

## Company announcement 2/2023

### **The Danish Business Authority has issued a decision requiring NNIT to update its accounting treatment of earn-out payments in the annual reports for 2020 and 2021**

The Danish Business Authority has conducted a compliance review of NNIT A/S' annual reports as stated in company announcement 12/2022. Following dialogue with NNIT, the Danish Business Authority has made a final decision affirming that the earn out payment related to the acquisition of Excellis Health Solutions should not be included in capitalized acquisition costs and goodwill, but instead expensed as remuneration as the earn out is in part subject to the selling shareholders' continued employment during the accrual period.

In consequence, NNIT is required to update its accounting treatment of earn-out payment in the annual reports from goodwill to special items as outlined below. A similar approach will be applied to the recognition of earn out payments for other acquisitions, including SCALES, Valiance Partner, HGP Group, SL Controls and prime4services.

The technical changes to historical accounting policies will have no impact on total cash flow or the planned divestment of NNIT's Infrastructure Operations Business.

#### **Impact on accumulated profit before tax**

The preliminary accumulated profit before tax impact for the period 2017-2021 is approximately DKK 165 million, which will mainly increase special items. The future impact for 2022-2025 related to earn-out payments concerning the acquisition of Excellis Health Solutions and other acquired companies is estimated in the range of DKK 100-150 million, depending on performance, and will increase special items only, with no impact on total cash flow.

NNIT A/S intends to publish supplemental/corrective information to its annual report for 2021, including comparative numbers for 2020, as soon as possible.

NNIT A/S disagrees with the decision and considers it to be of principled nature for strategic acquisitions in the Danish IT service industry, hence intends to appeal the decision to the Danish Commerce and Companies Appeals Board.

#### **Contact for further information**

Carsten Ringius  
EVP & CFO  
Tel: +45 3077 8888  
[carr@nnit.com](mailto:carr@nnit.com)

**Media Relations**

Tina Joanne Hindsbo

Media Relations Manager

Tel: +45 3077 9578

[tnjh@nnit.com](mailto:tnjh@nnit.com)

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