2018

Annual Report

Approved at the Company's annual
general meeting on 15 May 2019

Chairman:

Lars Lüthjohan Jensen
Attorney-at-law

7N A/S Emdrupvej 26B, 2. DK-2100 Copenhagen CVR no. 5081 0216

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Group Information etc.

The Company

7N A/S
Emdrupvej 26, 2. sal
2100 København Ø
Tel.: 45280000
Fax: 45280001
Registered office: København
CVR no.: 50 81 02 16
Financial year: 1 January – 31 December

Executive Board

Jeppe Laurids Hedaa

Board Of Directors

Preben Damgaard Nielsen

Jeppe Laurids Hedaa

Jannik Kruse Petersen

Glenn Petersen

Auditors

Beierholm
Statsautoriseret Revisionspartnerselskab

Group Chart


7N A/S
København
7N Sp. Z.o.o.
Poland
100% Ownership
Seven N Consulting
Pvt. Ltd.
India
99% Ownership
7N Norge AS
Norway
100% Ownership
7N Germany GmbH
Germany
100% Ownership
7N CIM Sp. Z.o.o..
Poland
100% Ownership
7N Sverige AB
Sweden
100% Ownership
7N Finland OY
Finland
100% Ownership
7N Schweiz AG
Switzerland
100% Ownership
7N USA Inc
USA
100% Ownership

Statement of the Board of Directors and Executive Board on the annual report

We have on this day presented the annual report for the financial year 1 January – 31 December 2018 for 7N A/S.

The annual report is presented in accordance with Danish Financial Statements Act.

In our opinion, the consolidated financial statements and financial statements give a true and fair view of the group's and the parent's assets, liabilities and financial position as at 31 December 2018 and of the results of the group's and parent's activities and of the group's cash flows for the financial year 1 January – 31 December 2018.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Parent company's operations, financial matters and the results of the Group's and the Parent Company's operations and financial position.

The annual report is submitted for adoption by the general meeting.

Copenhagen, 30 April 2019

Executive Board

Jeppe Laurids Hedaa

Board Of Directors

Preben Damgaard Nielsen
Chairman

Jeppe Laurids Hedaa

Jannik Kruse Petersen

Glenn Petersen

Independent auditor's report

To the Shareholder of 7N A/S

Opinion

We have audited the consolidated financial statements and parent company financial statements of 7N A/S for the financial year 1 January – 31 December 2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, inclusive of accounting policies for the group as well as for the parent company as well as the consolidated cash flow statement. The consolidated financial statements and parent company financial statements are prepared in accordance with Danish Financial Statements Act.

In our opinion the consolidated financial statements and parent company financial statements give a true and fair view of the group's and the parent company's assets, liabilities and financial position at 31 December 2018 and of the results of the group's and the parent company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements" section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement regarding the management's review

Management is responsible for management's review. Our opinion on the consolidated financial statements and parent company financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that management's review is in accordance with the consolidated financial statements and parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Acts. We did not identify any material misstatement of management's review.

Management's responsibility for the consolidated financial statements and parent company financial statements

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act. Furthermore the Management is responsible for the internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and parent company financial statements

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

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting in preparing the consolidated financial statements and parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 30 April 2019

Beierholm

Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Philip Heick-Poulsen
State Authorized Public Accountant
MNE-nr. / MNE-no. mne34280

Management Review

7N at a glance

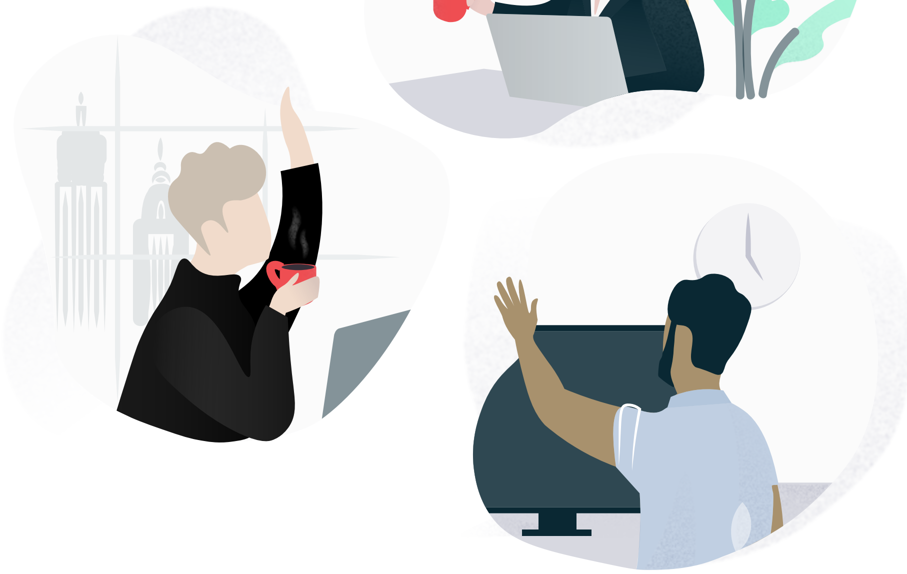
929,7 mDKK Revenue (+14,6%)

+57% Female consultants

192 Clients (+10.3%)

1.292

Consultants
(+16.8%)



1.65

mHours delivered
(+10,3%)

CEO Letter

Becoming a scalable and increasingly international company.

As 7N continues to grow its business and market share, a central driver is the international business. Now present in 9 countries, more than 60% of the revenue growth is directly derived from international business.

It's with great joy that I present the 7N Annual Report for 2018. It has been an exciting, rewarding and challenging year for 7N in a market characterized by both high demand, uncertainty, new market actors, consolidation and a solid focus on Complex Systems Development. In 2018 we delivered the best results ever, which I believe is a testament to our great consultants, our hard work, but also the result of the reorganization for a more scalable and internationally focused company.

A bigger family

In a very competitive market, 7N prevailed by delivering predictable, high quality in both services and consulting resources. Additionally, to serving our more than 1,200 consultants, we managed to welcome almost 4 new consultants to our company every week. I am very pleased that we, in a company so permeated with the brightest and best, still managed to end the year with an increased consultant portfolio by 16% - grown organically and financed by our operational profit.

The financial impact

The increase in the consultant base and total number of hours delivered to our customers of course also resulted in an increase in revenue. In 2018 we managed to grow our topline with 14,6 % to 930 mDKK. More than half of this increase comes from our operation outside of Denmark, which proves that our model is sustainable and welcome on an international scale. Moreover, our gross margin increased in 2018 with 13% - lead by a more hours sold, efficient processes and a general increase in market prices. The bottom line of 2018 also displayed our good performance, with an EBIT increase of 17% before performance bonus to the employees. With both investments in product development, digitalization and an increase in number of employees – these numbers are also an indication of increased scalability and an efficient operation, where investments and growth are complimentary.

The 7N way

I have always been a strong believer in the fact that no man is an island – the strong performance of 7N is not to be found in a single initiative but in the hard work from every single employee. Therefore, we have decided to share the increase in profit with all administrative employees in 7N. This decision naturally reduces our EBIT to 38 mDKK – the same as last year.

Succeeding in the future of IT consulting

Looking ahead, we foresee both a lot more consolidation of the consultancy market, but also a platform for new business models and new market actors will enter. The increased competition and general market focus on clever procurement will put more pressure on the sector. We believe that the financial winners of this future will be the ones that can serve the large IT procurement departments in a loyal and efficient way. These competitors might outrun 7N with better growth rates. We, however, wish to continue our prioritization of credible and predictable high quality in all the specialists we represent, and we wish to differentiate ourselves with proven top quality and transparency. Despite the above, we believe this approach will benefit both our clients and consultant in the long run.

We also wish to continue investments in 7N, our business development and in systems support of our business processes. We believe that both the root and future of our success are to be found in our model. From this outset, we

- Continue to be the most quality permeated IT consultancy in the world
- Accelerate the international business even further
- Realize the potential of digitalization
- Increase the scalability of our operating model

Nucleon

Over the course of the last couple of years, a significant focal point for 7N has been to investigate, what truly makes a difference in our clients' development efforts. Thousands of hours of research have led to the concept and a book called Nucleon. Nucleon provides an understanding of the positive difference that top individuals make, in their organizational context.

With this research, we are for the first time able to show what team efficiency the very best consultants make, and help companies become more informed about decisions towards achieving their development goals.

Outlook

7N is better positioned than ever to truly become international. The majority of our revenue growth now comes from our international operation, and this we expect to increase even more in 2019. The core business in the Danish market is well performing, and with prospects of international growth, 2019 is expected to be another successful year for 7N. Our strategy and focus are aimed at harmonizing and scaling our operation. We believe that while 2019 will carry significant investments, we are better suited than ever for the journey to be the global leading agent for high-end IT professionals.

Financial Highlights of 2018

7N has had a strong performance in 2018, where financial parameters mostly showed positive developments, but also signs of investment and profit-sharing. 2018 has been the strongest revenue performance in our history and the drilldown from top to bottom shows a result that we can proud of – both in terms of numbers and in terms of loyalty towards our niche strategy.

In late 2017 7N went through a reorganization in order to build a better foundation for internationalization and growth. The growth in revenue can be attributed to our new leadership, our valuable consultants, closer collaborations with existing customers, but also an increase in customer base. Additionally, the significant shortage of IT resources in western Europe helped create a nourishing foundation for business growth.

2018 was another impressive year for 7N, where group revenue increased from 811 mDKK to 930 mDKK, a growth of 15%. All our locations experienced revenue growth, with Poland showing the largest increase of 28 %. There are now more than 700 high-end IT consultants in Poland supporting our local and remote clients with complex software development.

7N Group's revenue has grown with almost a 70% over the previous five years, demonstrating the strength of 7N's business model. Organic growth is the primary driver of "our" increased business.

7N's success is driven largely by our exceptional consultants, all of whom are experts within the top 3% of their respective areas of expertise. Our consultants are effective, and they continuously deliver high quality to our clients.

In 2018 there was a large demand for highly skilled IT developers and consultants with a large variety of expertise. We have seen an increased demand for Java developers, Agile project manager with SAFe experience, cloud specialist and many more different competences.

While revenue was increasing our EBIT development is stagnant. This is due to the fact that 7N has chosen to pay a bonus, where the performance increase is distributed to the employees of 7N. Without the bonus, the 2018 performance would deliver an EBIT of 46 mDKK – equivalent of a 17% increase. This performance measure compared to the revenue growth shows an increase in efficiency. This efficiency gain is both derived from the fact that the increase in average number of employees grew less than both the number of consultants and revenue, but also that cost growth were held below revenue growth.

The income statement for the period 1 January – 31 December 2018 shows a profit of 25,6 mDKK against 26,8 mDKK for the period 1 January – 31 December 2017. The balance sheet shows equity of 56,2 mDKK. The free cash flow of 2018 balanced around zero and showed significant improvement from 2017. The contribution from operating activities was at an all-time high. This year we have invested heavily in facilities and equipment in Poland and India. The primary driver of our financial activities is the payout of dividend as well as buy-back of treasury shares. Coming from a -15 mDKK to zero was a result of a focused effort for a better cash flow – which we will continue in 2019.

With a solid performance in 2018, increase in efficiencies and strong partnerships, 7N is better equipped than ever, to serve businesses with complex IT needs going forward.

Outlook

We expect to continue our growth journey together with our consultants and clients in 2019 by helping our clients make a difference in an ever more digital world. There is still a very high demand for the best IT consultants.

We also expect to continue our double-digit growth in Denmark, Poland and India in 2019. We further anticipate meaningful growth in the USA, Switzerland and the other Nordic countries resulting from a renewed leadership focus and investments.

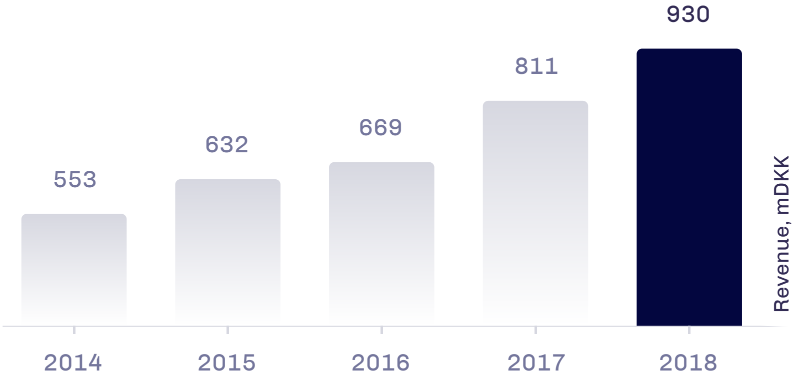
7N has a competitive platform on which we can continue to develop in the coming years. The biggest challenge to achieve our ambitious goals is to find the best and most competent IT consultants. We keep investing in our business model and in our IT systems to digitalize manual processes, so that our employees can increase the focus on our clients and consultants.

Subsequent events

No important events have occurred after the end of the financial year.

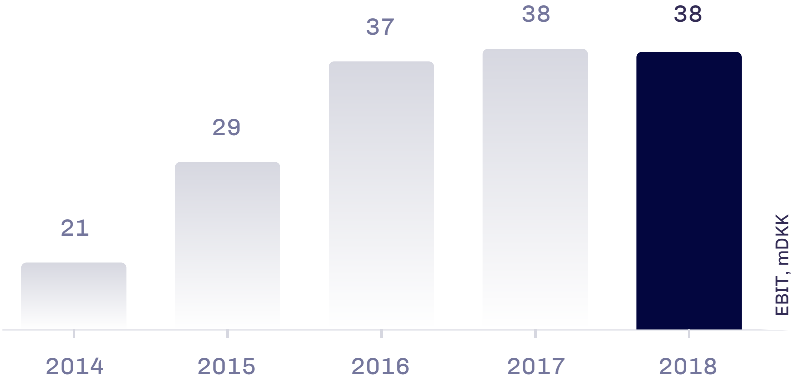
+15%

Increase in revenue in 2018



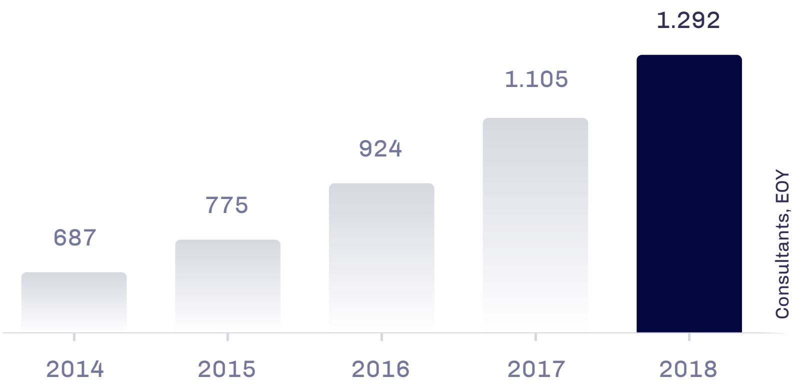
+0%

Increase in EBIT in 2018



+17%

Increase in number of consultants in 2018



	Cost-/ Salesprice DKK	Quantity	Nominal value DKK	Percent of capital
Treasury shares				
Holding of treasury shares as at 01.01.18		18.537	18.537	1,52%
Additions during the year	1.754.794	5.339	5.339	0,44%
Total as at 31.12.18		23.876	23.876	1,96%

Acquisition of treasury shares has been made in order to acquire shares of minority shareholders who wish to sell their shares in the company.

Financial Highlights of 2018

Key figures

Figures in DKK '000	2018	2017	2015	2015	2014
Profit/loss					
Revenue	929.749	811.462	668.892	632.411	553.181
Index	168	147	121	114	100
Operating profit/loss	38.249	38.383	37.383	28.544	20.759
Index	184	185	180	138	100
Total net financials	-981	-642	-333	-604	-237
Index	414	271	141	255	100
Profit/loss for the year	25.624	26.795	26.846	19.135	13.705
Index	187	196	196	140	100
Balance					
Total assets	241.403	219.009	169.846	125.753	126.721
Index	190	173	134	99	100
Investments in property, plant and equipment	18.436	1.593	2.369	1.358	1.266
Index	1456	126	187	107	100
Equity	50.062	56.218	35.039	24.562	27.156
Index	184	207	129	90	100
Cashflow					
Net cash flow					
Operating activities	49.500	-7.967	21.629	25.784	9.912
Investing activities	-18.800	-945	-8.078	-2.998	-2.405
Financing activities	-30.807	-6.022	-16.276	-21.647	-9.840
Cash flows for the year	-107	-14.934	-2.725	1.139	-2.333

Ratios

	2018	2017	2015	2015	2014
Profitability					
Return on equity	48%	59&	90%	74%	54%
Profit margin	4,1%	4,7%	5,6%	4,5%	3,8%
Equity ratio					
Equity interest	21%	26%	21%	20%	21%
Others					
Number of employees (average)	298	221	196	154	140

Definitions of ratios

Return on equity:

$$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$$

Profit margin:

$$\frac{\text{Operating profit/loss x 100}}{\text{Revenue}}$$

Equity interest:

$$\frac{\text{Equity, end of year x 100}}{\text{Total assets}}$$

Business Model

Clients and consultants benefit from world-class support.

7N is an IT consultancy company that represents the top 3% of consultants with 10 years of experience working with large organizations solving complex IT challenges. Our consultants cover all the major disciplines within IT, including project and program management, application development, architecture, cybercrime, testing, architecture, development methodologies, training, infrastructure services, Data Science, AI and several other related fields.

We make an extra effort to identify the right consultants based on their qualifications, personality and behavior. Matching consultants' professional and social skills to the specific needs of our clients is the secret to top performance.

7N has operations in Denmark, Poland, India, Norway, Sweden, Finland, Switzerland, Italy and USA. In addition, 7N offers nearshoring and offshoring services currently delivered from IT competence centers in Poland and India. Our In-house Remote Development model helps our clients to build highly skilled remote teams as well as supporting with practical and managerial tasks. The project responsibility remains with the client, who thus benefit from having access to an attractive labor market without losing control of their own project.

5-Layer Competence Model

SKILLS & KNOWLEDGE
Focus are knowledge and constant skill development

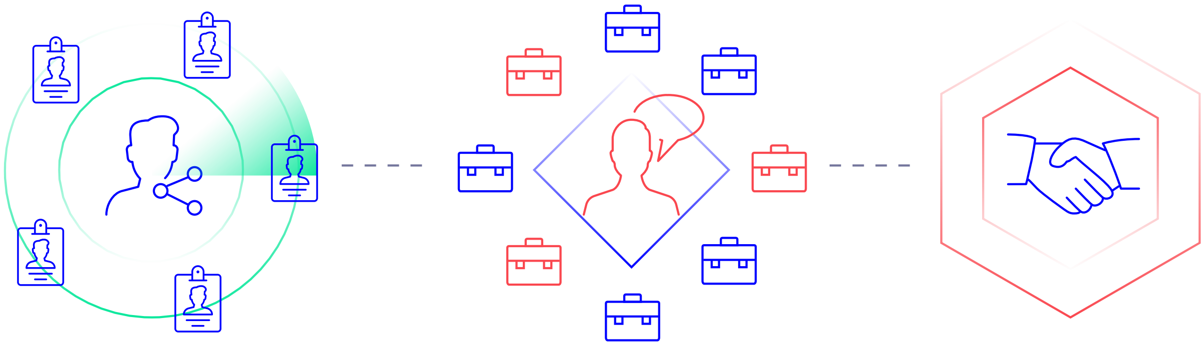
COGNITIVE CAPACITY
Problem-solving capability based on mathematical, language, and pattern recognition abilities

BEHAVIORAL CAPACITY
Ability to match behavior to situational demands

PERSONALITY
Natural behavioral tendencies and reactions in high pressure situations

EXPERIENCE & BUSINESS UNDERSTANDING
The right mindset, talent, attitude, and drive

Core Business



Our Recrutment Specialists

Our Sales Agents

Value to Customers


Mobile and web development
.NET
Implementation
& Other
Java
Architecture, Infrastructure
and method
Platform Specialists
Data science and BI
Project and
Programme
Management
Testers and test managers
300
250
200
150
100
50
0
2018
2017
2016
2015
2014

Strategy

Continued success requires improving upon an already strong foundation.

Providing top 3% talent to solve the most challenging IT problems

7N has perfected the process of identifying and connecting the best IT professionals with clients who demand perfection in their IT strategies. This process has been at the heart of 7N for the past 20 years and it will always be the way we do business. As times change, new technologies and competency areas become relevant. Dynamic client needs mean that we need to predict and respond to new market conditions every year. We will continue to do so in order to keep our leading position in delivering top quality freelance resources.

Strengthen our operational foundation

As 7N grows to serve even more clients with diverse needs and ways of working, it is important that we operate as efficiently as possible in order to focus on delivering top 3% talent. Thus, our internal strategy is focused on operational measures that reduce our recruitment and sales process time, facilitate better communication with our consultants and clients, and promote a smoother internal financial and marketing operation. These efforts are already providing positive effects internally (in the form of improved operational and financial efficiency) and externally (such as marketing efforts that make consultant recruitment and sales to clients easier).

Our vision

To be the leading agent for the top 3% best performing IT free-lance consultants serving large organizations within complex systems development projects that are critical for their business.

Our values

Professionalism

We strive to be the best in our field, whether we are IT consultants, agents or support staff, and to use our knowledge and skills to benefit others. We know our business and get things done.

Mindset of a servant

We exist to understand, serve and help our clients, our consultants, and our fellow employees. In our world, no one gets anywhere by putting their own interests first.

Respect

We respect the people around us and listen to what they have to say. We make sure we take time to understand their views.

The Secret Code

Insight into own strengths and weaknesses

The consultant makes positive use of his abilities – and knows his own limitations

High performance under pressure

The consultant keeps his cool and maintains a high performance level when the pressure is on

Holistic project understanding

The consultant understands all the important aspects of a given project – also the non-technical ones

Diplomatic authority

The consultant uses his professional overview in a considerate manne

Social capacity

The consultant is sociable, accommodating and helpful

Empathy

The consultant reads other people – and uses this in a positive way

Risk Management

As 7N continues to grow its business and market share, a central driver is the international business. Now present in 8 countries, more than 60% of the revenue growth is directly derived from international business.

Market Risk

Market risk is the risk that the demand for specific IT specialist roles may change over time; or even face stagnation in times of financial distress. 7N's market risk is not directly linked to any certain market or consultant specialist role but are present throughout our market presence. 7N seeks to mitigate the market risk, by being making sure always to be at the forefront of our clients' needs and react promptly to market changes and recruit accordingly. By construct, with the majority of the 7N consultant pool being freelancers, the short-term impact of market changes will be insignificant. The long-term market risk is managed via close monitoring of market conditions, and reacting to changes herein.

Credit Risk

The Group's credit risks consist of the risk of losses on trade receivables derived from a client failing to meet the contractual obligations. The credit risk of 7N is relatively distributed, as our client base in general is large solid organizations. The group has a sound diversification of clients, both in terms of geography and sectors, and there are relatively few large clients. The group has no credit risk outside normal course of business. The Group's policy for credit risk includes that all clients and other partners are continuously credit rated.

Intellectual capital

The Group focuses on supporting and developing their employees to enhance the professional development of 7N. The Group retains its employees by offering training, fair and a good work environment that attract people in a market with high competition.

Operational and IT Risk

The operational and IT risk is the risk coming from financial loss to due to systems failure, downtime or faulty operational conduct. Traditionally, 7N has not been nor is largely dependent on IT systems. That said, the latter years' focus on digitalization and systems support of critical business processes will lead to a larger exposure to IT and operational risk. In 2018 we have had significant investments in both IT staff and security in our systems landscape. To further mitigate the future IT risk, a plan for infrastructure upgrade and migration to cloud has been initiated. Furthermore, access control, virus control and continuous monitoring protocols are in place, as well as an updated IT policy.

Financial Risk

Financial risks are the risks associated with financing the operation and the risk of not being able to meet liabilities towards vendors. The group exposure is not considered significant exposed to any reasonable financial risk, but due to market trends, the parent company proactively works to ensure sufficient and optimal capital leverage etc.


Norway
Finland
Sweden
Denmark
Poland
Switzerland
USA
India

People

We know what a difference people make. Not only have we experienced how the best IT consultants impact our clients' business, but also how a constant focus on the best employees impact ours.

Our diverse workforce ensures that we develop new ideas, think globally, and understand all of our customers and consultants as good as possible. We actively focus on maintaining this diversity and value the contributions that different perspectives bring to 7N.

Administrative staff diversity distribution:

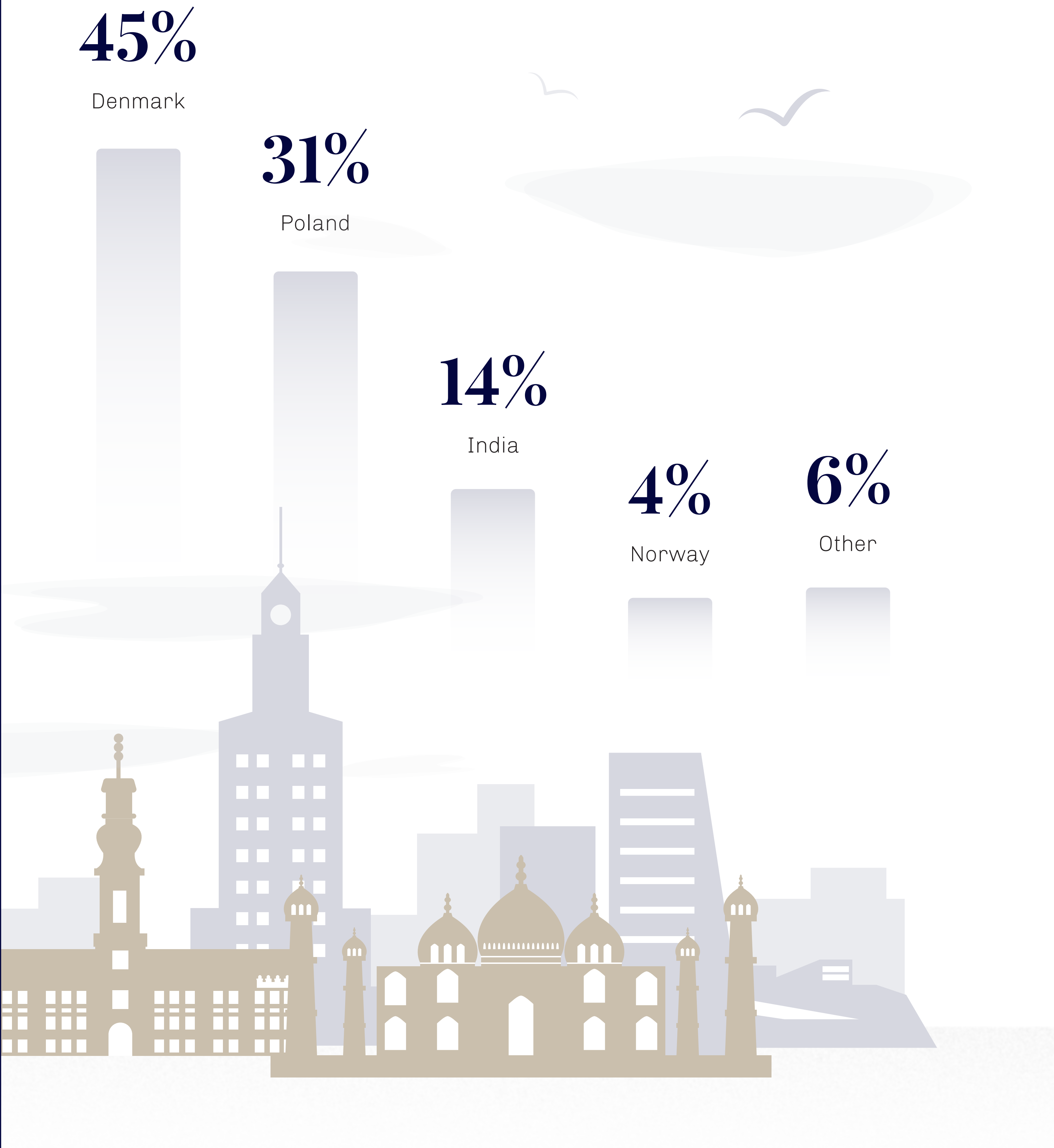
57%

Women

43%

Men

Administrative staff geographic distribution:



The 7N Management

7N's leadership team brings together decades of experience, industry understanding, and client success.

Jeppe Hedaa

CEO —

CEO since 1998.

BACKGROUND
CEO of 7N since 1998. 35+ years of experience in IT. Led the company from a 12-person organization in Denmark to the current 1,400+ person international company.

Sebastian Podleśny

Executive Vice President —

Appointed EVP in 2018.

BACKGROUND
Previous Senior Vice President for Poland and India, and more than 10 years working in 7N. Former Head of IT and Head of IT Outsourcing Services at Capgemini.

The Senior Management team is responsible for defining 7N's vision, strategic direction and implementing specific measures to achieve organizational goals. This work is done in close collaboration with 7N employees in order to ensure that the company strategy is aligned with the needs and desires of all levels within our organization.

Each Senior Management team member is operationally responsible for a different core area of the business. The team members are in frequent communication with one another, especially amongst the C-level positions. Meetings between our CEO, CFO, COO, and our Executive Vice President occur weekly.

Jacob Lehman

CFO —

Joined 7N as CFO in 2018 .

BACKGROUND
State-authorized public accountant and former partner at KPMG; with more than 25 years of extensive experience working with various small, mid- and large organizations.

Sixten Schultz

COO —

Appointed COO in 2018.

BACKGROUND
Previous executive assistant in 7N, with focus on assisting management. Former consultant at Kunde & Co working with a wide portfolio of large BtB companies.

Board of directors

Members of the Board of Directors combine key industry insights, expertise from the IT sector, and decades of management experience from international business.

Preben Damgaard Nielsen

Chairman —

BACKGROUND
Founder and CEO of Damgaard Data, Co-CEO of Navision. More than 35 years in IT.

BOARD MEMBERSHIPS
Saxo Bank, A.O. Johansen, Too Good to Go, Templafy, and others.

Jeppe Hedaa

Boardmember —

BACKGROUND
CEO of 7N from 1998 after 13 years of experience in other IT organizations.

BOARD MEMBERSHIPS
B93 football club, Hugs 'n food, Council of Copenhagen Cathedral, Founder of RESAM and others.

We recently welcomed a new board member, Jannik Kruse Petersen, in order to add additional expertise to support our global ambitions. This new board construction brings decades of experience within IT, internationalization, and business growth that will pave the way for continued success at 7N.

As 7N continues to grow, we maintain an open view towards new board members that can create added value for our organization. Consideration will be given to potential board members with strong profiles and proven records of success.

Jannik Kruse Petersen

Boardmember —

BACKGROUND
Over 20 years' experience at EQT private equity, including as Head of Mid-Market Europe.

BOARD MEMBERSHIPS
Too Good to Go, 2KJ, and others.

Glenn Petersen

Boardmember —

BACKGROUND
Co-founder of 7N, 30+ years of consulting experience from software development.

BOARD MEMBERSHIPS
Sedbury, Smart Biosystems.

Statutory reporting on CSR

Sustainability at 7N

7N is represented in Denmark, Poland, India, Norway, Sweden, Finland, Switzerland and the USA, which means that we have a global impact in relation to social responsibility.

7N is based on fundamental principles of, among other things, wisdom, curiosity, cooperation, selflessness and tolerance, rooted in the three values:

- Professionalism
- Mindset of the Servant
- Respect

We have high ambitions on behalf of our more than 290 employees and 1,100 freelance consultants, and in the same way, we also expect them to make demands on us in relation to ongoing development and good working conditions. Globally, our main social impact is related to the development of our employees, as well as the general working conditions of our employees and consultants. As a consulting company, we also have a large focus on business ethics and anti-corruption. Our most important risks in this regard are particularly related to our consulting and sales functions, which require close contact with clients and consultants. Furthermore, we have a climate and environmental footprint through our transport to and from clients, etc.

Employee relations and human rights

Policy and risks
In 7N, respect for each other and the society we operate in is a fundamental principle. It is important for us that both our own employees, our consultants, and suppliers' employees work under proper conditions. We support and respect internationally recognized human rights principles as formulated in the UN's Universal Declaration of Human Rights and the internationally recognized labor rights principles as specified in the International Labor Organization's core conventions.

Risks related to employee relationships and social conditions are primarily within indoor climate, physical and ergonomic working conditions and the employees' mental health. We focus on challenges before they become problems.

Risks of violating human rights are primarily related to personal data, and to working conditions among our consultants and suppliers.

Actions and results

In August 2018, a work environment assessment, APV, was carried out among our employees in Denmark. Here, among other things, indoor climate including noise was one of the issues that was highlighted. With the help of external experts, the noise level was reduced through the installation of noise reduction plates in the ceiling.

In addition to the responsibility of our employees, we are a consultancy that takes responsibility for our consultants' professional development. We offer a number of professional events that further develop our consultants working competencies. We have carried out the satisfaction survey "Voice of the consultants" among our consultants. The study showed that consultants generally have very high job satisfaction.

In 2018, we launched 7N Academy, where there is even greater focus on developing the consultants' professional competences, and through which certifications, professional networking events, courses and sparring in relation to professional development are offered.

At our new office facilities in Poland and India, which opened in 2018, there are very much focus on employees and better indoor climate, improved physical working conditions and ergonomic office furniture with raising / lowering tables.

In order to ensure correct handling of personal data, in 2018 we revised our Data Privacy Policy in compliance with GDPR. Through the news page on our website we shared the article "GDPR - An operational method description - a proposal", with the purpose of spreading the message of GDPR compliance from an IT project manager's point of view.

In order to minimize risks related to human rights, social conditions and working conditions, environmental issues and corruption issues among employees, consultants and suppliers, 7N began developing Codes of Conduct for employees, consultants and suppliers in 2018.

Anti-corruption and business ethics

Policy and risks
In 7N, we commit ourselves to maintaining a high degree of business ethics in all markets where the company operates. This also includes the fight against corruption in all its forms. Employees do not give or receive payments, gifts or other forms of reimbursement from third parties that may affect or raise doubts about the impartiality of business decisions.

In 7N, the primary risks of corruption and unethical business behavior are related to our sales and consulting functions. This is mainly due to the fact that these functions require close contact with clients, suppliers, etc.

Actions and results
In 2018, we continued our practice of having at least four eyes on and approval of the management when distributing sponsorships and donations. Internal processes ensure that our consultants do not receive sponsorships. In 2018, no forms of corruption, bribery or breach of 7N's business ethics were registered.

In order to ensure that all employees, consultants and suppliers work on the basis of 7N's values and guidelines related to anti-corruption, we have in 2018 initiated the work of preparing the Codes of Conduct for employees, suppliers and consultants.

Climate and environmental conditions

Policy and risks
In 7N, we strive to minimize the negative impact on the climate and the environment related to our business activities. As an IT consulting company, our significant environmental risks are related to fuel consumption and CO2 emissions through the transport of our employees and consultants, as well as our climate and environmental impact throughout the value chain, both through direct and indirect purchases of materials.

Actions and results
We continuously focus on minimizing our impact on the environment and climate in our business activities, by limiting our resource consumption, increasing the recycling of our waste, and reducing CO2 emissions during transport. In 2018, a travel portal was implemented in all our locations. In this way, we now have one single place for recording how much we travel, for the benefit of both the economy and the climate.

In 2018, we have also replaced all bulbs for LED lights, and in the new office facility in Jutland, the lighting has been considered so that energy consumption is minimized. To minimize our environmental impact, there is an ongoing focus on sorting waste and sending all paper for recycling.

§99b Target figures for the Board of Directors - Target figures for the Board of Directors

The board of directors has set a target figure for the proportion of elected female board members of at least 40% in 2022, and that both sexes must at least be represented. There are currently no women on the board. There was a change of board members in the beginning of 2019, as there was a need for new competencies on the board. In the search for new board members, several candidates were evaluated equally, and the choice fell on a man who possesses the competencies currently needed. 7N regularly evaluates suitable candidates for the company's Board of Directors.

The Group's target for the gender distribution in the group and the next middle management level is 40%. The other management levels were represented by 1 woman out of 9 in 2018. It is the Group's overall objective to provide an appropriate distribution of men and women in management. For 7N, it is important that the managers have the right skills, regardless of what gender they have.

It is the group's intention to create the basis for a more equal distribution of the sexes in the other management levels, and we strive to if possible, have one of each gender for discussion.

Other management levels are those positions that do not relate to the Board of Directors.

Charity

7N has a number of support projects in India providing humanitarian support for orphanages, nursing homes and various ad hoc projects. In other geographies 7N provides humanitarian support.

Income statement

Note		Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
3	**Revenue**	**929.749**	**811.462**	**629.688**	**577.431**
	Production costs	-756.419	-658.040	-516.075	-472.153
	Gross profit	**173.330**	**153.422**	**113.613**	**105.278**
	Distribution costs	-76.889	-61.732	-51.356	-42.411
	Administrative expenses	-58.192	-53.307	-42.702	-35.552
	Other operating income	0	0	3.879	2.280
	Operating profit/loss	**38.249**	**38.383**	**23.434**	**29.595**
4	Income from equity investments in group enterprises	0	0	9.329	5.119
5	Financial income	929	232	1.003	175
	Financial expenses	-1.910	-875	-1.464	-433
	Profit/loss before tax	**37.268**	**37.740**	**32.302**	**34.456**
6	Tax on profit or loss for the year	-11.644	-10.945	-6.689	-7.669
7	**Profit/loss for the year**	**25.624**	**26.795**	**25.613**	**26.787**

Balance sheet

Note		Group 31.12.18 DKK '000	Group 31.12.17 DKK '000	Parent 31.12.18 DKK '000	Parent 31.12.17 DKK '000
	Acquired rights	304	0	304	0
	Goodwill	1.363	2.264	0	0
8	**Total intangible assets**	**1.667**	**2.264**	**304**	**0**
	Other fixtures and fittings, tools and equipment	20.786	5.226	2.201	2.319
9	**Total property, plant and equipment**	**20.786**	**5.226**	**2.201**	**2.319**
10	Equity investments in group enterprises	0	0	42.144	30.982
11	Receivables from group enterprises	0	0	10.865	4.661
11	Deposits	3.785	3.714	4.287	3.270
	Total investments	**3.785**	**3.714**	**57.296**	**38.913**
	Total non-current assets	**26.238**	**11.204**	**59.801**	**41.232**
	Trade receivables	174.119	187.841	122.160	138.035
	Receivables from group enterprises	0	188	95	238
12	Deferred tax asset	3.282	2.879	0	0
	Income tax receivable	1.700	547	583	0
	Other receivables	9.472	4.016	118	76
13	Prepayments	2.775	2.338	2.267	1.931
	Total receivables	**191.348**	**197.809**	**125.223**	**140.280**
	Cash	**23.817**	**9.996**	**4**	**9**
	Total current assets	**215.165**	**207.805**	**125.227**	**140.289**
	Total assets	**241.403**	**219.009**	**185.028**	**181.521**

Balance sheet

Equity and Liabilities

Note		Group 31.12.18 DKK '000	Group 31.12.17 DKK '000	Parent 31.12.18 DKK '000	Parent 31.12.17 DKK '000
14	Share capital	1.210	1.210	1.210	1.210
	Reserve for net revaluation according to the equity method	0	0	18.009	12.220
	Retained earnings	28.802	25.467	10.793	13.247
	Proposed dividend for the financial year	20.000	29.500	20.000	29.500
	Moderselskabets kapitalejere	**50.012**	**56.177**	**50.012**	**56.177**
	Non-controlling interests	50	41	0	0
	Total equity	**50.062**	**56.218**	**50.012**	**56.177**
12	Provisions for deferred tax	0	0	47	14
15	Other provisions	0	0	62	198
	Total provisions	**0**	**0**	**109**	**212**

Note		Group		Parent	
		31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
	Payables to other credit institutions	23.703	9.755	22.625	8.406
	Prepayments received from customers	11.620	1.201	1.575	1.781
	Trade payables	111.910	118.193	81.457	91.839
	Payables to group enterprises	459	46	9.182	907
	Income taxes	3.677	6.638	0	4.691
	Other payables	39.972	26.958	20.068	17.508
	Total short-term payables	**191.341**	**162.791**	**134.907**	**125.132**
	Total payables	**191.341**	**162.791**	**134.907**	**125.132**
	Total equity and liabilities	**241.403**	**219.009**	**185.028**	**181.521**
16	Contingent liabilities				
17	Charges and security				
18	Related parties				

Statement of changes in equity

Group:

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Non-controlling interests	Total equity
Statement of changes in equity for 01.01.17 - 31.12.17						
Balance as at 01.01.17	1.186	0	19.818	14.000	36	35.040
Foreign currency translation adjustment of foreign enterprises	0	0	409	0	-3	406
Capital increase	24	0	7.997	0	0	8.021
Purchase of treasury shares	0	0	-250	0	0	-250
Dividend from treasury shares	0	0	206	0	0	206
Dividend paid	0	0	0	-14.000	0	-14.000
Net profit/loss for the year	0	0	-2.713	29.500	8	26.795
Balance as at 31.12.17	1.210	0	25.467	29.500	41	56.218
Statement of changes in equity for 01.01.18 - 31.12.18						
Balance as at 01.01.2018	1.210	0	25.467	29.500	41	56.218
Foreign currency translation adjustment of foreign enterprises	0	0	-971	0	-1	-972
Purchase of treasury shares	0	0	-1.755	0	0	-1.755
Dividend of treasury shares	0	0	447	0	0	447
Dividend paid	0	0	0	-29.500	0	-29.500
Net profit/loss of the year	0	0	5.614	20.000	10	25.624
Balance as at 31.12.18	1.210	0	28.802	20.000	50	50.062

Figures in DKK '000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Proposed dividend for the financial year	Non-controlling interests	Total equity

Parent:

Statement of changes in equity for 01.01.17 - 31.12.17

Balance as at 01.01.17	1.186	6.905	12.913	14.000	0	35.004
Foreign currency translation adjustment of foreign enterprises	0	756	-347	0	0	409
Capital increase	24	0	7.997	0	0	8.021
Purchase of treasury shares	0	0	-250	0	0	-250
Dividend from treasury shares	0	0	206	0	0	206
Dividend paid	0	0	0	-14.000	0	-14.000
Net profit/loss for the year	0	4.559	-7.272	29.500	0	26.787
Balance as at 31.12.17	1.210	12.220	13.247	29.500	0	56.177

Statement of changes in equity for 01.01.18 - 31.12.18

Balance as at 01.01.18	1.210	12.220	13.247	29.500	0	56.177
Foreign currency translation adjustment of foreign enterprises	0	-489	-482	0	0	-971
Purchase of treasury shares	0	0	-1.755	0	0	-1.755
Dividend from treasury shares	0	0	448	0	0	448
Dividend paid	0	0	0	0	0	-29.500
Net profit/loss for the year	0	6.278	-665	20.000	0	25.613
Balance as at 31.12.18	1.210	18.009	10.793	20.000	0	50.012

Consolidated cash flow statement

Note		Group	
		2018 DKK '000	2017 DKK '000
	Net profit/loss for the year	**25.624**	**26.795**
19	Adjustments	15.610	14.807
	Change in working capital:		
	Receivables	7.828	-55.667
	Trade payables	-6.283	13.955
	Other payables relating to operating activities	23.945	-1.104
	Cash flows from operating activities before net financials	**66.724**	**1.214**
	Interest income and similar income received	929	232
	Interest expenses and similar expenses paid	-1.910	-874
	Income tax paid	-16.243	-6.112
	Cash flows from operating activities	**49.500**	**-7.968**
	Purchase of intangible assets	-322	0
	Purchase of property, plant and equipment	-18.436	-1.593
	Sale of property, plant and equipment	28	99
	Purchase of investments	-70	0
	Disposal of investments	0	550
	Cash flows from investing activities	**-18.800**	**-944**
	Purchase of treasury shares	-1.755	-250
	Raising of additional capital	0	8.021
	Dividend paid	-29.500	-14.000
	Dividend from treasury shares	448	207

Note		Group 2018 DKK '000	2017 DKK '000
	Cash flows from financing activities	**-30.807**	**-6.022**
	Total cash flows for the year	**-107**	**-14.934**
	Cash, beginning of year	9.996	15.406
	Short-term payables to credit institutions, beginning of year	-9.775	-251
	Cash, end of year	**114**	**221**
	Cash, end of year, comprises:		
	Cash	23.817	9.996
	Short-term payables to credit institutions	-23.703	-9.775
	Total	**114**	**221**

Notes

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

1. Employee aspects

	Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
Wages and salaries	90.056	75.886	54.318	46.479
Other social security costs	3.245	2.796	296	278
Other staff costs	3.758	4.253	2.392	2.742
Total	97.059	82.935	57.006	49.499
Average number of employees during the year	298	221	51	45
Other staff costs:				
Remuneration for the Executive Board and Board of Directors	3.121	3.178	3.121	3.178

2. Fees to auditors appointed by the general meeting

	Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
Statutory audit of the financial statements	287	238	115	65
Other assurance engagements	0	55	0	22
Tax advice	215	0	215	0
Other services	49	187	45	175
Total	**551**	**480**	**375**	**262**

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

3. Segment information

Information about the distribution of revenue by activities and geographical markets is provided below. The segment information is prepared in accordance with the Company's accounting policies and follows the Company's internal financial reporting.

	Group 2018	Group 2017	Parent 2018	Parent 2017
Revenue comprises the following activities				
IT consultancy services	929.749	811.462	629.688	577.431
Revenue comprises the following geographical markets				
Denmark	627.269	576.024	627.269	576.024
Other countries	302.480	235.438	2.419	1.407
Total	**929.749**	**811.462**	**629.688**	**577.431**

4. Income from equity investments in group enterprises

	Group 2018	Group 2017	Parent 2018	Parent 2017
Income from equity investments in group enterprises	0	0	10.230	6.122
Impairment losses on goodwill	0	0	-539	-641
Amortisation of goodwill	0	0	-362	-362
Total	**0**	**0**	**9.329**	**5.119**

5. Financial income

	Group 2018	Group 2017	Parent 2018	Parent 2017
Interest, group enterprises	0	0	450	67
Foreign exchange gains	0	0	126	0
Other financial income	929	232	427	108
Total	**929**	**232**	**1.003**	**175**

Notes

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

6. Tax on profit or loss for the year

	Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
Current tax for the year	12.130	11.192	6.656	7.667
Adjustment of deferred tax for the year	-486	-247	33	2
Total	**11.644**	**10.945**	**6.689**	**7.669**

7. Distribution of net profit

	Group 2018 DKK '000	Group 2017 DKK '000	Parent 2018 DKK '000	Parent 2017 DKK '000
Reserve for net revaluation according to the equity method	0	0	6.278	4.559
Proposed dividend for the financial year	20.000	29.500	20.000	29.500
Non-controlling interests	0	8	0	0
Retained earnings	5.614	-2.713	-665	-7.272
Total	**25.624**	**26.795**	**25.613**	**26.787**

8. Intangible assets

Group:

Figures in DKK '000	Acquired rights	Goodwill
Cost as at 01.01.18	0	14.723
Additions during the year	322	0
Cost as at 31.12.18	322	14.723
Amortisation and impairment losses as at 01.01.18	0	-12.459
Impairment losses during the year	0	-539
Amortisation during the year	-18	-362
Amortisation and impairment losses as at 31.12.18	-18	-13.360
Carrying amount as at 31.12.18	304	1.363

Parent:

Figures in DKK '000	Acquired rights	Goodwill
Cost as at 01.01.18	0	11.106
Additions during the year	322	0
Cost as at 31.12.18	322	11.106
Amortisation and impairment losses as at 01.01.18	0	-11.106
Amortisation during the year	-18	0
Amortisation and impairment losses as at 31.12.18	-18	-11.106
Carrying amount as at 31.12.18	304	0

Notes

9. Property, plant and equipment

Group:

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Cost as at 01.01.18	11.542
Foreign currency translation adjustment of foreign enterprises	-195
Additions during the year	18.435
Disposals during the year	-1.499
Cost as at 31.12.18	28.283
Depreciation and impairment losses as at 01.01.18	-6.315
Foreign currency translation adjustment of foreign enterprises	116
Depreciation during the year	-2.750
Reversal of depreciation of and impairment losses on disposed assets	1.452
Depreciation and impairment losses as at 31.12.18	-7.497
Carrying amount as at 31.12.18	20.786

Figures in DKK '000	Other fixtures and fittings, tools and equipment
Parent:	
Cost as at 01.01.18	4.372
Additions during the year	645
Disposals during the year	-809
Cost as at 31.12.18	4.208
Depreciation and impairment losses as at 01.01.18	-2.053
Depreciation during the year	-762
Reversal of depreciation of and impairment losses on disposed assets	808
Depreciation and impairment losses as at 31.12.18	-2.007
Carrying amount as at 31.12.18	2.201

Notes

Figures in DKK — Equity investments in group enterprises

10. Equity investments in group enterprises

Parent:

Cost as at 01.01.18	6.171
Cost as at 31.12.18	6.171
Revaluations as at 01.01.18	13.572
Foreign currency translation adjustment of foreign enterprises	-489
Net profit/loss from equity investments	9.329
Dividend relating to equity investments	-2.150
Revaluations as at 31.12.18	20.262
Depreciation and impairment losses as at 01.01.18	-1.352
Impairment losses on goodwill	-540
Amortisation of goodwill	-362
Negative equity value impaired in receivables	17.903
Negative equity value transferred to provisions	62
Depreciation and impairment losses as at 31.12.18	15.711
Carrying amount as at 31.12.18	42.144

Name and Registered office:	Ownership interest

10. Equity investments in group enterprises

Group enterprises:

7N Sp. z.o.o., Poland	100%
Seven N Consulting Pvt. Ltd, India	99%
7N Norge AS, Norway	100%
7N Schweiz AG, Switzerland	100%
7N Sverige AB, Sweden	100%
7N USA Inc., USA	100%
7N Germany, GmbH, Germany	100%
7N Finland OY, Finland	100%

Notes

11. Investments

Figures in DKK '000	Receivables from group enterprises	Deposits
Group:		
Cost as at 01.01.18	0	3.714
Additions during the year	0	71
Cost as at 31.12.18	0	3.785
Parent:		
Cost as at 01.01.18	17.056	3.270
Additions during the year	11.712	1.017
Cost as at 31.12.18	28.768	4.287
Impairment losses as at 01.01.18	-12.394	0
Impairment losses during the year	-5.509	0
Impairment losses as at 31.12.18	-17.903	0
Carrying amount as at 31.12.18	10.865	4.287

	Group		Parent	
	2018 DKK '000	2017 DKK '000	2018 DKK '000	2017 DKK '000

12. Deferred tax

Deferred tax as at 01.01.18	-2.879	-2.726	14	12
Deferred tax recognised in the income statement	-403	-153	33	2
Deferred tax as at 31.12.18	-3.282	-2.879	47	**14**
Deferred tax comprises:				
Intangible assets	67	0	0	0
Property, plant and equipment	-154	-205	47	14
Liabilities	-1.369	-765	0	0
Tax losses	-1.826	-1.909	0	0
Total	**-3.282**	**-2.879**	**47**	**14**

13. Prepayments

Prepaid insurance premiums	74	401	8	136
Other prepayments	2.701	1.937	2.259	1.795
Total	**2.775**	**2.338**	**2.267**	**1.931**

Notes

14. Share capital

The share capital consists of:

	Quantity	Nominal value
Share capital	1.210.282	1

Treasury shares consists of:

	Cost-/Sale price DKK '000	Quantity	Nominal value DKK	Percent of capital
Holding of treasury shares as at 01.01.18		18.357	18.357	1,52%
Additions during the year	1.755	5.339	5.339	0,44%
Holding of treasury shares as at 31.12.18			23.696	1,96%

Figures in DKK '000 | Provisions for subsidiaries

15. Other provisions

Parent:

Provisions as at 01.01.18	198
Provisions during the year	-136
Provisions as at 31.12.18	62

	31.12.18 DKK '000	31.12.17 DKK '000	31.12.18 DKK '000	31.12.17 DKK '000
Other provisions are expected to be distributed as follows:				
Non-current liabilities	0	0	62	198
Total	**0**	**0**	**62**	**198**

Notes

16. Contingent liabilities

Group:

Lease commitments

The Group has concluded lease agreements with terms to maturity of between 3 months and 60 months with a total lease commitments of 3.702 kDKK.

The Group has concluded rent agreements which can be terminated between 3 months and 9 years with a total rent obligation at 31 December 2018 of 52.680 kDKK

The enterprise has rental liabilities of total 56.382 kDKK.

Parent:

The Parent company has concluded lease agreements with terms to maturity of between 3 months and 60 months with a total lease commitments of 1.358 kDKK.

The Parent Company has concluded rent agreements which can be terminated between 6 months and 5 years with a total rent obligation at 31 December 2018 of 3.088 kDKK

The enterprise has rental liabilities of total 4.447 kDKK.

Recourse guarantee commitments

The Parent Company has provided guaranties for group enterprises' debt to credit institutions. The group enterprises' debt to the credit institutions concerned amounts to 1.078 kDKK at the balance sheet date.

Other contingent liabilities

The company is taxed jointly with the other Danish companies in the group and is liable for income taxes on a pro rata basis.

17. Charges and security

Group:

The Group has provided a company charge of 38.677 kDKK as security for debt to credit institutions comprising other fixtures and fittings, tools and equipment as well as trade receivables. The total carrying amount of comprises assets is 197.631 kDKK.

Parent:

The Parent Company has provided a company charge of 30.000 kDKK as security for debt to credit institutions comprising other fixtures and fittings, tools and equipment as well as trade receivables. The total carrying amount of comprises assets is DKK 124.361 kDKK.

Controlling influence:	Basis of influence

18. Related parties

Hedaa Holding ApS, 2820 Gentofte	Ultimate Parent Company

The company is included in the consolidated financial statements of the parent Hedaa Holding ApS, 2820 Gentofte.

	Group	
	2018 DKK '000	2017 DKK '000

19. Adjustments for the cash flow statement

Other operating income	-27	-99
Depreciation, amortisation, impairment losses and write-downs	3.668	2.875
Financial income	-929	-231
Financial expenses	1.910	874
Tax on profit or loss for the year	11.644	10.945
Other adjustments	-656	443
Total	**15.610**	**14.807**

Notes

Accounting Policies Continued

20. Accounting policies

General

The annual report is presented in accordance with the provisions of the Danish Financial Statements Act for large groups and enterprises in reporting class C.

The accounting policies have been applied consistently with previous years.

Basis of recognition and measurement
Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Consolidated Financial Statements

The consolidated financial statements comprise the parent and its subsidiaries in which the parent directly or indirectly holds more than 50% of the voting rights or by way of agreements exercises control. Enterprises in which the group holds equity investments, between 20% and 50% of the voting rights and in which it has significant interest but not control, are considered associates.

All financial statements used for consolidation are prepared in accordance with the accounting policies of the group.

The consolidated financial statements consolidate the financial statements of the parent and its subsidiaries by adding together items of a uniform nature, eliminating intercompany income and expenditure, equity investments, intercompany balances and dividends as well as gains and losses resulting from transactions between the consolidated enterprises to the extent that the underlying assets and liabilities are not realised.

Non-controlling interests
The financial items of the subsidiaries are recognised in full in the consolidated financial state-ments. The non-controlling interests' proportionate share of the subsidiaries' equity is classified as a part of consolidated equity. The subsidiaries' results are distributed proportionately to non-controlling interests and the parent's equity interest.

Currency

The annual report is presented in Danish kroner (DKK).

On initial recognition, transactions denominated in foreign currencies are translated using the exchange rates applicable at the transaction date. Exchange rate differences between the exchange rate applicable at the transaction date and the exchange rate at the date of payment are recognised in the income statement as a financial item. Receivables, payables and other monetary items denominated in foreign currencies are translated using the exchange rates applicable at the balance sheet date. The difference between the exchange rate applicable at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised under financial income or expenses in the income statement. Fixed assets and other non-monetary assets acquired in foreign currencies are translated using historical exchange rates.

On recognition of foreign subsidiaries which are independent entities, the income statements are translated at the exchange rates applicable at the transaction date or approximate average exchange rates. The balance sheet items are translated using the exchange rates applicable at the balance sheet date. Foreign currency translation adjustments arising from the translation of equity at the beginning of the year using the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates to the exchange rates applicable at the balance sheet date are recognised directly in equity.

Translation adjustments of intercompany balances with independent foreign subsidiaries, measured using the equity method and where the balance is considered to be part of the overall investment, are recognised directly in equity. On the divestment of foreign entities, accumulated exchange differences are recognised in the income statement.

Income statement

Revenue
Income from the sale of services is recognised as delivery takes place. Revenue is measured at the selling value of the agreed consideration exclusive of VAT and other taxes and less discounts.

Production costs
Production costs comprise expenses, including depreciation, amortisation and wages and salaries which are incurred directly or indirectly to generate the revenue for the year.

Distribution costs
The distribution costs comprise costs for advertising, travel, marketing and depreciation

Administrative expenses
Administrative expenses comprise expenses in connection with administrative employees, management, office premises, office expenses etc., including depreciation, amortisation and wages and salaries.

Other operating income
Other operating income comprises income of a secondary nature in relation to the enterprise's activities, including rental income, negative goodwill and gains on the sale of intangible assets and property, plant and equipment.

Depreciation and impairment losses
The depreciation of property, plant and equipment aim at systematic depreciation over the expected useful lives of the assets. Assets are depreciated according to the straight-line method based on the following expected useful lives and residual values:

	Useful lives, years	Residual value, per cent
Acquired rights	3	0
Goodwill	10	0
Other plant, fixtures and fittings, tools and equipment	3-5	0

Goodwill is amortised over 10 years. The useful life has been determined in consideration of the expected future net earnings of the enterprise or activity to which the goodwill relates.

The basis of depreciation is the cost of the asset less the expected residual value at the end of the useful life. Moreover, the basis of depreciation is reduced by any impairment losses. The useful life and residual value are determined when the asset is ready for use and reassessed annually.

Intangible assets and property, plant and equipment are impaired in accordance with the accounting policies referred to in the 'Impairment losses on fixed assets' section.

Income from equity investments in group enterprises
For equity investments in subsidiaries that in the parent are measured using the equity method, the share of the enterprises' profit or loss is recognised in the income statement after elimination of unrealised intercompany profits and losses and less any goodwill amortisation and impairment losses.

Income from equity investments in subsidiaries also comprises gains and losses on the sale of equity investments.

Other net financials
Interest income and interest expenses, foreign exchange gains and losses on transactions denominated in foreign currencies etc. are recognised in other net financials.

Tax on profit/loss for the year
The current and deferred tax for the year is recognised in the income statement as tax on the profit/loss for the year with the portion attributable to the profit/loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The company is jointly taxed with Danish consolidated enterprises.

In connection with the settlement of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed enterprises in proportion to their taxable incomes. This means that enterprises with a tax loss receive joint taxation contributions from enterprises which have been able to use this loss to reduce their own taxable profit.

Balance Sheet

Intangible assets
Acquired rights

Acquired rights are amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation and impairment losses' section.

Goodwill

Goodwill is measured in the balance sheet at cost less accumulated amortisation and impairment losses.

Goodwill is amortised using the straight-line method based on useful lives, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of intangible assets are determined as the difference between the selling price, if any, less selling costs and the carrying

Notes

Accounting Policies Continued

amount at the date of disposal.

Property, plant and equipment
Property, plant and equipment comprise other fixtures and fittings, tools and equipment.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Equity investments in group entreprises
Equity investments in subsidiaries are measured in the balance sheet of the parent according to the equity method, meaning that these equity investments are measured at the proportionate share of the enterprises' equity value, determined according to the accounting policies of the parent, adjusted for the remaining value of positive or negative goodwill and gains and losses on transactions with the enterprises in question.

Equity investments in subsidiaries with a negative carrying amount are measured at DKK 0. Receivables that are considered part of the combined investment in the enterprises in question are impaired by any remaining negative equity value. Other receivables from such enterprises are impaired to the extent that such receivables are considered uncollectible. Provisions to cover the remaining negative equity value are recognised only to the extent that the parent company has a legal or constructive obligation to cover the liabilities of the enterprise in question.

Impairment losses on fixed assets
The carrying amount of fixed assets which are not measured at fair value is assessed annually for indications of impairment over and above what is reflected in depreciation.

If the company's realised return on an asset or a group of assets is lower than expected, this is considered an indication of impairment.

If there are indications of impairment, an impairment test is conducted of individual assets or groups of assets.

The assets or groups of assets are impaired to the lower of recoverable amount and carrying amount.

The higher of net selling price and value in use is used as the recoverable amount. The value in use is determined as the present value of expected net cash flows from the use of the asset or group of assets as well as expected net cash flows from the sale of the asset or group of assets after the expiry of their useful lives.

Impairment losses are reversed when the reasons for the impairment no longer exist. Impairment losses on goodwill are not reversed.

Receivables
Receivables are measured at amortised cost, which usually corresponds to the nominal value, less write-downs for bad debts.

Write-downs for bad debts are determined based on an individual assessment of each receivable if there is no objective evidence of individual impairment of a receivable.

Deposits recognised under assets comprise deposits paid to the lessor under leases entered into by the company.

Prepayments
Prepayments recognised under assets comprise costs incurred in respect of subsequent financial years.

Cash
Cash includes deposits in bank accounts as well as operating cash.

Equity
The proposed dividend for the financial year is recognised as a separate item in equity.

The net revaluation of equity investments in subsidiaries is recognised in the financial statements of the parent in the net revaluation reserve in equity according to the equity method to the extent that the carrying amount exceeds the cost.

Acquisition costs and consideration for treasury shares as well as dividends therefrom are recognised directly in equity under retained earnings.

Provisions
Other provisions comprise expected expenses incidental to subsidiaries and are recognised when the company has a legal or constructive obligation at the balance sheet date and it is probable that such obligation will draw on the financial resources of the the company. Provisions are measured at net realisable value or fair value if the provision is expected to be settled over the longer term.

Current and deferred tax
Current tax payable and receivable is recognised in the balance sheet as tax computed on the basis of the taxable income for the year, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised as income tax under receivables or payables in the balance sheet.

Deferred tax liabilities and tax assets are recognised on the basis of all temporary differences between the carrying amounts and tax bases of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is non-amortisable for tax purposes and other items where temporary differences, except for acquisitions, have arisen at the date of acquisition without affecting the net profit or loss for the year or the taxable income. In cases where the tax value can be determined according to different taxation rules, deferred tax is measured on the basis of management's intended use of the asset or settlement of the liability.

Deferred tax assets are recognised, following an assessment, at the expected realisable value through offsetting against deferred tax liabilities within the same tax jurisdiction or elimination in tax on future earnings.

Deferred tax is measured on the basis of the tax rules and at the tax rates in the respective countries which, according to the legislation in force at the balance sheet date, will be applicable when the deferred tax is expected to crystallise as current tax.

Payables
Short-term payables are measured at amortised cost, normally corresponding to the nominal value of such payables.

Prepayments received from customers
Prepayments received from customers comprise amounts received from customers prior to the time and date of delivery of the agreed product or completion of the agreed service.

Cash Flow Statement

The cash flow statement is prepared using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities comprise the net profit or loss for the year, adjusted for non-cash operating items, income tax paid and changes in working capital.

Cash flows from investing activities comprise payments in connection with the acquisition and divestment of companies and financial assets as well as the purchase, development, improvement and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise changes in the parent's share capital and associated costs and the purchase and sale of treasury shares and financing from and dividends paid to shareholders as well as the arrangement and repayment of long-term payables.

Cash and cash equivalents at the beginning and end of the year comprise cash and short-term payables to credit institutions.

7N Group is a global, elite IT consultancy and agency with 30 years of market experience in serving all aspects of critical IT projects both within the public and private sector both clients and consultants.

We have dedicated ourselves to finding the right match between our consultants and the companies we serve – we believe that is how the best results are created. At 7N, we have built a professional community of extraordinary people. A community dedicated to achieving professional and personal development. A place where the best gets to play with the best.