



2018 Annual Report

for the period 1 January to 31 December 2018

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

RiskIntelligence

Annual Report 2018

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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

Chairman of the Meeting

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 2018. 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January to 31 December 2018. 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, 27 March 2019

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 to 31 December 2018, 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 2018 and of the results of the Company's operations and cash flows for the financial year 1 January to 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 (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, 27 March 2019

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 2018

Incorporated: 11 December 2003

Domicile: Gentofte

Board of Directors

Jan Holm, chairman
Stig Streit Jensen
Jens Lorens Poulsen
Jens Otto Holst
Hans Tino Hansen

Executive management

Hans Tino Hansen

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:

DKK '000	2018	2017	2016	2015	2014
Key Figures					
Gross profit	3.717	7.182	6.770	6.819	4.656
Profit/loss before amortization/ depreciation and impairment losses (EBITDA)	-5.958	656	360	970	67
Net financials	-268	-596	-381	121	-127
Profit/loss for the year	-5.879	-939	-495	460	-405
Balance sheet total	15.398	9.036	5.917	4.684	4.077
Investment in property, plant and equipment	1.127	37	13	19	8
Investment in development projects	1.662	975	945	1.154	817
Equity	9.191	3.896	-164	579	119
Financial ratios					
Return on assets	-58,6%	-7,2%	-3,6%	11,6 %	-10,9%
Solvency ratio	59,7 %	43,4 %	-2,8%	12,4 %	2,9 %

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 2018 continued to be the delivery of threat and risk assessments through the online intelligence platform, Risk Intelligence System (MaRisk + PortRisk). 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 2018 shows a loss of DKK 5.879.093, and the balance sheet at 31 December 2018 shows equity of DKK 9.190.685.

Highlights

- Risk Intelligence System recurring revenue increased to 77% of total revenue in 2018 from 55% in 2017 corresponding to a 40% increase.
- Confirmed revenue for 2019 as of 1 January constituted 11.6m DKK with 10m DKK as recurring revenue and more than the total revenue of 2018.
- With a larger recurring revenue base and new sales organization in place, Risk Intelligence is on track to double its existing (maritime) business by 2020 compared to 2017 as planned.
- The Company launched the LandRisk beta version test in January and have had more positive feedback than expected from invited Beta test participants.
- The fundamental business of Risk Intelligence is profitable, yet large new initiatives and investments to scale the Company's business and to create the necessary basis for future growth of about 6.7m DKK in 2018 have led to an EBITDA for 2018 of -5.9m DKK as planned, of which about 0.8m DKK was one-off costs.

We are proud to file the first end of year statement of Risk Intelligence as a listed Company. Going public six months ago was about creating the foundation for scaling of our existing mainly maritime business, and expansion of our reach into the much larger market for land-based security risks, and we are pleased to report that we are well underway.

Risk Intelligence is now a true recurring revenue Company

As part of our strategy we decided to increase the long-term ratio of recurring revenue, i.e. recurring subscription-based revenue from clients buying continued access to our web-based Risk Intelligence System, to 90% of total revenue. By doing so we are transforming the business profile into an identity like a subscription-based "Software as a Service" Company, thereby the business becomes more predictable, scalable and more valuable. In addition, our weekly reports, which are also fully scalable, are also generating recurring revenue. Quickly after the IPO it became clear that we could increase the recurring revenue ratio faster by focusing our sales efforts solely on Risk Intelligence System license sales.

We are therefore pleased to report, that the 2018 Risk Intelligence System license recurring revenue reached 8.6m DKK or 77% of total revenue (a significant increase from 55% in 2017) and importantly, the Q4 2018 System license recurring revenue reached 87% (over 70% in Q4 2017). The amount of total recurring revenue (Risk Intelligence System and weekly reports) reached 10m DKK or 89% of total revenue in 2018 (over 79% in 2017).

Normally, a stronger focus upon subscription revenue over less valuable, ad-hoc consulting revenue has a negative impact on short term total revenue. On this background, we are pleased to report not only a major change in revenue composition in favor of recurring revenue, but at the same time we managed to deliver a modest, yet important growth in aggregate sales of 3% in 2018. In addition, we had a 100% renewal rate in Q4 2018, which is in line with the overall 98+% renewal target.

This boils down to a total, confirmed revenue for 2019 as of 1 January of 11.6m DKK which is an increase of 5m DKK (+75%) compared to 1 January 2018. The confirmed revenue for 2019 was already higher than the total turnover of 2018. With often only marginal cost for each new license subscription sale on the System, this means that from now, all new sales equals growth in top-line as well as on the bottom line. Subsequently, the goal of doubling of revenue in the maritime business by the end of 2020 compared to 2017 will be reached with a continued 5m DKK growth in recurring revenue in 2019 and 2020.

Importantly, each Risk Intelligence System license sold has an estimated total long-term value of up to 10 times the first year's license fee. This observation is supported by the fact that some of the original System clients renewed their license for the 12th time in Q4 2018 and translates into a conservatively estimated (without price increases) aggregate license revenue from existing contracts of 85-100m DKK.

LandRisk development is progressing better than planned

The development of LandRisk is proceeding at pace. The Beta-test campaign launched in January has generated stronger than expected interest with more than 28 companies joining and even more are on the way in. This means that we are on track and will have substantial engagement and cooperation with our clients and partners to launch the first fully commercial version round 1 October 2019. The LandRisk sales process will start earlier with offerings to the companies participating already.

In short, we have had a quite positive start of our life as a listed company and look forward to harvesting upon the new initiatives and investments in 2019 and beyond.

The expectations for 2019 is that Risk Intelligence with the new capitalization will achieve growth in turnover, however the result will still be negative as a consequence of the initiation of the new plans. There are no special circumstances or assumptions besides these.

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 2019 the Company will secure that the cash position will reflect the cash burn 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 2019.

Research and development activities in and for reporting entity

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

Risk Intelligence has during 2018 further developed the platform "Risk Intelligence System" with a range of new functions. In 2018 the development of the LandRisk module has been taken to higher level with significant investments. A test version was finished during autumn 2018 for Pilot project clients to get access. At the end of 2018 a beta version was finished for test clients to get access at the beginning of 2019.

Development costs consist partly of internal time spend directly on the projects, partly 3rd party costs that are directly related and partly of consulting costs to consultants who have several tasks and where the part of their invoicing is related to development tasks is activated and partly direct consumption of internal resources. The work consists of design, development and testing as well as improvement of performance.

Significant events occurring after end of reporting period

No events have occurred after the balance sheet date which could significantly affect the company's financial position.

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
 Dropboy ApS, Denmark, 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 Nordics ApS, Board Member
 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 Risk Intelligence System (MaRisk + PortRisk) that allows clients to monitor global security risks to enable businesses to plan and implement missions in risk areas. Intelligence data is collected from direct local sources, on-site-analysts and from a major international intelligence network.

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 – 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 – Risk Intelligence was listed on Spotlight Stock Market, Stockholm Sweden 17 August 2018. Through the IPO, the Company raised DKK 12 m in capital based on the story of future growth and development of the Company as stated in the IPO memorandum of 29 June 2018. According to the plan the Company stepped up and hired employees in all departments throughout 2018, including Sales, Finance, Production and Development. Furthermore, the Company strengthened both the management team and the Board of Directors in 2018. As for the sales department a team of 5 people sets the agenda for approaching current and potential future clients. As for the development of the LandRisk module a department of 5 highly skilled people is now developing the LandRisk product in close cooperation with pilot project clients. By the end of 2018 the process of developing LandRisk had its first important milestone as the Beta version was ready for test of the Pilot project clients.

During 2018 significant contracts with new clients were signed, worth mentioning would be U.S. Navy's Space and Naval Warfare Systems Center Pacific, DFDS, and Norient Product Pool and finally the corporation with GNS of selling Risk Intelligence systems through GNS's Voyager HUB platform was an important milestone.

Risk Intelligence System

The Risk Intelligence System is a digital solution that was developed in close collaboration with global businesses established in the fields of shipping, gas, oil and the offshore segment. The digital platform has been designed based on customer needs along with the experienced risk analysts at Risk Intelligence. The Risk Intelligence System offers customers a complete picture of immediate and long-term security risks for coastal, ocean and port areas. 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 currently two modules in the Risk Intelligence System - MaRisk and PortRisk. The Company is developing a third module, LandRisk for risk intelligence on land.



MaRisk has been developed in close cooperation with shipping companies established in shipping, offshore, oil and gas. The module has been a part of the Risk Intelligence System since 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. The subscription of the MaRisk module includes:

- Global maps including digital charts.
- Event updates 24 hours a day.
- Access to the Risk Intelligence Duty OPS watch team for questions.
- Risk assessment of the sea areas.
- Statistics, recommendations and guidance.
- Integration of satellite fleet tracking.

PortRisk has been included in the Risk Intelligence System since 2015. The module presents updated safety information on ports and sea-level terminals in medium to high risk areas around the world.

PortRisk monitors more than 210 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 analysed by a Risk Intelligence team in place. The subscription of the PortRisk module includes:

- Global maps (including digital charts).
- Port data with IMO code and ISPS level.
- Port and terminal risk, vulnerability and threat assessment.
- Assessment of city security threats and guidance for crew changes.
- Anti-fraud.
- Facility Security Information.

The LandRisk module is under development and Risk Intelligence aims to launch the module during the third quarter of 2019. LandRisk will complement Risk Intelligence's existing products and services, as well as complete the Risk Intelligence System as a complete system for all relevant transport-related safety information. Based on existing modules, MaRisk and PortRisk, the development of LandRisk is based on knowledge and experience from previous modules. LandRisk will combine the entire logistics chain to simplify operations on all relevant transport related security intelligence. LandRisk will include the same functions as MaRisk and PortRisk regarding real-time incident reporting, security information for terminals, land and road traffic assessments and satellite tracking integration.

Risk Intelligence Business Model

Business Model

Risk Intelligence business model is divided into three areas:

1. Subscription/Recurring: (77% in 2018). Sale of subscription licenses that provide access to the Risk Intelligence System (MaRisk + PortRisk) 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. About 98 percent renew their subscription and several of the Company's customers have renewed their subscriptions for the 12th time. LandRisk will, when launched in October 2019, 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 more for additional users and/or API integration.

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 more for additional users and/or API integration.

2. Reports/Recurring: (12% in 2018). 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: (11% in 2018). 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 89% of total revenues in 2018. The renewal rate in Q4 was 100% and average renewal rate is 98+%. Total recurring revenue for 2018 was about 10m DKK and with an assessed life-cycle of 10 years the estimated license value for existing licenses is in the range of 85 to 100m DKK not including price increases as included in the license agreement.

The total registered sales as of 1 January 2019 for 2019 was 11.6m DKK which is an increase of 5m DKK compared to 1 January 2018. With a similar increase in recurring revenue in 2019 and 2020 Risk Intelligence will reach the aim of doubling existing revenue compared to 2017 to 22m DKK by 2020.

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. Risk Intelligence has launched the Client Portal, which essentially is a web shop for clients, in October 2018 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.

Shareholders

The table below presents shareholders with over 5 % of the votes and capital in Risk Intelligence as per 31 December 2018.

Name	Number of shares	Percentage of capital (%)	Percentage of voting right (%)
Sandbjerg Holding ApS	3,000,000	39.12	41.18
Stefan Nonboe	795,780	10.38	10.92
Polaris Maritime Solutions Ltd	565,905	7.38	7.51
Other	3,307,455	43.12	40.39
Total	7,669,140	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 2018, the number of shares was 7,669,140. 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.

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.

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 2018 – 31 December 2018.

Annual general meeting and annual report 2018

The Annual General Meeting of Risk intelligence will be held in Copenhagen, Denmark on 24 April 2019 at 10:00 a.m.

Financial Calendar

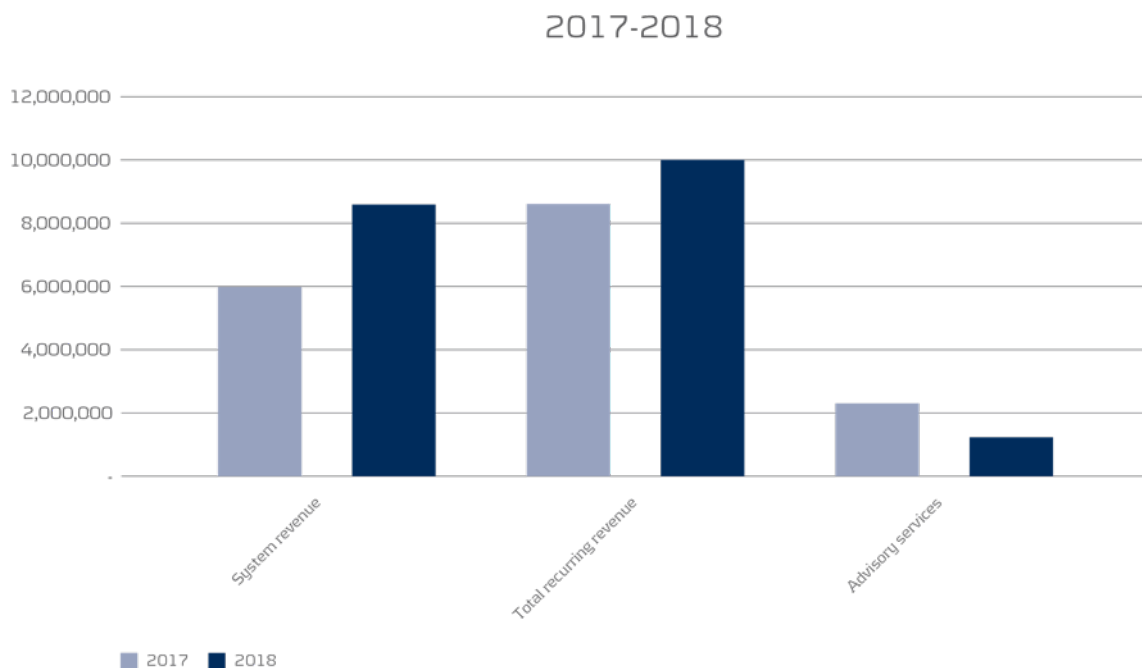
24 April 2019	Annual General Meeting
22 May 2019	Q1 2019
21 August 2019	Q2 2019
20 November 2019	Q3 2019
26 February 2020	Q4 2019 and Year-end report

Financial Review

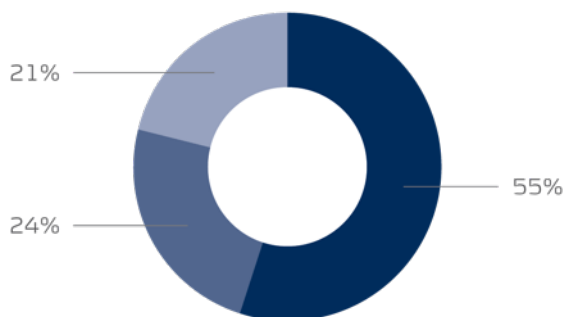
Income Statement

Revenue ended at DKK 11,123 thousand (2017: DKK 10,980 thousand), an increase of 2%.

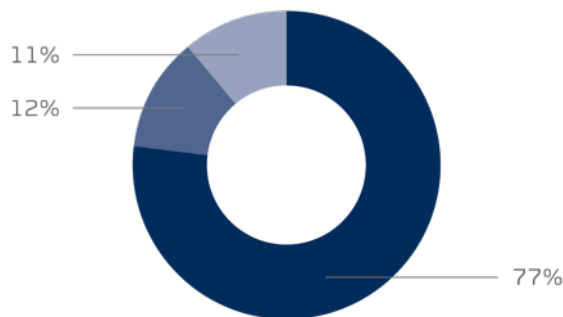
Total recurring revenue increased with 15% to DKK 9,952 thousand compared to 2017 (2017: DKK 8,659 thousand) and reached a total recurring revenue ratio of 89% compared to 79% in 2017.



Revenue ratio 2017



Revenue ratio 2018



■ System (recurring) ■ Other subscription (recurring) ■ Advisory

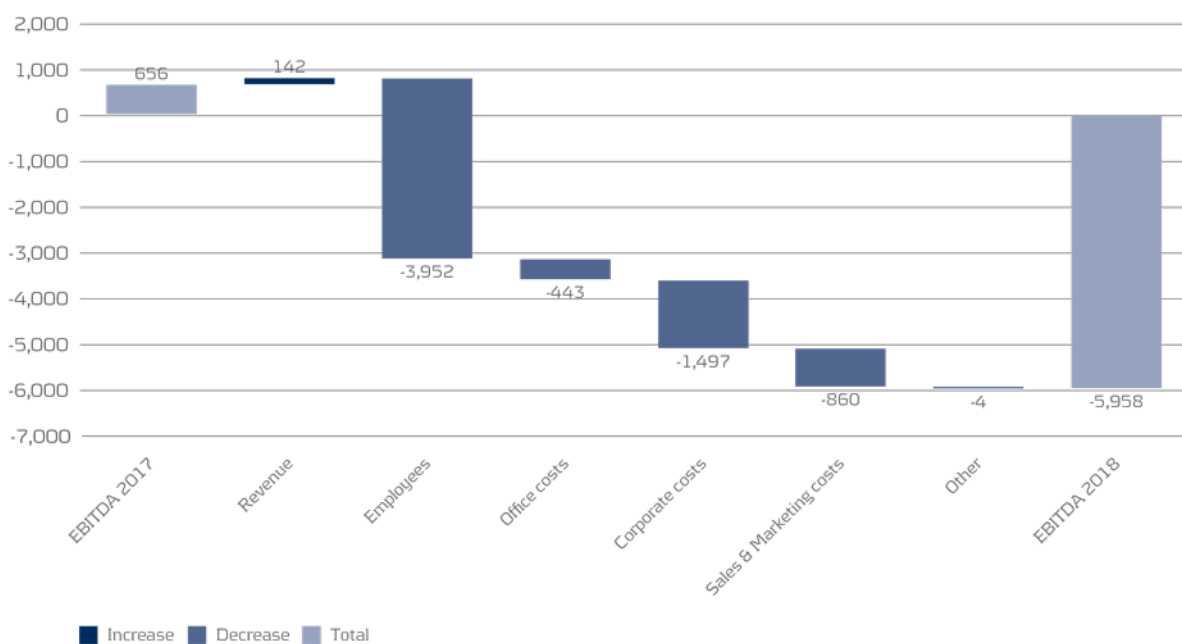
The gross profit decreased 48% to DKK 3,717 thousand (2017: DKK 7,182 thousand), corresponding to a gross margin of 33.4% (2017: 86,4%).

As part of the Company's announced 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 were due to this impacted significantly compared to 2017.

Staff costs amounted to DKK 9,675 thousand (2017: DKK 6,527 thousand). An increase of DKK 3,199 thousand or 48% which represents the investment and development of the organisation to achieve the future goals.

EBITDA decreased by DKK -6,614 thousand to DKK -5,958 thousand (2017: DKK 656 thousand). The decrease in EBITDA can be explained by initiatives made by the Company in investing in employees, new office location, corporate costs and development of the sales and client engagement activities. The EBITDA ratio decreased to -53.6% (2017: 6,0%).

EBITDA 2017-2018 by initiatives



DKK 000'	
EBITDA 2017	656
Revenue	142
Investments in/initiatives:	
Employees	-3.952
Office costs	-443
Corporate costs	-1.497
Sale & Marketing costs	-860
Other	-4
EBITDA 2018	-5.958

Balance Sheet

The balance sheet total was DKK 15,399 thousand at the end of 2018 (end of 2017: DKK 8,986 thousand). An increase mainly due to the capital increase and a higher activity level in general as a larger Company.

Equity at the end of 2018 increased to DKK 9,191 thousand (end of 2017: DKK 3,896 thousand) due to the capital increase. The equity ratio amounted to 59.7% (end of 2017: 43,3%).

Cash Flows

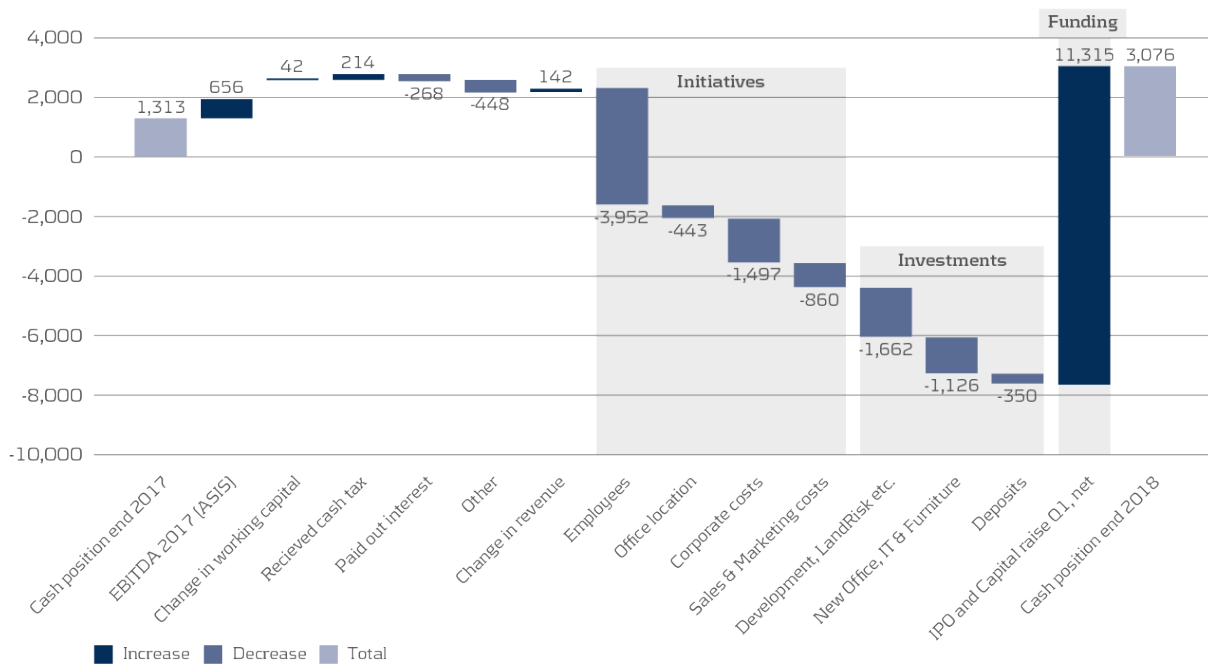
Cash flow from operating activities decreased to DKK -6,413 thousand in 2018 (2017: DKK -4,087 thousand). The decrease is mainly due to investment in a larger organization of DKK -3,952 thousand, higher office costs for a more representative office DKK -443 thousand, DKK -1,497 thousand for higher corporate costs and investment in the sale and marketing approach of DKK -860 thousand. Due to above and because of the capital increase, the cash position end of 2018 was DKK 3,076 thousand (end 2017: DKK 1,313 thousand).

Cash flow from investing activities amounted to DKK -3,138 thousand (2017: DKK -1,832 thousand). Part of the Company's growth plan is to develop the LandRisk module. In 2018 the investment in LandRisk and current system in general was DKK -1,662 thousand. Other investments in tangible asset was a new DutyOps room, a new office location and furniture/equipment for the new and larger organization and an upgrade on the IT side amounting in total of DKK -1,126 thousand. Change in deposits of DKK -350 thousand is regarding the new office. Cash flow from financing activities amounted to positive DKK 11,315 thousand (Q1-Q4 2017: DKK 7,137 thousand) and corresponds the IPO in August 2018 and a capital raise early 2018.

Cash position end of 2018 was DKK 3,076 (end of 2017 DKK 1,313 thousand). The development in cash position end of 2017 to end of 2018 can overall be explained as follows:

DKK 000'	
Cash position end 2017	1.313
EBITDA 2017 (ASIS)	656
Change in working capital	42
Recieved cash tax	214
Paid out interests	-268
Other	-448
Change in Revenue	142
Investments in/ initiatives	
Employees	-3.952
Office location	-443
Corporate costs	-1.497
Sale & Marketing costs	-860
Investments in	
Development, LandRisk	-1.662
Office, IT & furniture	-1.126
Deposits	-350
Funding:	
IPO Q3 and Capital raise Q1, net	11.315
Cash position end 2018	3.076

Cash position 2017-2018 by investments & initiatives



Income Statement 1 January – 31 December 2018

DKK	Note	2018	2017
Revenue		11,122,594	10,980,421
Other external costs		-7,405,601	-3,797,943
Gross profit		3,716,993	7,182,478
Staff costs	1	-9,675,380	-6,526,729
Earnings before Interests, Depreciation and Amortization (EBITDA)		-5,958,387	655,749
Depreciation, amortization and impairment of intangible assets and property, plant and equipment		-843,516	-764,430
Other operating costs		-345,342	-428,769
Profit/loss before financial income and expenses		-7,147,245	-537,450
Income from investments in subsidiaries		0	-62,247
Financial costs		-267,503	-534,037
Net profit/loss for the year		-7,414,748	-1,133,734
Tax on profit for the year	2	1,535,655	194,315
Profit/loss for the year		-5,879,093	-939,419
Proposed distribution of profit			
Transfer of profits for development projects		1,059,792	606,252
Retained earnings		-6,938,885	-1,545,671
		-5,879,093	-939,419

Balance sheet 31 December

DKK	Note	2018	2017
Assets			
Completed development projects		3,316,112	3,384,749
Development projects in progress		1,149,726	101,760
Intangible assets	3	4,465,838	3,486,509
Other fixtures and fittings, tools and equipment		1,852,372	787,264
Tangible assets	4	1,852,372	787,264
Investments in subsidiaries	5	0	211,753
Deposits		404,900	55,407
Fixed asset investments		404,900	267,160
Total fixed investments		6,723,110	4,540,933
Trade receivables		3,413,222	2,331,126
Receivables from related parties		0	81,250
Other receivables		447,606	55,804
Deferred tax asset	6	786,007	0
Corporation tax		365,739	214,397
Prepayments	7	587,000	449,961
Receivables		5,599,574	3,132,538
Cash at bank and in hand		3,075,702	1,312,583
Current assets total		8,675,276	4,445,121
Assets total		15,398,386	8,986,054

Balance sheet 31 December

DKK	Note	2018	2017
Equity and liabilities			
Share capital		766,914	179,632
Reserve for development projects		2,397,646	1,337,854
Retained earnings		6,026,125	2,379,001
Total equity	8	9,190,685	3,896,487
Provision for deferred tax	6	0	383,909
Total provisions		0	383,909
Other credit institutions		2,022,669	2,419,928
Total non-current liabilities	9	2,022,669	2,419,928
Short-term part of long-term debt	9	409,248	0
Lease obligations		727,554	750,724
Other credit institutions		162,872	0
Trade payables		1,021,520	745,747
Payables to subsidiaries		0	221,893
Other payables		1,218,340	364,663
Deferred income	10	645,498	202,703
Total current liabilities		4,185,032	2,285,730
Debt total		6,207,701	4,705,658
Liabilities and equity total		15,398,386	8,986,054
Rental commitments	11		
Charges and securities	12		

Statement of changes in equity

2018 DKK	Share capital	Share premium account	Reserve for development projects	Retained earnings	Total
Equity at 1 January 2018	179,632	0	1,337,854	2,416,500	3,933,986
Net effect from change of accounting policy	0	0	0	37,499	-37,499
Adjusted equity at 1 January	179,632	0	1,337,854	2,379,001	3,896,487
Cash capital increase	204,006	10,969,285	0	0	11,173,291
Transfer, reserves	383,276	-10,969,285	1,059,792	10,586,009	1,059,792
Net profit/loss for the year	0	0	0	-6,938,885	-6,938,885
Equity at 31 December 2018	766,914	0	2,397,646	6,026,125	9,190,685

Cash flow statement 1 January – 31 December

DKK	2018	2017
Net profit/loss for the year	- 5,879,093	-939,419
Adjustments	-523,364	1,166,399
Change in working capital	42,212	-3,886,881
Cash flows from operating activities before financial income and expenses	-6,360,245	-3,659,901
Financial expenses	-267,503	-534,037
Cash flows from ordinary activities	-6,627,748	-4,193,938
Corporation tax paid	214,397	107,432
Cash flows from operating activities	-6,413,351	-4,086,506
Purchase of intangible assets	-1,662,449	-974,531
Purchase of property, plant and equipment	-1,126,774	-856,093
Fixed asset investments made etc.	-349,493	-1,185
Cash flows from investing activities	-3,138,716	-1,831,809
Reduction of lease obligations	-23,170	0
Repayment of payables to subsidiaries	0	-33,469
Raising of loans from credit institutions	174,861	2,419,928
Lease liabilities assumed	0	750,724
Cash capital increase	11,173,291	3,999,927
Other adjustments	-9,796	0
Cash flows from financing activities	11,315,186	7,137,110
Change in cash and cash equivalents	1,763,119	1,218,795
Cash and cash equivalents	1,312,583	93,788
Cash and cash equivalents	3,075,702	1,312,583
Analysis of cash and cash equivalents:		
Cash at bank and in hand	3,075,702	1,312,583
Cash and cash equivalents	3,075,702	1,312,583

Notes

1 Staff costs DKK	2018	2017
Wages and salaries	8,782,952	6,021,465
Pensions	698,741	412,023
Other social security costs	63,218	62,620
Other staff costs	130,469	30,621
	9,675,380	6,526,729
Including remuneration to the Executive management and Board	1,563,00	0
Average number of employees	14	10

According to section 98 B(3) of the Danish Financial Statements Act, remuneration to the Executive Board has not been disclosed for 2017.

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. The exercise period will be in 2020.

2	Tax on profit/loss for the year DKK	2018	2017
	Current tax for the year	-365,739	-214,397
	Deferred tax for the year	-1,169,916	20,082
		-1,535,655	-194,315

3	Intangible assets DKK	Completed development projects	Development projects in progress
	Cost at 1 January	7,043,156	101,760
	Additions for the year	614,483	1,047,966
	Cost at 31 December	7,657,639	1,149,726
	Impairment losses and amortisation at 1 January	3,658,407	0
	Depreciation for the year	683,120	0
	Impairment losses and amortisation at 31 December	4,341,527	0
	Carrying amount at 31 December	3,316,112	1,149,726

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

Development projects

Risk Intelligence has during 2018 further developed the platform "Risk Intelligence System" with a range of new functions. In 2018 the development of the LandRisk module has been taken to higher level with significant investments. A test version was finished during autumn 2018 for Pilot project clients to get access. At the end of 2018 a beta version was finished for test clients to get access at the beginning of 2019.

Development costs consist partly of internal time spend directly on the projects, partly 3rd party costs that are directly related and partly of consulting costs to consultants who have several tasks and where the part of their invoicing is related to development tasks is activated and partly direct consumption of internal resources. The work consists of design, development and testing as well as improvement of performance.

4 Tangible assets DKK	Other fixtures and fittings, tools and equipment
Cost at 1 January	906,548
Additions for the year	1,126,774
Cost at 31 December	2,033,322
Impairment losses and depreciation at 1 January	119,284
Depreciation for the year	160,394
Reversal of impairment and depreciation of sold assets	-98,728
Impairment losses and depreciation at 31 December	180,950
Carrying amount at 31 December	1,852,372
Value of leased assets	748,905

5 Investments in subsidiaries DKK	2018	2017
Cost at 1 January	274,000	274,000
Disposals for the year	-274,000	0
Cost at 31 December	0	274,000
Revaluations at 1 January	-62,247	-62,247
Disposals for the year	62,247	0
Revaluations at 31 December	0	-62,247
Carrying amount at 31 December	0	211,753

6 Provision for deferred tax DKK	2018	2017
Provision for deferred tax at 1 January	382,909	363,827
Provision in year	-1,169,916	20,082
Provision for deferred tax at 31 December	-787,007	383,909
Provisions for deferred tax on:		
Intangible assets	982,484	767,032
Property, plant and equipment	53,527	639
Tax loss carry-forward	-1,822,018	-383,762
	0	383,909
Deferred tax asset		
Calculated tax asset	786,007	0
Carrying amount	786,007	0

7 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.

8 Equity

The share capital consists of 766,914 shares of a nominal value of DKK 0.10. No shares carry any special rights.

The share capital has developed as follows:

DKK	2018	2017	2016	2015	2014
Share capital at 1 January	179,632	146,580	146,580	146,580	134,855
Additions for the year	587,282	33,052	0	0	11,725
Share capital	766,914	179,632	146,580	146,580	146,580

9 Long term debt DKK	Debt at 1 January	Debt at 31 December	Installment next year	Debt outstanding after 5 years
Other credit institutions	2,419,928	2,431,917	409,248	0
	2,419,928	2,431,917	409,248	0

10 Deferred income

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

11	Rental commitments DKK	2018	2017
	Rental commitments		
	Within 1 year	709,800	44,000
	Between 1 and 5 years	2,188,550	0
	After 5 years	0	0
		2,898,350	44,000

12 Charges and securities

As security for account with credit institution, floating charge of a total of DKK 2,850k has been taken out comprising simple claims inventory, operating equipment and intangible rights with a total carrying amount of DKK 5,266k.

Accounting policies

The annual report of Risk Intelligence A/S for 2018 has been prepared in accordance with the provisions of the Danish Financial Statements Act concerning medium sized reporting class C entities.

The Company has voluntarily chosen to present the annual report in accordance with the provisions for companies in Class C. The transition from Class B to Class C has resulted in a change in the measurement of financial leasing contracts as well as added disclosure requirements.

The above is corrected directly in the comparative figures and the effect is recognized directly on the equity. The correction has increased the negative result for 2017 by TDKK 37 and also reduced the equity by TDKK 37. The Company's balance as of 31 December 2017 has been changed by TDKK 763 due to the correction above.

The accounting policies applied, except from above, remain unchanged from previous years.

The annual report for 2018 is presented in DKK

As of 1 January 2018, the merger between Risk Intelligence A/S and Custos ApS was completed with Risk Intelligence A/S at the continuing Company.

The merger was carried out by the "book value" method without adjusting the comparative figures from previous years. The net assets were incorporated by the booked values and adjustments here of was posted directly in the equity.

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, realized 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

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 five to seven 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. The cost of self constructed assets comprises direct and indirect costs of materials, components, sub suppliers and wages.

Interest expenses on loans obtained specifically for the purpose of financing the manufacture of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognised in the income statement.

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 and associates

Investment in subsidiaries and associates 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 crystallise 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

$$\frac{\text{Profit/loss before financials} \times 100}{\text{Average assets}}$$

Solvency ratio

$$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$$

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