2019
Annual Report

for the period 1 January to 31 December 2019

Risk Intelligence A/S,
Strandvejen 100, 2900 Hellerup
CVR 27475671

RiskIntelligence

Annual Report 2019

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In this document, the following definitions shall apply unless otherwise specified: "the Company" or "Risk Intelligence" refers to Risk Intelligence A/S, CVR number 27475671.

Adopted at the annual general meeting on

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chairman

Statement by management on the annual report

The Board of Directors and Executive management have today discussed and approved the annual report of Risk Intelligence A/S for the financial year 1 January - 31 December 2019. The annual report is prepared in accordance with the Danish Financial Statements Act. In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2019. In our opinion, the management's review includes a fair review of the matters dealt with in the management's review. The Management recommends that the annual report should be approved by the Company at the Annual General Meeting.

Hellerup, 25 March 2020

Executive Management

Hans Tino Hansen

CEO

Board of Directors

Jan Holm

Chairman of the Board

Stig Streit Jensen

Member of the Board

Jens Lorens Poulsen

Member of the Board

Hans Tino Hansen

Member of the Board

Jens Otto Holst

Member of the Board

Independent auditor's report

To the shareholders of Risk Intelligence A/S

Opinion

We have audited the financial statements of Risk Intelligence A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

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

Management's responsibilities for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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 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 financial statements

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

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on management's review

Management is responsible for management's review.

Our opinion on the financial statements does not cover management's review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of management's review.

Copenhagen, 25 March 2020

Baker Tilly Denmark

Godkendt Revisionspartnerselskab

CVR no. 35 25 76 91

Henrik Ulvsgaard
statsautoriseret revisor
MNE no. mne21318

Peter Aagesen
statsautoriseret revisor
MNE no. mne41287

Company details

The Company	Risk Intelligence A/S Strandvejen 100 2900 Hellerup	
	CVR no.:	27 47 56 71
	Reporting period:	1 January - 31 December 2019
	Incorporated:	11 December 2003
	Domicile:	Gentofte
Board of Directors	Jan Holm, Chairman Stig Streit Jensen Jens Lorens Poulsen Jens Otto Mucnh Holst Hans Tino Hansen	
Executive management	Hans Tino Hansen, CEO	
Auditors	Baker Tilly Denmark Godkendt Revisionspartnerselskab Poul Bundgaards vej 1,1. 1 2500 København	

Financial highlights

Seen over a 5-year period, the development of the Company may be described by means of the following financial highlights:

	2019 TDKK	2018 TDKK	2017 TDKK	2016 TDKK	2015 TDKK
Key figures					
Revenue	14,221	11,123	10,980	10,032	10,142
Gross profit	3,500	3,717	7,182	6,770	6,819
Profit/loss before amortisation/depreciation and impairment losses (EBITDA)	-10,177	-5,958	656	360	970
Net financials	-867	-268	-596	-381	121
Profit/loss for the year	-9,613	-5,879	-939	-495	460
Balance sheet total	19,706	15,398	8,986	5,917	4,684
Equity	2,097	9,191	3,896	-164	579
Investment in property, plants and equipment	627	1,127	37	13	19
Investment in development projects	5,992	1,662	975	945	1,154
Financial ratios					
Return on assets	-65.3%	-58.6%	-7.2%	-3.6%	11.6%
Solvency ratio	10.6%	59.7%	43.4%	-2.8%	12.4%
Number of employees	22	14	10	9	9

The financial ratios are calculated in accordance with the Danish Finance Society's recommendations and guidelines. For definitions, see the summary of significant accounting policies..

Where the accounting policies have been changed in 2018, the comparatives have not been restated. For an account of changes in accounting policies, see the summary of significant accounting policies.

Management's review

Business activities

The main activity is security risk analysis and consulting services for international shipping, offshore, oil and gas companies and government clients. Risk Intelligence's main activity in 2019 continued to be the delivery of threat and risk assessments through the online intelligence platform, Risk Intelligence System (MaRisk + PortRisk + LandRisk). These threat and risk assessments are prepared through the collection, verification, analysis and assessment by Risk Intelligence's analysts and other specialists who constitute the most important knowledge resource in the Company.

Recognition and measurement uncertainties

The recognition and measurement of items in the financial statements is not subject to any uncertainty.

Business review

Due to the initiatives and investments to scale the Company's business and to create the necessary basis for future growth the Company's income statement for the year ended 31 December 2019 shows a loss of DKK 9,612,607 and the balance sheet at 31 December 2019 shows equity of DKK 2,096,684.

Highlights

- Risk Intelligence had a growth in revenue of 28% in 2019 to 14,2m DKK.
- Risk Intelligence System recurring revenue amounted to 79% of total revenue in 2019 with a renewal rate of 99.3%.
- Known revenue for 2020 as of 1 January constituted 13.2m DKK.
- The Company launched LandRisk on 1 October 2019.
- The Asia office in Singapore and Risk Intelligence Singapore Pte Ltd was launched in October 2019.
- Negative result for 2019 as planned and communicated at the IPO in 2018.
- All planned milestones communicated at the IPO in 2018 has been delivered up to now.

During Q4 2019 focus has been on launching the most important strategic objectives in the growth plan communicated at the IPO in 2018 and the goals with the most significant growth potential, the development and launch of LandRisk and the launch of the regional Asia office in Singapore.

While these are significant milestones in the growth plan, they are also major cost items in the Company's budget, which together with the development of the organisation during 2019 results in a negative result. A negative result was expected and communicated since the IPO in 2018. Importantly, these costs now form the basis for the continued growth and the large development costs for LandRisk are not recurring. As such the Company is entering 2020 with a full product suite in the Risk Intelligence System and with an organisation ready to deliver growth. With 28% growth for the year and 6% for the quarter the Company has delivered growth in revenue for the fourth consecutive quarter in 2019.

Due to the Covid-19 pandemic it is currently impossible to forecast growth and the Growth Plan target to double our original/maritime business by 2020 is subsequently also impossible to forecast. With 13.2M DKK in known revenue for 2020 as per 1 January 2020, there is already a solid basis for the revised budget.

With a more balanced revenue to cost and investment ratio during 2020 fewer capital reserves are needed in 2020 than in 2019. Due to the uneven distribution of the revenues across the year and the even distribution of the costs, the management of Risk Intelligence makes sure to have the company fully funded at any time according to plans. In addition, cost savings have already been put into effect and plans have been made for further adjustments.
Furthermore, during the last quarter of 2019 Risk Intelligence continued to sign agreements with new, as well as existing clients. In the beginning of January 2020, the first subscription agreement for LandRisk was secured. The Singapore office secured its first two clients during Q4 and has been developing a promising portfolio of potential clients in Asia that will turn into business during 2020. The Singapore office is furthermore offering clients in Asia access to client relations, duty watch officers and intelligence analysts in their local operating hours.

The Company has delivered on all the planned milestones communicated at the IPO and while the Covid-19 pandemic will have a major impact on World economy, the management still believes that Risk Intelligence will deliver growth during 2020. Please see below for more on the impact of Covid-19 under "Significant events occurring after end of reporting period".

Capital Resources

The Company's cash policy is at any time to have enough cash to run the company for a period of 12 months according to plans and initiatives decided upon and still have 2-3 million as cash position. To achieve that, the Company is on an ongoing basis monitoring the cash flow and at any time will fund the Company further to reach the goals and fulfill the strategy. In 2020 the Company will ensure that the cash position will reflect the cash result throughout a 12-month period by either loan- or credit facilities or further funding if needed. At this point the Company has secured funding for all planned initiatives and investments for 2020.

The Company's cash position end 2019 was DKK 827 thousand and should always be seen together with Accounts Receivable, end 2019 DKK 2,319. The Company has never lost any outstanding amount on clients, which is why Accounts Receivable, seen from the Company perspective, are considered as good as cash. Account Receivable and Cash end 2019 was 3,146 DKK thousand.

Research and development activities

Part of the development projects has been the ongoing development of the Risk Intelligence System with the platform and the modules MaRisk and PortRisk as well as the development of the third module, LandRisk.

Risk Intelligence has during 2019 further developed the platform "Risk Intelligence System" with a range of new features and started migration to a Cloud-based solution. In 2019 the development of the LandRisk module has been finalized and launched 1 October.

During 2019 the Company has launched an ambitious data and artificial intelligence project over the next three years, which will substantially and fundamentally improve the use of data in Risk Intelligence and accelerate pace of operations and reduce production costs.

The development costs consist of both external and internal development costs. The external development costs are related to software development providers as well as external consultants working the development projects. These have been working on e.g. design, development and testing as well as improvement of performance prior to launch. The internal time spent directly on the projects has been activated as development costs.

Special risks apart from generally occurring risks in industry

The risks and uncertainties that Risk Intelligence operations are exposed to are summary related to factors such as development, competition, technology development, capital requirements, currencies and interest rates. During the current period, no significant changes in risk factors or uncertainties have occurred. For more detailed description of risks and uncertainties, refer to the memorandum published in June 2018. The documents are available on the Risk Intelligence website (www.riskintelligence.com).

Impact on external environment and measures of preventing, reducing or mitigating damage

The nature of the Company's business does not have any impact on external environment and measures of preventing, reducing or mitigating damage

Significant events occurring after end of reporting period

The World has been hit by the Covid-19 pandemic and Risk Intelligence has implemented various stages of its contingency plan. The latest action on Wednesday 11 March, where all staff at the Head Office in Hellerup, Denmark, were instructed to work from home. The Singapore office is carrying out local risk assessments and following guidelines from the Singaporean government, currently working in two teams alternating at the office. Everyone else is already working from home. The impact on Risk Intelligence operations is insignificant as a large part of the global staff are already working from home or are used to having to do so. Everyone is used to online meetings and remote collaboration. Furthermore, all data-, administrative-, financial- and operational systems are online and can be accessed from remotely. Risk Intelligence has worked in an online environment connecting staff members in Europe, Asia, Middle East, Africa and North America since its very start. However, while the ban on travelling obviously has an impact on both sales and offsite consultancy projects, it has been replaced by an increased online meeting activity. As an example, all client seminars are being replaced by online seminars.

The current situation is too complex and the implications on the World economy is still unknown and hence it is not possible to forecast the total impact on Risk Intelligence during 2020. Due to recurring revenue and framework agreements for 2020 as well as sales in Q1 known revenue as of 25 March 2020 is about 14M DKK, which forms a solid basis for the budget and subsequently also for continued growth compared to 2019.

Importantly, security is still needed, and the threat and risks related to security do not decline because of Covid-19, this results in a constant demand that places Risk Intelligence in an a-cyclical position in the market. The experience from global financial crisis in 2008/2009 and from the shipping crisis in 2015/2016 was that, due to Risk Intelligence's close relation with its clients, the result at the end of the year was unchanged or even with a growth compared to the previous year. It is difficult to assess if this will be the case for 2020 and revenue expectation has been reduced. At the same time, the management has implemented a range of cost reductions and has plans for additional cost reductions to adjust for a decrease in the projected growth.

Board of Directors and Executive Management

Jan Holm – Chairman of the Board
Company engagement

Holdingselskabet af 29.11.2017 A/S, Chairman of the Board
A. P. Moller Singapore Pte Ltd., Board Member
Maersk Drilling Holdings Singapore Pte. Ltd, CEO/ Board Member
Maersk Drilling Labuan Ltd., Board Member
Maersk Drilling Malaysia Sdn. Bhd, Board Member
Maersk Drilling Nigeria Holdings Pte., Ltd Board Member
Maersk Drilling Service Singapore Pte Ltd., CEO / Board Member
Maersk Drillship I Singapore Pte. Ltd., CEO / Board Member
Maersk Drillship II Singapore Pte. Ltd., CEO / Board Member
Maersk Drillship III Singapore Pte. Ltd., CEO / Board Member
Maersk Drilling Drillship IV Singapore, CEO / Board Member
Maersk Highlander UK Ltd, Board Member
Maersk Rigworld Ghana Limited, Board Member
Maersk Drilling JS-Services Lda (Angola), Board member
Maersk Supply Service Singapore Pte. Ltd., Board Member

Jens Otto Holst – Member of the Board
Company engagement

MP Pension - Pensionskassen For Magistre & Psykologer, CEO
MP Ejendomme P/S, CEO
Komplementarejendomsselskabet MP ApS, CEO

MP Investment Management A/S, Chairman of the Board
Forchhammersvej 19 P/S, Chairman of the Board

Stig Streit Jensen - Member of the Board
Company engagement

Streit, CEO
T.O. Holding A/S, Chairman of the Board

Jens Lorens Poulsen - Member of the Board
Company engagement

Marcura Equities, Group CEO

Hans Tino Hansen- CEO/Member of the Board
Company engagement

Sandbjerg Holding ApS, CEO

About Risk Intelligence

Risk Intelligence was founded in 2001 by Hans Tino Hansen. The Company has evolved into becoming a prominent company in security risk management by delivering threat and risk assessments globally. Risk Intelligence assists its customers and partners through offices north of Copenhagen as well as representatives in Europe, Asia and North America. The business has been designed with international scalability in mind and the Company is globally regarded as experts in its field of business. Risk Intelligence provides a digital platform (the Risk Intelligence System - MaRisk + PortRisk + LandRisk) that allows clients to monitor global security risks to enable businesses to plan and implement missions in risk areas. The data is collected from direct local sources, on-site-analysts and from a major international intelligence network. On 1 October 2019, Risk Intelligence launched the third product within the Risk Intelligence System, LandRisk, to cover landside logistics security risks. Adding LandRisk to the existing maritime and port security modules on the Risk Intelligence System, provides security risk intelligence for the complete supply chain in one integrated system with a single point of access.

Risk Intelligence has undergone the following phases:
2001 – 2007: Market establishment and signing of the first maritime clients.

2008 – 2013: Operations were scaled up in 2008 upon launch of the digital platform with the MaRisk product, which was customised to maritime operations.

2014 – 2016: Launch of the new platform and the second digital product - PortRisk (2015) and a new version of MaRisk (2016). PortRisk monitors port and terminal security risks on more than two hundred specifically selected ports around the world.

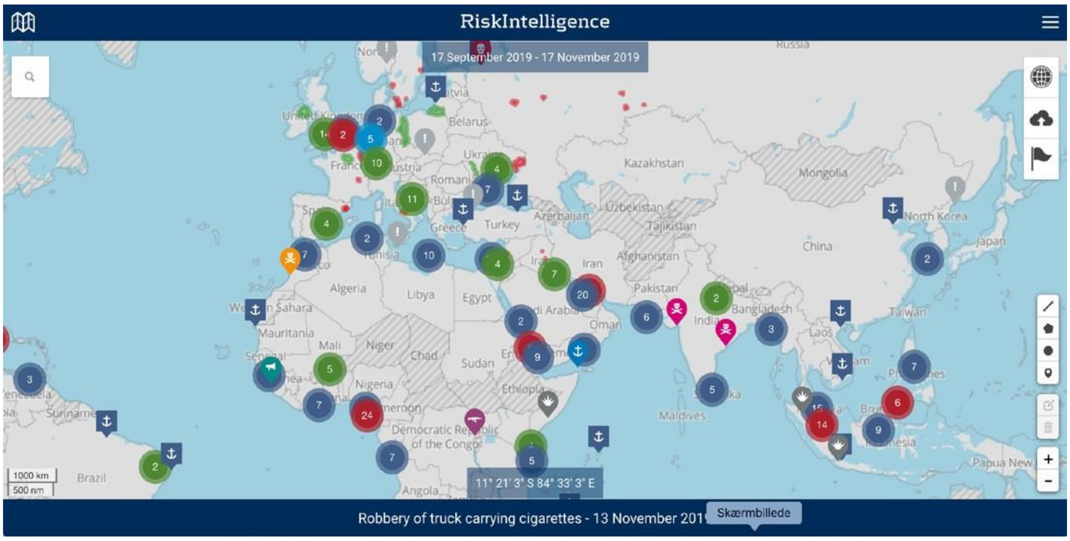
2017: Development of Growth Plan for 2020. Initial internal development of the Company's third module LandRisk has begun, which has been requested by the existing customer base. With LandRisk, the Risk Intelligence System will link a whole industry chain of identification and selection of risks and threats, both on land and at sea. With LandRisk, Risk Intelligence's addressable market will increase more than tenfold.

2018: Launch of Growth Plan for 2020 as well as IPO and listing on Spotlight Stock Exchange. New office in Hellerup north of Copenhagen and hiring of a range of key staff members. End year Risk Intelligence completed the Beta test version phase of LandRisk together with the current pilot project clients.

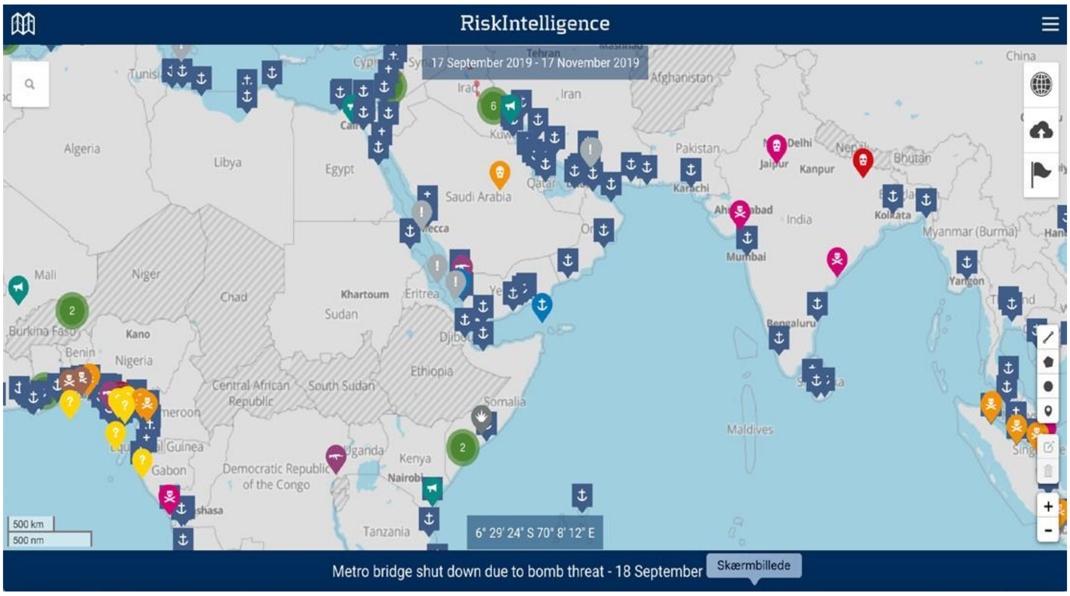
2019: LandRisk Beta test period with more than 30 test companies and final development of LandRisk based on the feedback, input from developers and findings. LandRisk was launched at an event in Düsseldorf, Germany on 1 October. In May Risk Intelligence launched an ambitious data and artificial intelligence (AI) project over the next three years, which will substantially and fundamentally improve the use of data in Risk Intelligence and accelerate pace of operations and reduce production costs. Risk Intelligence announced further in September that the Company is fully funded to support the current strategy.

Risk Intelligence System

The Risk Intelligence System is a digital security intelligence solution that has been developed in close collaboration with global businesses established in the fields of shipping, offshore, oil and gas. The digital platform has been designed based on customer needs along with the experienced security risk analysts at Risk Intelligence. The Risk Intelligence System offers customers a complete picture of immediate, short- and medium-term security risks for coastal areas, ocean, port and land. The analysis is focused on insurgency, piracy, organised crime, terrorism, military conflicts and the interplay between these. Risk Intelligence identifies where serious events arise and presents an assessment of how great the threat is in each area. This makes it possible for companies to easily evaluate both current and future security risks with the purpose of minimising risks that affect their operations. There are three modules in the Risk Intelligence System – MaRisk, PortRisk and LandRisk.



The above image illustrates Risk Intelligence System's risk notifications.



The above image illustrates a clipboard of Risk Intelligence System's global map of risk notifications.

MaRisk has been a part of the Risk Intelligence System since its launch in 2008 and provides security information for companies to plan and execute marine missions. MaRisk offers a global overview of security incidents and threats at sea. A subscription to MaRisk module includes:

- A user-friendly and easy to navigate System
- Global maps (including digital sea charts)
- 24/7 incident updates
- 24/7 piracy alerts of motherships or attack groups
- Access to Risk Intelligence Duty Watch team for queries
- Country and Area threat assessments
- Statistics tool
- Recommendations and guidance
- Satellite fleet tracking integration and SAT AIS vessel position integration

PortRisk has been included in the Risk Intelligence System since 2015. The module presents updated security information on ports and sea-level terminals in medium to high risk areas around the world. PortRisk monitors more than 220 specifically selected ports and terminals globally. All ports and terminals have undergone extensive analysis, and more than 20 percent of the ports and terminals have been surveyed onsite by a Risk Intelligence team. A subscription to PortRisk module includes:

- A user-friendly and easy to navigate System
- Global maps (including digital sea charts)
- Port data with IMO code, ISPS level, Foreign Flag State etc.
- Port risk, vulnerability and threat assessments
- City threat assessments and guidance for crew changes
- Country and Area threat assessments
- Facility security information
- Security and emergency units information
- Agents Lists
- Photos and maps

LandRisk was launched 1 October 2019. By adding LandRisk to the existing Risk Intelligence System, the client gets access to a complete, integrated end-to-end supply chain security intelligence solution that provides a single point of access for all relevant transport-related security risk intelligence. A subscription to LandRisk module includes:

- Country, Area, City and Hotspot threat analysis
- Route planning tool
- Integrated fleet tracking through API
- 24/7 access to Risk Intelligence Duty Watch team
- Incidents database
- Incident notification services

Risk Intelligence Business Model

Business Model

Risk Intelligence business model is divided into three areas:

1. Subscription/Recurring: (79% in 2019). Sale of subscription licenses that provide access to the Risk Intelligence System (MaRisk + PortRisk + LandRisk) through a subscription service where the client in advance pays for access to the system for twelve months. The subscription service creates recurring revenue and generates strong cash flow for the Company. Over the years more than 98 percent renew their subscription and several of the Company's customers have renewed their subscriptions for the 12th time. LandRisk will generate additional recurring revenue.

   Licenses are paid up front 12 months ahead with a pricing between 38,625 to 324,450 DKK depending on license type for standard licenses with set number of users and higher license fees for bespoke licenses with e.g. additional users and/or API integration.

2. Reports/Recurring: (6% in 2019). Weekly reports on threat and risk assessments of Libya and Yemen.

   Subscriptions are from 30,000 to 120,000 DKK per country depending on selected time frame.

3. Advisory services: (22% in 2019). Threat and risk assessments, evaluation of the client companies' security suppliers and corporate risk management consulting. The advisory services are an opportunity to establish a much closer customer relationship with the client than the subscription service currently can. The goal is that the advisory services should lead the customer to choose either to maintain an existing license agreement or to enter into a license agreement whereby the Company receives additional recurring income.

Recurring revenue

The Risk Intelligence recurring revenue accounts for 79% of total revenues in 2019. The renewal rate in Q4 was 98.4% and the renewal rate for 2019 in total is 99.3%. Total recurring revenue for 2019 was 11m DKK and with an assessed lifecycle of 10 years the estimated license value for existing licenses is in the range of 100-110m DKK not including price increases as included in the license agreement.

Known revenue (revenue combined from recurring revenue and projects as well as other deliverables contractually agreed during 2019 for delivery in 2020) was as per 1 January 2020 13.2m DKK which is an increase of 2m DKK compared to 1 January 2019.

Sales streams

The Risk Intelligence business model generates new sales in three streams: Initial sales, direct sales and partner sales.

1: In-bound sales mean that the Company's services are considered so attractive that the end customer himself chooses to contact the Company to conclude an agreement. This may result is sales of all types of products and services. Risk Intelligence has a Client Portal, which essentially is a web shop for clients, where customers initially can purchase single ports in the Risk Intelligence System for a certain period and select access to one or more ports for a specified period.

2: Direct sales mean that the Risk Intelligence sales organization actively sells the Company's services based on generated leads from the Sales Lead Generation Team.

3: Partner sales mean that the Company signs an agreement with a strategic partner, such as Pole Star or GNS, which sells its products / licenses with Risk Intelligence integrated into its platform to the end-customer.

Sales goals

Risk Intelligence's latest sales stream is partner sales, which is expected to increase significantly in both revenue and in the share of the Company's total business. This part of the business is especially profitable because it delivers access to existing data to new customers, integrated into the partner's products. Risk Intelligence's goal is that inbound sales from online marketing, word-of- mouth, etc., will account for 10 percent of sales, that direct sales will account for 60 percent of sales and that partner sales will account for 30 percent.

Annual Recurring Revenue (ARR)

Risk Intelligence should be seen as a SaaS company, which are the closest category that the Company fit into in terms of understanding the business and in terms of key metrics.
One of the key metrics for SaaS companies is the Annual Recurring Revenue as it expresses the recurring value of the company's subscriptions (Revenue).
Annual Recurring Revenue (ARR) is one of the key figures and value drivers when looking at the performance of a Software as a Service (SaaS) company, because it is the foundation for evaluating the potential recurring revenue a SaaS company can generate over time.
Equity analysts often apply a multiple to ARR in order to estimate a value of stock exchange listed SaaS companies.
A SaaS company is defined as a company that delivers access to a centrally hosted software model on subscription.

In general, ARR expresses the revenue from subscriptions the SaaS company can generate in a 12 months period from its portfolio of current client agreements. ARR is important because it expresses the recurring value of the company's subscriptions, and as long as these subscriptions are not churned, they will continue to generate revenue year after year.

This also means that if the SaaS company's ARR is increasing, the revenue that will be generated year after year is also increasing.

ARR will in general increase when the SaaS company's subscriptions with existing clients are uplifted and when the company sells new subscriptions. Similarly, ARR will decrease when subscriptions are churned, i.e. not prolonged. Hence, as long as the total value-increase from existing subscriptions and new agreements exceed the value of the agreements churned, ARR will increase and the revenue generated year after year will increase.

As long as the SaaS company can continue to increase its ARR there is – in theory – no limit for the accumulated future revenue. That said, all agreements are expected to churn at some point of time but as long as the value increase exceeds the value of churned agreements total ARR will increase.

An increase in Annual Recurring Revenue (ARR) from year 1 to year 2 can be summarised as follows:

+ Annual Recurring Revenue (ARR) end of year 1 (value of all existing client agreements)
+ increase in subscriptions and transactions from existing clients
- churn of existing clients
+ agreements with new clients

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= Annual Recurring Revenue (ARR) end of year 2

Factors impacting the ARR-development

- Upselling to existing clients:
  - Clients increase the number of communication transactions
  - Clients deploy additional communication channels and/or AI
- When clients churn, i.e. the subscription is discontinued, ARR decreases
- Sales of subscriptions to new clients increases the ARR
- As long as the value of upselling to existing clients and the sales to new clients exceeds the value of the churning clients, the ARR will increase.
- In terms of upselling, several costumers have added more users to their license agreement during 2019.

The Renewal ratio for 2019 was 99,3% (2018: 99%) with a Churn of 0.7%.

During the year several new subscriptions to the system has been added, Golar Management, Hafnia Tankers, Saipem S.p.A, Helix Well Ops, Reederei Nord Group, DeepOcean just to mention a few.

Highlights Software as a Service (SaaS):

DKK '000	2019	2018
Annual Recurring revenue (ARR)	11,147	9,851
Net increase/decrease (-) in ARR	1,296	1,293
Average Annual Recurring Revenue (ARPU)	113	115
Renewal Ratio	99.3%	99%
Churn	0.7%	1%

Shareholders

The table below presents shareholders with over 5 % of the votes and capital in Risk Intelligence as per 31 December 2019.

Name	Number of shares	Percentage of capital (%)	Percentage of voting right (%)
Sandbjerg Holding ApS	3,000,000	35.77	37.22
Stefan Nonboe	795,780	9.49	9.87
Polaris Maritime Solutions Ltd	565,905	6.75	7.51
Other	4,025,405	47.99	45.40
Total	8,387,090	100.00	100.00

The share

The shares of Risk Intelligence A/S were listed on Spotlight Stock Market 17 August 2018. The short name/ticker is RISK and the ISIN code is DK0061031978. As per 31 December 2019, the number of shares was 8,387,090. Every stock share equals the same rights to the Company´s assets and results.

Warrants

Until 1 July 2020, the Board has the right to issue a total of 595,080 warrants. The allocation of the warrant program is approximately 40 percent of warrants for employees and approximately 60 percent for Company management. Each warrant will provide the holder with the right to subscribe for one new share in the Company at a subscription rate of DKK 6.25. The warrants program is dedicated for allocation to Company management and employees. Under this program and within the authorisation of the 595,080 warrants given by the General Meeting in 2018 the Board of Directors has for 2019 decided to issue 130,110 warrants to employees (2018 issued warrants: 314,740). If fully issued and vested by July 2020 the program will lead to a cash impact of DKK 3,719,250.

Risk Intelligence has on an Extraordinary General Meeting in June 2019 decided to issue 717,949 new warrants to shareholder subscribers participating in the capital increase announced in May 2019. Each Warrant gives the owner the right to buy one share at a fixed price of DKK 4.68 (120% of the subscription price of DKK 3.90). The exercise of the warrants shall take place in the period of 1 May 2020 - 30 June 2020 where after the warrant will lapse and have no effect. If fully vested by July 2020 the program will lead to a cash impact of DKK 3,369,361.

Risk Intelligence has issued warrants to Gemstone Capital ApS ("Gemstone"). The warrants give Gemstone the right to 76,691 shares (equivalent to 1 percent of the total number of shares in the Company after listing). Each warrant will provide the holder with the right to subscribe for one new share in the Company at a subscription rate of DKK 6.25. If fully vested the program will lead to a cash impact of DKK 479,319.

Operational risks and uncertainties

The risks and uncertainties that Risk Intelligence operations are exposed to are summary related to factors such as development, competition, technology development, capital requirements, currencies and interest rates. During the current period, no significant changes in risk factors or uncertainties have occurred. For more detailed description of risks and uncertainties, refer to the memorandum published in June 2018. The documents are available on the Risk Intelligence website (www.riskintelligence.com).

Proposed distribution of Risk Intelligences profit and loss

The Board of Directors and the CEO propose that no dividend shall be paid for the financial year 1 January 2019 - 31 December 2019.

Annual general meeting and annual report 2019

The Annual General Meeting of Risk intelligence will be held in Copenhagen, Denmark on 17 April 2020 at 10:00 a.m.

Financial Calendar

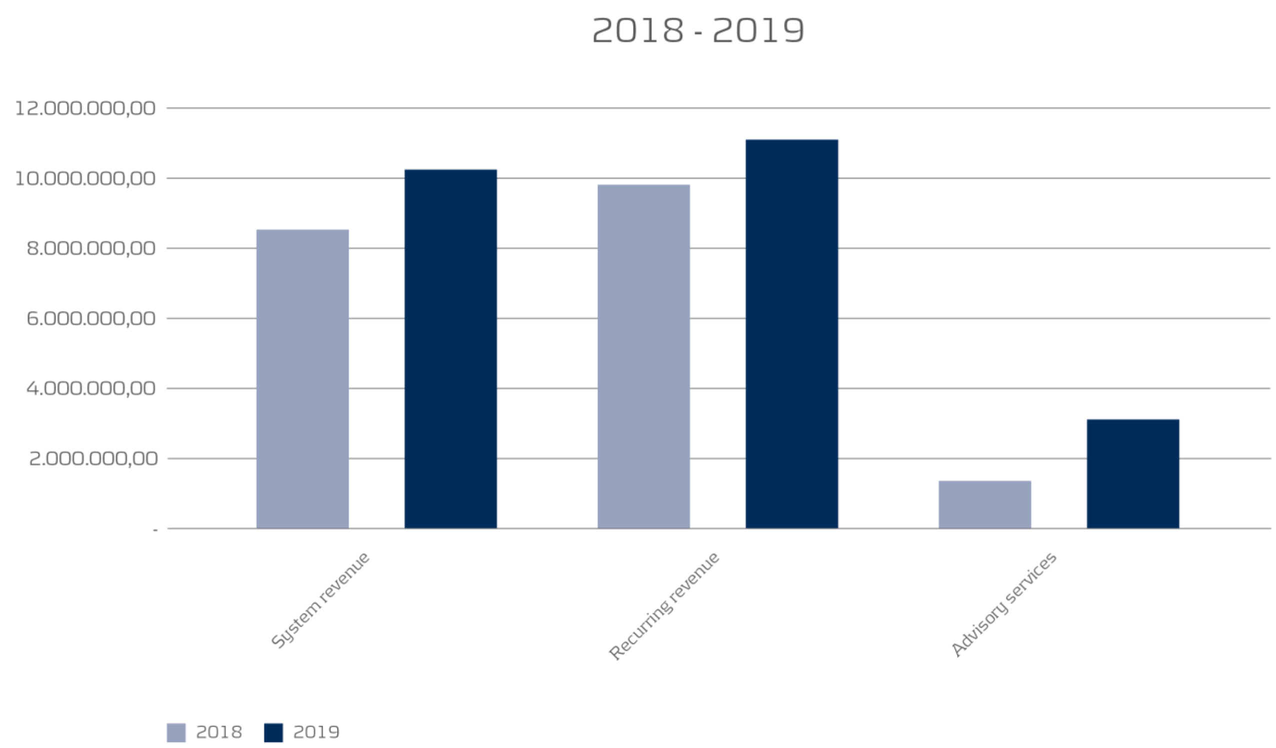
17 April 2020	Annual General Meeting
20 May 2020	Q1 2020 Interim Report
19 August 2020	Q2 2020 Interim Report
18 November 2020	Q3 2020 Interim Report
3 March 2021	Q4 and 2020 Year-end Report

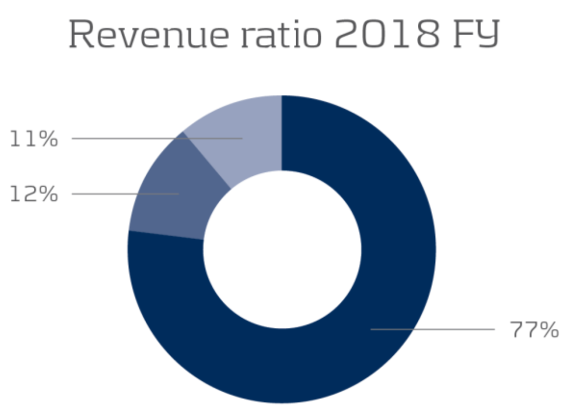
Financial Review

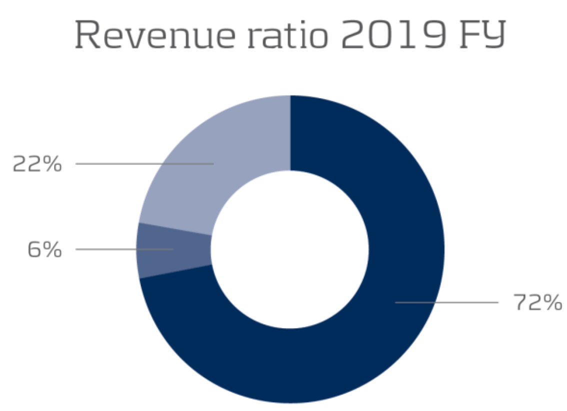
Income Statement

Total revenue increased 6% in Q4 2019 to DKK 4,796 thousand compared to Q4 2018 (Q4 2018: DKK 4,536 thousand). Total recurring revenue in Q4 2019 ended at DKK 3,791 thousand which is below Q4 2018 (Q4 2018: DKK 4,066 thousand) due to timing differences.

In 2019 total revenue increased by 28% to DKK 14,221 thousand compared to 2018 (2018: DKK 11,123 thousand). The recurring revenue in 2019 ended at DKK 11,147 thousand corresponding to an increase of 13% compared to 2018 (2018: DKK 9,851 thousand).







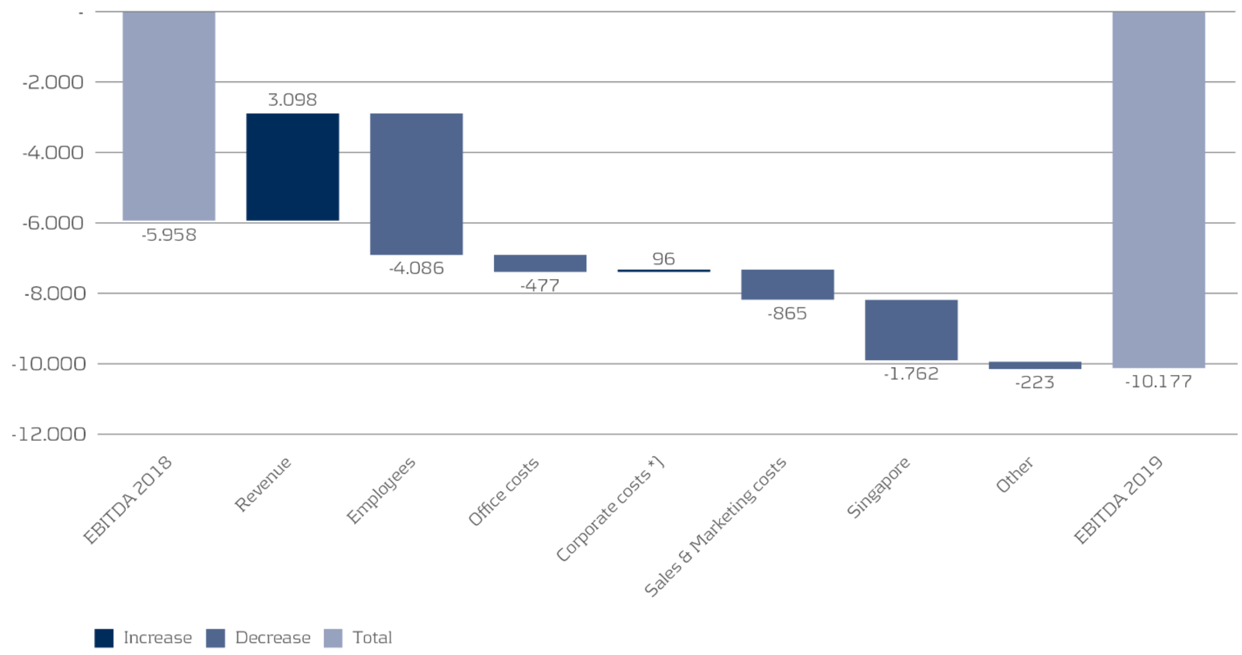
The gross profit decreased in Q4 2019 by 82% to DKK 373 thousand (Q4 2018: DKK 2,058 thousand), corresponding to a decreased gross margin of 8% (Q4 2018: 45%). For the year 2019 the gross profit decreased by 6% to DKK 3,500 thousand (2018: 3,717 thousand). The gross margin ended at 25% compared to 33% for 2018.

As part of the Company's growth plan the organization both in sales, production and finance has been significantly expanded and developed as well as the Company in general by moving to new office locations etc. Other operating expenses and Staff costs due to this fully impacted in 2019 compared to 2018.

Staff costs in Q4 2019 amounted to DKK 3,493 thousand (Q4 2018: DKK 3,523 thousand), a decrease of DKK 30 thousand or 1%. In 2019 total staff costs increased by 41% or DKK 4,002 thousand from DKK 9,675 thousand in 2018 to DKK 13,677 thousand in 2019 which represents the investment and development of the organisation to achieve the company's goals and strategy.

In Q4 2019 EBITDA decreased by DKK -1,655 thousand, or 113% to DKK -3,120 thousand (2018: DKK -1,465 thousand). As for the full year 2019 EBITDA decreased from DKK -5,958 thousand in 2018 to DKK -10,177 corresponding to a decrease of 71%. The decrease in EBITDA can be explained by initiatives made by the Company in investing in employees, new office location and development of the sales and client engagement activities which impacts the numbers fully in 2019 as the comparable period is only partly impacted by these initiatives.
The EBITDA ratio decreased to -72% in 2019 (2018: -54%) and in Q4 decreased as well from -32% in 2018 to -65% in 2019.
The below figure explains the changes or differences from one comparable period to another in nominal numbers:

EBITDA development 2018 - 2019 by initiatives



EBITDA 2018	-5.958
Revenue	3.098
Employees	-4.086
Office costs	-477
Corporate costs *)	96
Sales & Marketing costs	-865
Singapore	-1.762
Other	-223
EBITDA 2019	-10.177

**) The change in corporate costs from 2018 to 2019 is positive because 2018 were significantly impacted by costs for the IPO.*

Balance Sheet

The balance sheet in total was DKK 19,706 thousand at the end of 2019 (end of 2018: DKK 15,399 thousand), an increase of 28% overall mainly due to large investments in development and a larger working capital in 2019 because of significantly higher activity level.

Equity at the end of 2019 decreased to DKK 2,097 thousand (end of 2018: DKK 9,191 thousand) due to the result of 2019 offset by the capital increase. The equity ratio amounted to 10.6% (end of 2018: 59.7%).

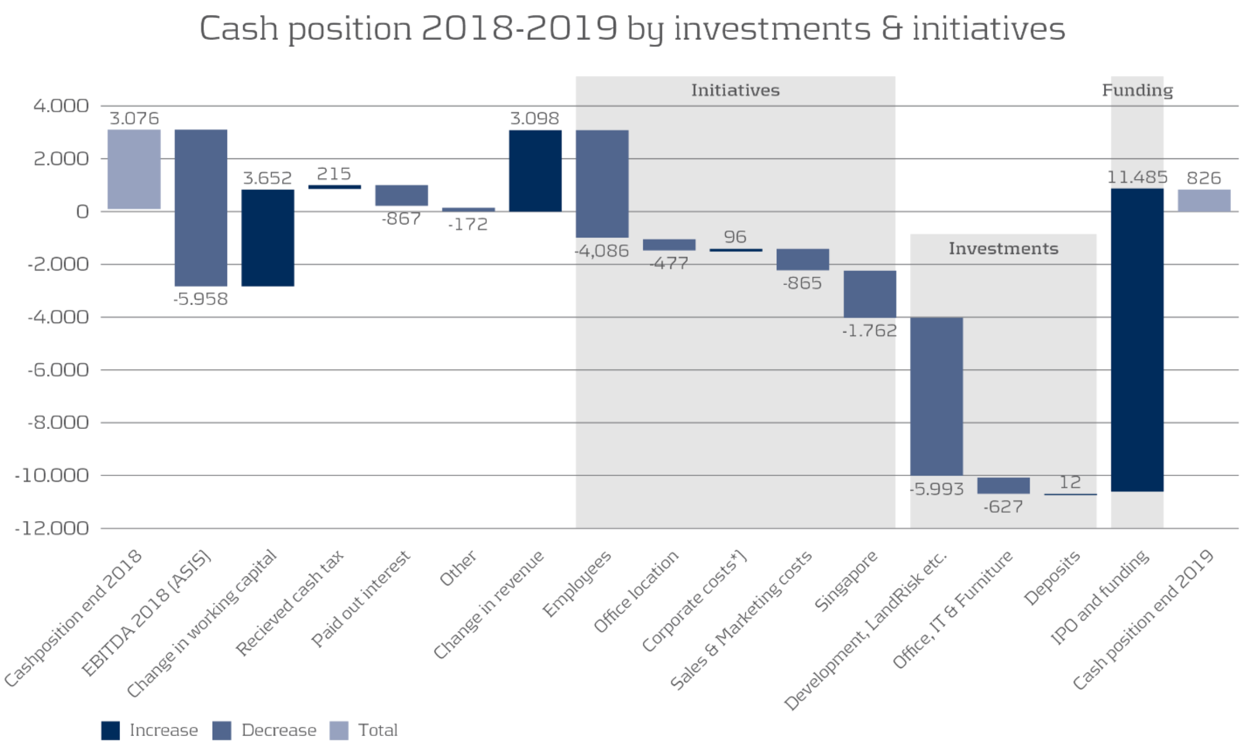
Cash Flows

Investments in Q4 amounted to DKK 874 thousand (Q4 2018: 1,240 thousand) and for 2019 in total DKK 6,608 thousand (2018: 3,139 thousand). The main part is related to the development of the LandRisk module in line with the Company's growth plan. Further to this the Company has finished the first phase of the AI project.

Cashflow from financing amounted to 1,887 thousand in Q4 2019 (Q4 2018 DKK -534 thousand). In 2019 Cashflow from financing ended at DKK 11,485 thousand (2018 DKK 11,315 thousand) equaling the capital increase in June 2019 and the long-term loans from a group of private lenders.

The development in cash position end of 2018 to end of 2019 can overall be explained as follows:

DKK 000	
Cash position end 2018	3.076
EBITDA 2018 (ASIS)	**-5.958**
Change in working capital	3.652
Received cash tax	215
Paid out interests	-867
Other	-172
Change in revenue	3.098
Investment in/initiatives	
Employees	-4.086
Office location	-477
Corporate	96
Sales & Marketing costs	-865
Singapore	-1.762
Investment in	
Development	-5.993
Office, IT & Furniture	-627
Deposits	12
Funding	
Capital raise and loan funding, net	11.485
Cash position end 2019	**827**



\) The change in corporate costs from 2018 to 2019 is positive because 2018 was significantly impacted by costs for the IPO.

Income Statement 1 January - 31 December 2019

	Note	2019 DKK	2018 DKK
Revenue		**14,220,894**	**11,122,594**
Other external costs		-10,720,397	-7,405,601
Gross profit		**3,500,497**	**3,716,993**
Staff costs	1	-13,677,279	-9,675,380
Earnings before interest taxes, depreciation and amortisation (EBITDA)		**-10,176,782**	**-5,958,387**
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-1,287,448	-843,516
Other operating costs		0	-345,342
Profit/loss before financial income and expenses		**-11,464,230**	**-7,147,245**
Financial costs		-867,041	-267,503
Net profit/loss for the year		**-12,331,271**	**-7,414,748**
Tax on profit/loss for the year	2	2,718,664	1,535,655
Profit/loss for the year		**-9,612,607**	**-5,879,093**
Distribution of profit	3		

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Assets			
Completed development projects		7,106,088	3,316,112
Development projects in progress		2,536,688	1,149,726
Intangible assets	4	**9,642,776**	**4,465,838**
Other fixtures and fittings, tools and equipment		2,107,068	1,852,372
Tangible assets	5	**2,107,068**	**1,852,372**
Investments in subsidiaries	6	5	0
Deposits		393,248	404,900
Fixed asset investments		**393,253**	**404,900**
Total fixed investments		**12,143,097**	**6,723,110**
Trade receivables		2,319,458	3,413,222
Other receivables		276,239	447,606
Deferred tax asset	7	2,164,427	786,007
Corporation tax		1,340,244	365,739
Prepayments	8	635,722	587,000
Receivables		**6,736,090**	**5,599,574**
Cash at bank and in hand		**826,533**	**3,075,702**
Current assets total		**7,562,623**	**8,675,276**
Assets total		**19,705,720**	**15,398,386**

Balance sheet 31 December

	Note	2019 DKK	2018 DKK
Equity and liabilities			
Share capital		838,709	766,914
Reserve for development projects		6,720,647	2,397,646
Retained earnings		-5,462,672	6,026,125
Total equity	9	**2,096,684**	**9,190,685**
Other credit institutions		1,447,857	2,022,669
Shareholders and management		7,000,000	0
Total non-current liabilities	10	**8,447,857**	**2,022,669**
Short-term part of long-term debt	10	585,315	409,248
Lease obligations		1,085,940	727,554
Other credit institutions		146,736	162,872
Trade payables		1,597,373	1,021,520
Payables to subsidiaries		11,106	0
Payables to shareholders and management		2,364,106	0
Other payables		2,879,905	1,218,340
Deferred income	11	490,698	645,498
Total current liabilities		**9,161,179**	**4,185,032**
Debt total		**17,609,036**	**6,207,701**
Liabilities and equity total		**19,705,720**	**15,398,386**
Rental commitments	12		
Charges and securities	13		

Statement of changes in equity

	Share capital DKK	Share premium account DKK	Reserve for development projects DKK	Retained earnings DKK	Total DKK
Equity at 1 January	766,914	0	2,397,646	6,026,125	9,190,685
Cash capital increase	71,795	2,446,811	0	0	2,518,606
Transfers, reserves	0	-2,446,811	0	2,446,811	0
Net profit/loss for the year	0	0	4,323,001	-13,935,608	-9,612,607
Equity at 31 December	**838,709**	**0**	**6,720,647**	**-5,462,672**	**2,096,684**

Cash flow statement 1 January - 31 December

	Note	2019 DKK	2018 DKK
Net profit/loss for the year		-9,612,607	-5,879,093
Adjustments		-513,247	-523,364
Change in working capital		3,651,863	42,212
Cash flows from operating activities before financial income and expenses		**-6,473,991**	**-6,360,245**
Financial expenses		-867,041	-267,503
Cash flows from ordinary activities		**-7,341,032**	**-6,627,748**
Corporation tax paid/received		214,810	214,397
Cash flows from operating activities		**-7,126,222**	**-6,413,351**
Purchase of intangible assets		-5,992,240	-1,662,449
Purchase of property, plant and equipment		-627,076	-1,126,774
Fixed asset investments made etc		-5	-349,493
Deposits		11,752	-
Cash flows from investing activities		**-6,607,559**	**-3,138,716**
Lease obligations		358,386	-23,170
Raising of loans from credit facilities		8,607,575	174,861
Cash capital increase		2,518,795	11,173,291
Other adjustments		-144	-9,796
Cash flows from financing activities		**11,484,612**	**11,315,186**
Change in cash and cash equivalents		**-2,249,169**	**1,763,119**
Cash and cash equivalents		3,075,702	1,312,583
Cash and cash equivalents		**826,533**	**3,075,702**
Analysis of cash and cash equivalents:			
Cash at bank and in hand		826,533	3,075,702
Cash and cash equivalents		**826,533**	**3,075,702**

Notes

		2019	2018
		DKK	DKK
1	**Staff costs**		
	Wages and salaries	12,160,900	8,782,952
	Pensions	1,149,153	698,741
	Other social security costs	136,102	63,218
	Other staff costs	231,124	130,469
		13,677,279	**9,675,380**
	Including remuneration to the Executive management and Board of Directors	**1,897,000**	**1,563,000**
	Average number of employees	22	14

According to section 98 B(3) of the Danish Financial Statements Act, renumeration to the Executive Board has not been disclosed in the comparative figures.

Until 1 July 2020, the Board has the right to issue a total of 595,080 warrants. The allocation of the warrant program is approximately 40 percent of warrants for employees and approximately 60 percent for Company management. Each warrant will provide the holder with the right to subscribe for one new share in the Company at a subscription rate of DKK 6.25. The warrants program is dedicated for allocation to Company management and employees. Under this program and within the authorisation of the 595,080 warrants given by the General Meeting in 2018 the Board of Directors has for 2019 decided to issue 130,110 warrants to employees (2018 issued warrants: 314,740). If fully issued and vested by July 2020 the program will lead to a cash impact of DKK 3,719,250.

	2019 DKK	2018 DKK
2 Tax on profit/loss for the year		
Current tax for the year	-1,340,244	-365,739
Deferred tax for the year	-1,378,420	-1,169,916
	-2,718,664	**-1,535,655**

	2019 DKK	2018 DKK
3 Resultatdisponering		
Transferred to reserve for development projects	4,323,001	1,059,792
Retained earnings	-13,935,608	-6,938,885
	-9,612,607	**-5,879,093**

4 Intangible assets

	Completed development projects DKK	Development projects in progress DKK
Cost at 1 January	7,657,639	1,149,726
Additions for the year	354,670	5,737,336
Transfers for the year	4,350,374	-4,350,374
Cost at 31 December	12,362,683	2,536,688
Impairment losses and amortisation at 1 January	4,341,527	0
Depreciation for the year	915,068	0
Impairment losses and amortisation at 31 December	5,256,595	0
Carrying amount at 31 December	**7,106,088**	**2,536,688**

Development projects are capitalized provided that the costs can be measured and attributed to development projects reliably.

Part of the development projects has been the ongoing development of the Risk Intelligence System with the platform and the modules MaRisk and PortRisk as well as the development of the third module, LandRisk. Risk Intelligence has during 2019 further developed the platform "Risk Intelligence System" with a range of new features and started migration to a Cloud-based solution. In 2019 the development of the LandRisk module has been finalized and launched 1 October.

During 2019 the Company has launched an ambitious data and artificial intelligence project over the next three years, which will substantially and fundamentally improve the use of data in Risk Intelligence and accelerate pace of operations and reduce production costs.

The development costs consist of both external and internal development costs. The external development costs are related to software development providers as well as external consultants working the development projects. These have been working on e.g. design, development and testing as well as improvement of performance prior to launch. The internal time spent directly on the projects has been activated as development costs.

5 Tangible assets

	Other fixtures and fittings, tools and equipment DKK
Cost at 1 January	2,033,422
Additions for the year	535,696
Cost at 31 December	2,569,118
Impairment losses and depreciation at 1 January	180,950
Depreciation for the year	372,380
Reversal of impairment and depreciation of sold assets	-91,280
Impairment losses and depreciation at 31 December	462,050
Carrying amount at 31 December	**2,107,068**
Value of leased assets	1,132,554

	2019 DKK	2018 DKK
6 Investments in subsidiaries		
Cost at 1 January	0	274,000
Additions for the year	5	0
Disposals for the year	0	-274,000
Cost at 31 December	5	0
Revaluations at 1 January	0	-62,247
Disposals for the year	0	62,247
Carrying amount at 31 December	**5**	**0**

Investments in subsidiaries are specified as follows:

Name	Registered office	Ownership interest
Risk Intelligence Singapore Pte. Ltd.	Singapore	100%

	2019	2018
	DKK	DKK

7 Provision for deferred tax

	2019 DKK	2018 DKK
Provision for deferred tax at 1 January	-786,007	383,909
Provision in year	-1,378,420	-1,169,916
Provision for deferred tax at 31 December	**-2,164,427**	**-786,007**

	2019 DKK	2018 DKK
Provisions for deferred tax on:		
Intangible assets	2,121,411	982,484
Property, plant and equipment	55,410	53,527
Tax loss carry-forward	-4,341,248	-1,822,018
Transferred to deferred tax asset	2,164,427	786,007
	0	**0**

	2019 DKK	2018 DKK
Deferred tax asset		
Calculated tax asset	2,164,427	786,007
Carrying amount	**2,164,427**	**786,007**

8 Prepayments

Prepayments comprise prepaid expenses regarding rent, insurance premiums, subscriptions and interest as well as fair value adjustments of derivative financial instruments with a positive fair value.

9 Equity

The share capital consists of 8,387,090 shares of a nominal value of DKK 0.1. No shares carry any special rights.

The share capital has developed as follows:

	2019 DKK	2018 DKK	2017 DKK	2016 DKK	2015 DKK
Share capital at 1 January	766,914	179,632	146,580	146,580	146,580
Additions for the year	71,795	587,282	33,052	0	0
Share capital	**838,709**	**766,914**	**179,632**	**146,580**	**146,580**

10 Long term debt

	Debt at 1 January	Debt at 31 December	Instalment next year	Debt outstanding after 5 years
	DKK	DKK	DKK	DKK
Other credit institutions	2,431,917	2,033,172	585.315	0
Shareholders and management	0	7,000,000	0	0
	2,431,917	**9,033,172**	**585.315**	**0**

11 Deferred income

Deferred income consists of payments received in respect of income in subsequent financial years.

	2019	2018
	DKK	DKK
12 Rental commitments		
Rental commitments		
Within 1 year	723,996	709,800
Between 1 and 5 years	1,508,325	2,188,550
After 5 years	0	0
	2,232,321	**2,898,350**

13 Charges and securities

As security for account with credit institution, floating charge of a total of DKK 2.500k has been taken out comprising simple claims inventory, operating equipment and intangible rights with a total carrying amount of DKK 4.427k.

14 Capital Ressources

The Company's cash policy is at any time to have enough cash to run the company for a period of 12 months according to plans and initiatives decided upon and still have 2-3 million as cash position. To achieve that, the Company is on an ongoing basis monitoring the cash flow and at any time will fund the Company further to reach the goals and fulfill the strategy. In 2020 the Company will ensure that the cash position will reflect the cash result throughout a 12-month period by either loan- or credit facilities or further funding if needed. At this point the Company has secured funding for all planned initiatives and investments for 2020.

The Company's cash position end 2019 was DKK 827 thousand and should always be seen together with Accounts Receivable, end 2019 DKK 2,319. The Company has never lost any outstanding amount on clients, which is why Accounts Receivable, seen from the Company perspective, are considered as good as cash. Account Receivable and Cash end 2019 was 3,146 DKK thousand.

Accounting policies

The annual report of Risk Intelligence A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium-sized reporting class C entities.

The annual report for 2019 is presented in DKK

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 amortisation, depreciation and impairment losses, 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 the asset 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 the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any instalments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Income statement

Revenue

Income from the sale of goods for resale, finished goods and licenses is recognised in the income statement, provided that the transfer of risk, usually on delivery to the buyer, has taken place and that the income can be measured reliably and is expected to be received.

Other external costs

Other external costs include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Other external costs also comprise research and development costs that do not qualify for capitalisation.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Balance sheet

Intangible assets

Development projects, patents and licenses

Development costs comprise costs, wages/salaries and amortisation losses that are directly and indirectly attributable to the company's development activities.

Developments projects recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

Following the completion of the development work, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 7 years.

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use.

Where individual parts of an item of property, plant and equipment have different useful lives, the cost is divided into separate parts, which are depreciated separately.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5-10	years

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses.

Leases

Leases for items of property, plant and equipment that transfer substantially all the risks and rewards incident to ownership to the company (finance leases) are recognised in the balance sheet as assets. On initial recognition, assets are measured at estimated cost, corresponding to the lower of fair value of the leased asset and the present value of the future lease payments. In calculating the net present value of the future lease payments, the interest rate implicit in the lease or the incremental borrowing rate is used as the discount factor. Assets held under finance leases are subsequently depreciated as the company's other non-current assets.

The capitalised residual lease commitment is recognised in the balance sheet as a liability, and the interest element of the lease payment is recognised in the income statement over the term of the lease.

All other leases are operating leases. Payments relating to operating leases and any other leases are recognised in the income statement over the term of the lease. The company's total liabilities relating to operating leases and other rent agreements are disclosed under 'Contingencies, etc.'.

Investments in subsidiaries

Investment in subsidiaries are measured at cost. If cost exceeds the recoverable amount, a write-down is made to this lower value.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Income tax and deferred tax

Current tax obligations and receivable tax is recognized in the balance sheet as calculated tax on profit/loss for the year, regulated tax from previous years, and account payments.

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystalise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Deferred income

Deferred income recognised under 'Current liabilities' comprises payments received concerning income in subsequent financial years.

Cash flow statement

The cash flow statement shows the company's cash flows for the year, broken down under cash flows from operating, investing and financing activities, the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and at the end of the year.

The cash flow effect of additions and disposals of entities is shown separately under cash flows from investing activities. The cash flow statement includes cash flows from acquired entities from the time of acquisition, and cash flows from sold entities are included until the date of sale.

Cash flows from operating activities

Cash flows from operating activities are stated as the company's profit or loss for the year, adjusted for non-cash operating items, changes in working capital and paid income taxes.

Cash flows from investing activities

Cash flows from investing activities comprise payments related to the acquisition and sale of entities and activities as well as intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the company's share capital and related costs, as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months, and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Financial highlights

Definitions of financial ratios.

Return on assets	Profit/loss before financials x 100 Average assets
Solvency ratio	Equity at year-end x 100 Total assets at year-end

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