Q4 2018 and DKK 160.5m in 2018.

Free cash flow



The free cash flow for Q4 2019 was DKK 311.4m which was DKK 311.3m above Q4 2018 mainly due to lower payments related to acquisitions, improvement in working capital and lower investments. Q4 2018 was impacted by the acquisition of Valiance Partners (DKK 162.3 million). The improvement in working capital is due to commercial use of factoring on two of NNIT's larger clients with a strong credit profile which NNIT entered in Q4 2019 (DKK 149.1m). The benefits of this program include improved liquidity, improved financial ratios and NNIT is less sensitive to long payment terms while the cost of factoring is less than the current revolving credit facility.

The free cash flow for 2019 was DKK 241.7m compared to a free cash flow of DKK 116.1 million in 2018. The increase was driven by the lower effect from acquisitions and the commercial use of factoring explained above partly offset by the lower operating result and other changes in working capital.

Events after 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, 2019.

Management statement

The Board of Directors and Executive Management have approved the Annual Report 2019 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 2019.

The consolidated financial statements in the Annual Report 2019 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 2019.

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 2019 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 2019, 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, 2020

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

Brankica Markovic

Trine Io Bjerregaard

Consolidated financial statements

Income statement and Statement of comprehensive income

DKK million	Note	Q4 2019	Q4 2018	12M 2019	12M 2018
Income statement					
Revenue	2	801	823	3.058	3.007
Cost of goods sold		657	658	2.583	2.466
Gross profit		144	165	475	541
Sales and marketing costs		35	30	131	128
Administrative expenses		29	29	105	106
Operating profit before special items		81	106	239	307
Special items*	3	8	0	24	0
Operating profit		73	106	215	307
Financial income		10	4	32	11
Financial expenses		6	3	16	13
Profit before income taxes		77	108	231	305
Income taxes		19	23	48	69
Net profit for the period		58	85	183	236

*Special items comprises restructuring costs related to the cost restructuring plan

Earnings per share

	DKK	DKK	DKK	DKK
Earnings per share	2,36	3,46	7,43	9,60
Diluted earnings per share	2,34	3,42	7,36	9,52

Statement of comprehensive income

	DKK '000	DKK '000	DKK '000	DKK '000
Net profit for the period	58	85	183	236
Other comprehensive income:				
<i>Items that will not be reclassified subsequently to the Income statement:</i>				
Remeasurement related to pension obligations	9	4	9	4
Tax on other comprehensive income	-1	-1	-1	-1
<i>Items that will be reclassified subsequently to the Income statement, when specific conditions are met:</i>				
Currency revaluation related to subsidiaries (net)	-1	1	1	1
Recycled to financial items	5	4	21	9
Unrealized value adjustments	-5	1	-20	-5
Cash flow hedges	0	5	1	4
Tax on other comprehensive income related to cash flow hedges	1	-2	1	-1
Other comprehensive income, net of tax	7	8	11	7
Total comprehensive income	65	93	194	243

Balance sheet

Assets

	Note	Dec 31, 2019	Dec 31, 2018
DKK million		DKK '000	DKK '000
Intangible assets	4	524	432
Tangible assets		576	594
Lease assets		316	372
Contract assets		69	111
Deferred tax		32	39
Deposits		34	33
Total non-current assets		1.551	1.581
Inventories		2	2
Contract assets		53	52
Trade receivables	5	627	548
Work in progress	5	140	151
Other receivables		11	5
Pre-payments		84	88
Tax receivable		11	0
Derivative financial instruments		12	10
Cash and cash equivalents		122	108
Total current assets		1.062	964
Total assets		2.613	2.545

Equity and liabilities

		Dec 31, 2019	Dec 31, 2018
DKK million			
Share capital		250	250
Treasury shares		-4	-5
Retained earnings		860	764
Other reserves		14	12
Proposed dividends		49	64
Total equity		1.169	1.085
Leasing liability		236	299
Deferred tax		0	3
Employee benefit obligation		82	15
Contingent consideration (earn out)	4	43	113
Provisions		28	25
Long term loan		28	0
Bank overdraft		231	243
Total non-current liabilities		648	698
Prepayments received, contract assets		42	88
Prepayments received, work in progress	5	98	115
Leasing liability		90	84
Trade payables		88	97
Employee cost payable		228	253
Tax payables		9	6
Other current liabilities		155	118
Derivative financial instruments		1	1
Contingent consideration (earn out)		81	0
Provisions		4	0
Total current liabilities		796	762
Total equity and liabilities		2.613	2.545

Statement of cash flow

DKK million		Q4 2019	Q4 2018	12M 2019	12M 2018
Net profit for the period	Note	58	85	183	236
Reversal of non-cash items		183	92	439	340
Interest received		0	-1	0	0
Interest paid		-6	-9	-16	-13
Income taxes paid		-20	-21	-50	-63
Cash flow before change in working capital		215	146	556	500
Changes in working capital		109	86	-91	-62
Cash flow from operating activities		324	232	465	438
Capitalization of intangible assets		-14	-4	-33	-14
Purchase of tangible assets		-17	-49	-135	-164
Change in trade payables related to investments		10	-17	1	18
Acquisition cost refunded		0		2	
Acquisition of subsidiary	4	9	-162	-58	-162
Cash flow from investing activities		-13	-232	-223	-322
Dividends paid		0	0	-113	-105
Purchase of treasury shares		0	0	-5	-37
Installments on lease liabilities		-24	-18	-93	-90
Long term loan		-5	0	-5	0
Bank overdraft		-262	42	-12	149
Cash flow from financing activities		-291	24	-228	-83
Net cash flow		20	24	14	33
Cash and cash equivalents at the beginning of the period		101	84	108	75
Cash and cash equivalents at the end of the period		121	108	122	108
Additional information¹:					
Cash and cash equivalents		121	108	122	108
Bank overdraft		-231	-243	-231	-243
Committed credit facilities		900	540	900	540
Financial resources at the end of the period		790	405	792	405
Cash flow from operating activities		324	232	465	438
Cash flow from investing activities		-13	-232	-223	-322
Free cash flow		311	0	242	116

¹ 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 million	Share capital	Treasury shares	Retained earnings	Other reserves			Total other reserves	Proposed dividends	Total
				Currency revaluation	Cash flow hedges	Tax			
December 31, 2019									
Balance at the beginning of the period	250	-5	764	6	8	-2	12	64	1.085
Net profit for the period	0	0	183	0	0	0	0	0	183
Other comprehensive income for the period	0	0	9	1	1	0	2	0	11
Total comprehensive income for the period	0	0	192	1	1	0	2	0	194
Transactions with owners:									
Purchase of treasury shares	0	0	-5	0	0	0	0	0	-5
Transfer of treasury shares	0	1	-1	0	0	0	0	0	0
Share-based payments	0	0	13	0	0	0	0	0	13
Deferred tax on share-based payments	0	0	-5	0	0	0	0	0	-5
Dividends paid	0	0	0	0	0	0	0	-113	-113
Interim dividend for 2018	0	0	-49	0	0	0	0	49	0
Proposed dividend for 2018	0	0	-49	0	0	0	0	49	0
Total dividends for 2018	0	0	-98	0	0	0	0	98	0
Balance at the end of the period	250	-4	860	7	9	-2	14	49	1.169

DKK million	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	-7	665	5	4	0	9	56	973
Net profit for the period	0	0	236	0	0	0	0	0	236
Other comprehensive income for the period	0	0	4	1	4	-2	3	0	7
Total comprehensive income for the period	0	0	240	1	4	-2	3	0	243
Transactions with owners:									
Purchase of treasury shares	0	-2	-35	0	0	0	0	0	-37
Transfer of treasury shares	0	4	-5	0	0	0	0	0	-1
Share-based payments	0	0	16	0	0	0	0	0	16
Deferred tax on share-based payments	0	0	-4	0	0	0	0	0	-4
Dividends paid	0	0	0	0	0	0	0	-105	-105
Interim dividend for 2018	0	0	-49	0	0	0	0	49	0
Proposed dividend for 2018	0	0	-64	0	0	0	0	64	0
Total dividends for 2018	0	0	-113	0	0	0	0	113	0
Balance at the end of the period	250	-5	764	6	8	-2	12	64	1.085

Notes**Note 1***Accounting policies*

The Board of Directors and Executive Management have approved the Annual Report 2019 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 2019.

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 2019.

Note 2

Quarterly numbers

DKK million	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue	801	763	744	750	823	733	753	699
Cost of goods sold	657	637	644	645	658	612	618	579
Gross profit	144	127	100	105	165	122	135	119
Sales and marketing costs	35	33	31	32	30	30	35	32
Administrative expenses	29	25	24	27	29	25	26	27
Operating profit before special items	81	69	44	46	106	66	75	61
Special items*	8	16	0	0	0	0	0	0
Operating profit	73	53	44	46	106	66	75	61
Net financials	4	7	-1	6	1	0	-1	-2
Profit before income taxes	77	59	43	51	108	66	73	59
Income taxes	19	9	9	11	23	17	17	13
Net profit for the period	58	50	34	40	85	48	57	46

Segment disclosures

As announced on January 29, 2019 NNIT have implemented a new organization with effect as of March 1, 2019.

The segments to drive revenue growth for NNIT going forward is the international life sciences and the Private & Public segments. To reflect the new strategy and organization the segment reporting have been changed from IT Operation Services and IT Solution Services to the international life sciences and Private & Public. Comparison figures for 2018 have been restated.

The Life science segment contains both the Novo Nordisk Group and our other life science clients in Denmark as well as internationally.

The Private and Public segment contains clients within the enterprise, public and finance segment.

DKK million	2019				2018			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Revenue by customer group								
<i>Novo Nordisk Group</i>	237	223	235	259	323	267	278	256
<i>Life sciences international</i>	99	95	90	77	73	48	45	45
<i>Life sciences Denmark</i>	64	57	56	54	60	51	56	54
Life sciences	400	375	381	390	456	366	380	355
<i>Enterprise</i>	203	212	190	198	202	198	206	187
<i>Public</i>	109	98	96	90	93	103	104	99
<i>Finance</i>	89	78	77	72	72	65	62	57
Private & Public	401	388	363	360	367	367	372	343
Total revenue	801	763	744	750	823	733	753	699
Gross profit by business unit								
Life sciences	97	78	73	86	122	86	102	98
Private & Public	48	48	27	18	43	36	33	21
Total Gross profit	144	127	100	105	165	122	135	119
Operating profit by business unit								
Life sciences	63	46	41	53	90	55	69	66
Private & Public	17	22	3	-7	17	11	6	-5
Total operating profit before special items	81	69	44	46	106	66	75	61

The Danish operations generated 81.5% of NNIT's revenue in 2019 and 87.4% in 2018 based on the location of client purchase orders. As a consequence of the predominantly Danish revenue, we will not disclose a geographical revenue split.

Note 3*Special items*

Special items comprise costs that cannot be attributed directly to NNIT's ordinary activities.

The costs relate to significant restructuring of the cost base and processes as well as restructuring costs related to lost contracts.

The costs comprise staff related costs as well as external costs to advisors.

Therefore, the costs are separately disclosed to allow a view of the underlying business performance and in order to compare the underlying business performance to the guidance provided by NNIT.

Q4 2019 was effect by DKK 8 million and the full year effect has been DKK 24 million.

Note 4

Acquisition of subsidiaries

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

DKK million	2019	2018
Acquisition cost		
Cash paid	68	166
Contingent consideration (earn out)	19	60
Total acquisition cost	87	226
Fair value of net assets acquired		
Intangible assets	4	21
Lease assets	2	3
Other non-current assets	1	0
Trade receivables and work in progress ¹⁾	17	14
Other receivables and pre-payments	1	0
Cash and cash equivalents	10	4
Non-current liabilities	-1	-5
Prepayments received	0	-2
Lease liability	-3	-3
Defined benefit pension plan	-18	0
Employee costs payable	-3	-4
Other current liabilities	-8	-2
Net assets acquired	2	26
Goodwill	85	200
Acquisition cost	87	226
Of which cash and cash equivalents	-10	-4
Contingent consideration (earn out)	-19	-60
Paid acquisition cost, net	58	162

¹⁾ All contractual receivables are expected to be collected.

Acquisitions during 2019

On April 24, 2019, NNIT acquired full ownership and control of Halfmann Goetsch Partner AG (HGP), a Swiss based consultancy business within the life sciences industry. The acquisition provides NNIT with a stronger presence in European life sciences hubs Frankfurt and Basel, and strengthens NNIT's position as an international leading IT transformation partner for life sciences companies.

Goodwill relates to expected synergies regarding additional revenue in NNIT and know-how accumulated by the workforce in the HGP Group.

Transaction cost related to the acquisition of HGP amounts to DKK 3.1 million, where DKK 0.8 million have been recognized in 2018. Transaction costs have been recognized in the income statement. □

Earn out target is DKK 17.3 million with an earn out range of DKK 0-26.4 million depending on growth in gross profit of the combined Halfmann Goetsch Partner AG business and NNIT's European life sciences business. The earn-out period ends in March 2022 and the yearly earn-out payments are settled annually after the end of the first quarter of the financial year. The earn-out weights are highest at the end of the period.

Earnings impact

Revenue and EBIT comprise DKK 38.0m and DKK 3.1m, respectively, reported by HGP since the date of acquisition. On a pro forma basis, if the acquisition had been effective from January 1, 2019 HGP would have contributed DKK 50.7m to revenue and DKK 4.1m to EBIT.

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 'life sciences international'.

Note 5
Related party transactions

DKK million	Dec 31, 2019	Dec 31, 2018
Assets		
Receivables from related parties	146	164
Work in progress related parties	54	91
Liabilities		
Liabilities to related parties	0	3
Prepayments from related parties	20	24

Note 6
Contingent liabilities and legal proceedings
Contingent liabilities

None

Legal proceedings

None

Note 7
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, 2019 is recognized in Equity (Other comprehensive income) with an amount of DKK 1.2m before tax (DKK 2.0m after tax).

Note 8

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 -18 million	14
CZK	DKK -10 million	14
PHP	DKK -7 million	14
USD	DKK 6 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 7 above

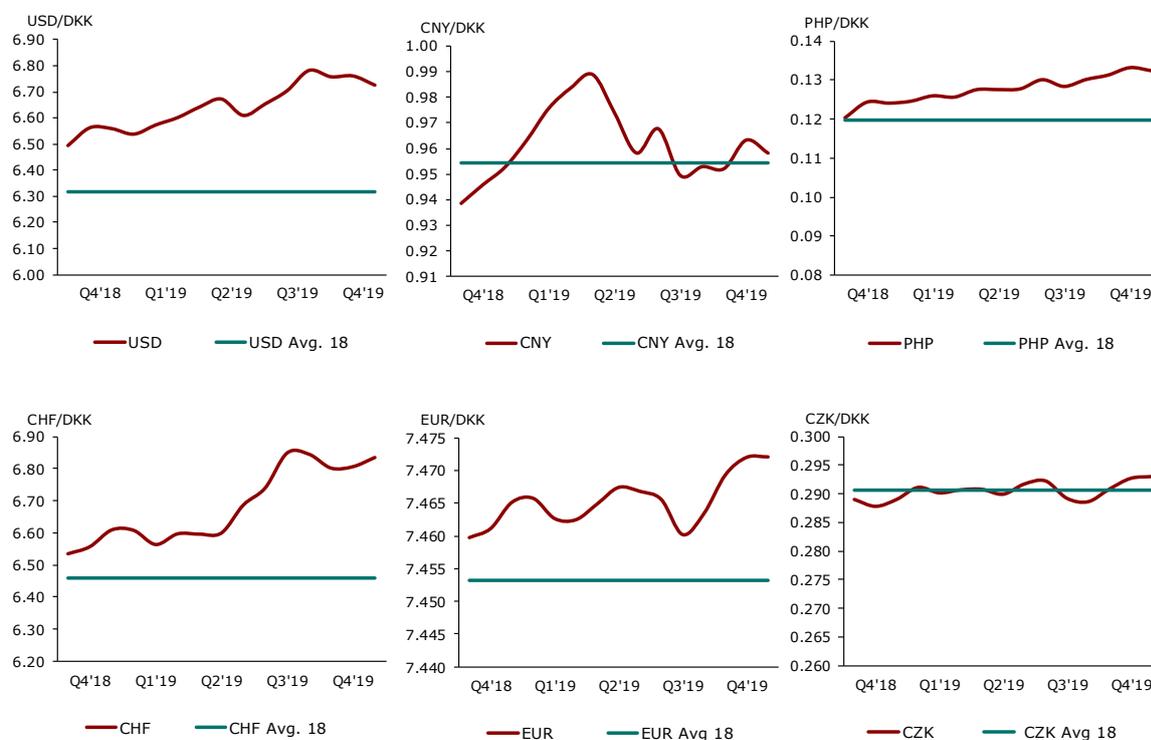
* The above sensitivities address hypothetical situations and are provided for illustrative purposes only. The sensitivities assume the business develops consistent with the current 2020 business plan

Key currency assumptions

DKK per 100	2018 average exchange rates	2019 average exchange rates	YTD 2020 average exchange rates at January 22, 2020	Current exchange rates at January 22, 2020
CNY	95.43	96.53	97.17	97.70
EUR	745.32	746.60	747.30	747.30
CZK	29.06	29.08	29.65	29.73
PHP	11.98	12.88	13.22	13.24
CHF	645.74	671.37	692.73	694.61
USD	631.74	667.03	671.59	674.24

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 9

Performance in constant and reported currencies

Performance overview

DKK million (reported currencies)	Q4 2019	Q4 2019 (constant*)	Q4 2018	Change (reported)	Change (constant)
Revenue	801.0	797.7	822.9	-2.7%	-3.1%
Cost of goods sold	656.8	653.0	657.6	-0.1%	-0.7%
Gross profit	144.2	144.6	165.3	-12.8%	-12.5%
<i>Gross profit margin</i>	18.0%	18.1%	20.1%	-2.1pp	-2pp
Sales and marketing costs	34.7	34.2	30.5	13.8%	12.3%
Administrative expenses	29.0	28.9	28.7	1.2%	0.9%
Operating profit before special items*	80.5	81.5	106.2	-24.2%	-23.2%
<i>Operating profit margin before special items*</i>	10.1%	10.2%	12.9%	-2.9pp	-2.7pp
Special items*	7.7	8.0	0.0	n.a.	n.a.
Operating profit	72.8	73.5	106.2	-31.4%	-30.8%
<i>Operating profit margin</i>	9.1%	9.2%	12.9%	-3.8pp	-3.7pp
Net financials	4.2	n.a.	1.5	190.7%	n.a.
Profit before tax	77.0	n.a.	107.6	-28.4%	n.a.
Tax	18.9	n.a.	22.8	-17.3%	n.a.
<i>Effective tax rate</i>	24.5%	n.a.	21.2%	3.3pp	n.a.
Net profit	58.1	n.a.	84.8	-31.4%	n.a.

DKK million (reported currencies)	2019	2019 (constant*)	2018	Change (reported)	Change (constant)
Revenue	3,057.9	3,042.0	3,007.2	1.7%	1.2%
Cost of goods sold	2,582.6	2,564.4	2,465.9	4.7%	4.0%
Gross profit	475.3	477.7	541.2	-12.2%	-11.7%
<i>Gross profit margin</i>	15.5%	15.7%	18.0%	-2.5pp	-2.3pp
Sales and marketing costs	131.5	131.0	127.6	3.0%	2.6%
Administrative expenses	105.1	104.7	106.2	-1.0%	-1.4%
Operating profit before special items*	238.7	242.0	307.4	-22.3%	-21.3%
<i>Operating profit margin before special items*</i>	7.8%	8.0%	10.2%	-2.4pp	-2.3pp
Special items*	23.8	23.7	0.0	n.a.	n.a.
Operating profit	215.0	218.3	307.4	-30.1%	-29.0%
<i>Operating profit margin</i>	7.0%	7.2%	10.2%	-3.2pp	-3pp
Net financials	16.1	n.a.	-2.3	n.a.	n.a.
Profit before tax	231.1	n.a.	305.1	-24.3%	n.a.
Tax	48.4	n.a.	69.5	-30.3%	n.a.
<i>Effective tax rate</i>	21.0%	n.a.	22.8%	-1.8pp	n.a.
Net profit	182.7	n.a.	235.6	-22.5%	n.a.

*Constant currencies measured using average exchange rates for 2018

**Special items comprise restructuring costs related to the business and cost restructuring plan

Revenue distribution

DKKm (reported currencies)	Q4 2019	Q4 2019 (constant*)	Q4 2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	237.4	237.1	323.0	-26.5%	-26.6%
Life sciences international	98.8	95.5	73.1	35.1%	30.6%
Life sciences Denmark	63.2	63.2	59.7	5.9%	5.9%
Life sciences	399.4	395.8	455.8	-12.4%	-13.2%
Enterprise	202.9	202.9	202.1	0.4%	0.4%
Public	108.7	108.9	92.6	17.5%	17.7%
Finance	90.0	90.0	72.4	24.3%	24.3%
Private & Public	401.6	401.8	367.0	9.4%	9.5%
Total	801.0	797.7	822.9	-2.7%	-3.1%

DKKm (reported currencies)	2019	2019 (constant*)	2018	Pct Change (reported)	Pct Change (constant)
Novo Nordisk Group	954.9	952.0	1,124.2	-15.1%	-15.3%
Life sciences international	360.9	348.4	211.7	70.5%	64.6%
Life sciences Denmark	230.0	230.0	221.7	3.8%	3.7%
Life sciences	1,545.8	1,530.4	1,557.6	-0.8%	-1.7%
Enterprise	802.3	801.8	793.8	1.1%	1.0%
Public	392.2	392.3	399.2	-1.7%	-1.7%
Finance	317.6	317.6	256.6	23.7%	23.7%
Private & Public	1,512.1	1,511.7	1,449.6	4.3%	4.3%
Total	3,057.9	3,042.0	3,007.2	1.7%	1.2%

*Constant currencies measured using average exchange rates for 2018