

Q1 2019 Interim Report

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

RiskIntelligence

Q1 2019 Interim Report

1 January 2019 – 31 March 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.

Statement by the Board of Directors

The Board of Directors provide their assurance that the interim report provides a fair and true overview of the Company's operations, financial position and results.

Hellerup, 22 May 2019

Jan Holm – Chairman of the Board

Hans Tino Hansen – Board member and CEO

Stig Streit Jensen – Board member

Jens Munch Holst – Board member

Jens Lorens Poulsen – Board member

Key figures and selected financial posts

DKK '000	Q1 2019	Q1 2018	Q1-Q4 2018
Net sales	3,199	1,802	11,123
Operating profit (EBITDA)	-2,367	-937	-5,958
Profit after financial items	-2,796	-1,283	-7,415
Profit/loss for the year	-2,181	-1,000	-5,879
Total assets	13,236	9,007	15,399
Operating margin			
Cash flow from operating activities	1,941		-6,413
Cash flow from investing activities	-855		-3,139
Equity ratio	53,0 %	54,4 %	59,7 %
Number of registered shares	7,669,140	179,632	7,669,140
Earnings per share *)	-0.28	-5.57	-0.77
Number of employees	21	10	19

Definitions

Operating margin: Operating profit divided by net sales.

Equity ratio: Equity divided by total assets.

*) Earnings per share is not adjusted for change in number of registered shares

Highlights during Q1 2019

- On 26-28 March 2019 Risk Intelligence attended the TAPA EMEA Berlin 2019 Conference.

Highlights after the period

- On 4 April 2019 Risk Intelligence announced that the revenue was increased by 78% compared to Q1 2018.
- On 24 April 2019 the Annual General Meeting in Risk Intelligence was held.
- On 7 May 2019 Risk Intelligence announced that the Beta testing of LandRisk is progressing according to plan.
- On 22 May 2019 Risk Intelligence announced that the Company launches large data and AI project funded by a combination of a directed issue of shares and warrants and long-term financing from Vækstfonden (The Danish Growth Fund).
- On 22 May 2019 Risk Intelligence called for an Extraordinary General Meeting to authorise the board of directors to issue share purchase options (warrants).

CEO Hans Tino Hansen

The development of LandRisk has now passed several important milestones and follows our project scope and plan. Together with the client pilot projects and beta testers, we are adapting LandRisk so that our product addresses the challenges and demand existing in the market. LandRisk as a platform module is close to be finalized and will be launched in October 2019 after production and updates of its content. LandRisk will together with the existing products, MaRisk and PortRisk, provide clients with a seamless end-to-end security risk intelligence system.



During our participation in the Transport Assets Protection Association (TAPA) supply chain security conference in Berlin, we experienced great interest in the displayed LandRisk beta version. Following the conference, several companies were enrolled in the beta test program. Currently 37 companies (existing and potential new clients) and more than 50 test users are using LandRisk Beta.

The substantial interest in LandRisk indicates a gap in the market for security information and analysis for landside transportation. By providing the market with a fully integrated system (MaRisk + PortRisk + LandRisk), to monitor and assess security risk throughout the supply logistic chain, we are facilitating the risk analysis process for the clients.

The Risk Intelligence growth plan is now starting to yield results. During the first quarter, due to a combination of increased new sales of licenses and services, and increasing recurring revenue, Risk Intelligence has increased its revenues with 78% in Q1 2019 (3,199,850 DKK) compared to Q1 2018 (1,801,599 DKK). Sales have been derived from both existing as well as new commercial and governmental clients. This is a strong signal that we are ahead of our growth plan and on the right path to deliver what we promised in connection with our IPO – to double our existing maritime market revenue from 2017 by 2020.

Through the investments and new initiatives made in the second half of 2018, we have accelerated and scaled up our business and I am expecting more results to come during 2019. At the same time, it is important to stress that the investments and initiatives will continue to produce negative EBITDA throughout 2019.

Hans Tino Hansen
CEO
Risk Intelligence A/S

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.



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 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.

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 March 2019.

Name	Number of shares	Percentage of capital (%)	Percentage of voting right and capital (%)
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 August 17, 2018. The short name/ticker is RISK and the ISIN code is DK0061031978. As per 31 March 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).

Principles for Interim Report

The interim report has been made in accordance with Danish jurisdiction for annual accounts.

Auditor's review

The interim report has not been reviewed by the Company's auditor.

For further information, please contact

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CFO Jens Krøis

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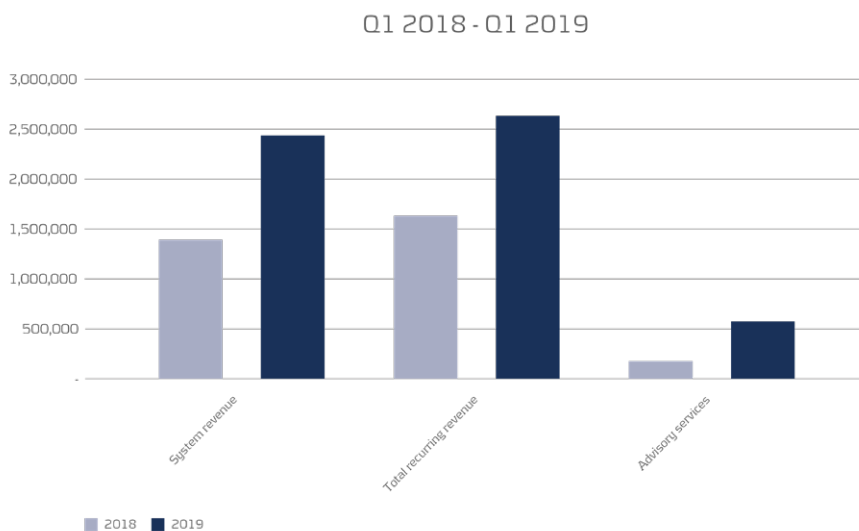
Cell Phone: (+45) 7026 6230

Website: www.riskintelligence.eu

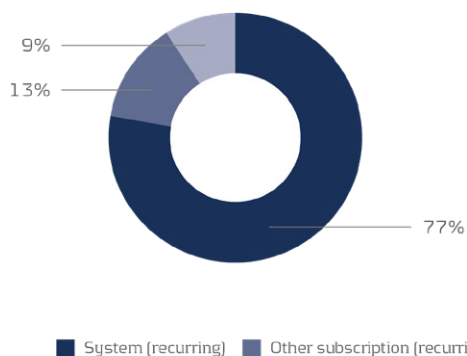
Financial Review

Income Statement

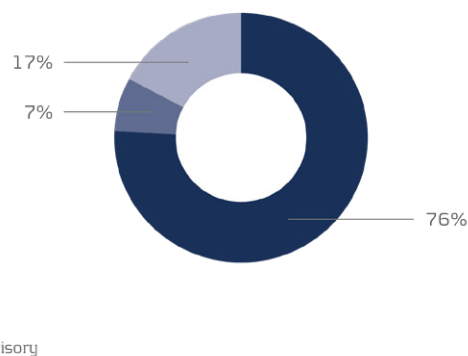
Total revenue increased 78% to DKK 3,199 thousand compared to Q1 2018 (Q1 2018: DKK 1,802 thousand). Total recurring revenue increased with 62% to DKK 2,641 thousand compared to Q1 2018 (Q1 2018: DKK 1,634 thousand).



Revenue ratio Q1 2018



Revenue ratio Q1 2019

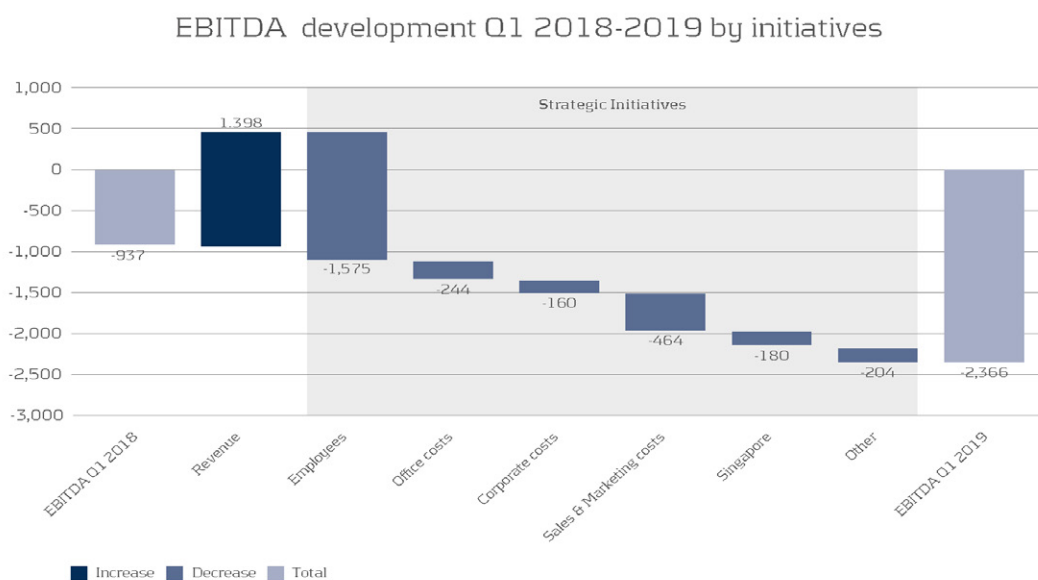


The gross profit increased by 11.4% to DKK 1,227 thousand (Q1 2018: DKK 1,101 thousand), corresponding to a gross margin of 38.4% (Q1 2018: 61.1%).

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 in Q1 2019 compared to Q1 2018.

Staff costs amounted to DKK 3,595 thousand (Q1 2018: DKK 2,038 thousand). An increase of DKK 1,557 thousand or 76% which represents the investment and development of the organisation to achieve the future goals and strategy.

EBITDA decreased by DKK -1,431 thousand to DKK -2,368 thousand (Q1 2018: DKK -937 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 -74.0% (Q1 2018: -52.0%).



EBITDA Q12018	-937
Revenue	1.398
Employees	-1.575
Office costs	-244
Corporate costs	-160
Sale & Marketing costs	-464
Singapore	-180
Other	-204
EBITDA Q1 2019	-2.366

Balance Sheet

The balance sheet total was DKK 13,236 thousand at the end of Q1 2019 (end of 2018: DKK 15,399 thousand). A decrease overall mainly due to the negative result after tax in Q1 2019 and the lower working capital.

Equity at the end of Q1 2019 decreased to DKK 7,009 thousand (end of 2018: DKK 9,191 thousand) due to the result of Q1 2019. The equity ratio amounted to 53.0% (end of 2018: 59.7%).

Investments amounted to DKK -855 thousand. The main part is related to developing of the LandRisk module as part of the Company's growth plan.

Financial Calendar

21 August 2019	Q2 2019
20 November 2019	Q3 2019
26 February 2020	Q4 2019 and Year-end report

Income Statement

DKK '000	Q1 2019	Q1 2018	Q1-Q4 2018
Net sales	3,199	1,802	11,123
Other operating expenses	-1,971	-701	-7,405
Gross profit	1,227	1,101	3,717
Staff costs	-3,595	-2,038	-9,675
Earnings before depreciation and amortization (EBITDA)	-2,368	-937	-5,958
Depreciation / amortization of tangible and intangible fixed assets	-258	-185	-844
Other expenses	-121	-71	-345
Profit/loss before financial items	-2,746	-1,193	-7,147
Financial costs	-50	-89	-268
Profit/loss before taxes	-2,796	-1,283	-7,415
Tax on profit for the year	615	282	1,535
Net profit	-2,181	-1,000	-5,879
Proposed distribution of profit			
Transfer of profits for development projects	600	337	1,060
Retained earnings	-2,781	-1,337	-6,939

Balance sheet in comparison

DKK '000	31-03-2019	31-03-2018	31-12-2018
Assets			
Intangible assets			
Completed development projects	3,117	3,227	3,316
Ongoing development projects	2,005	599	1,150
Total intangible fixed assets	5,122	3,826	4,466
Tangible fixed assets			
Other facilities, fixtures and accessories	1,793	761	1,852
Total tangible assets	1,793	761	1,852
Financial assets			
Investments in subsidiaries	0	212	0
Deposits	405	58	405
Financial assets	405	270	405
Total fixed assets			
Receivables			
Accounts Receivables	2,922	942	3,413
Receivables from affiliated companies	-	276	-
Other Receivables	427	109	448
Tax	366	214	366
Deferred tax	1,402	-	786
Accruals	515	58	587
Total Receivables	5,632	1,600	5,600
Assets			
Cash at bank and in hand	284	2,550	3,076
Current assets total	5,916	4,151	8,676
Assets total	13,236	9,007	15,399

Balance sheet in comparison

DKK '000	31-03-2019	31-03-2018	31-12-2018
Liabilities and equity			
Equity			
Share capital	767	192	767
Reserve for development costs	2,998	1,675	2,398
Retained earnings	3,245	3,029	6,026
Total equity	7,009	4,896	9,191
Untaxed reserves			
Provision for deferred tax	0	102	0
Total provisions	0	102	0
Long-term liabilities			
Subordinate loan capital			
Other credit institutions	2,016	2,424	2,023
Long-term liabilities	2,016	2,424	2,023
Current liabilities			
Short-term part of long-term debt	416	-	409
Trade payables	940	522	1,022
Payables to subsidiaries	0	222	0
Lease obligations	721		727
Other payables	2,134	841	1,382
Deferred income	-	-	645
Short-term liabilities	4,211	1,585	4,185
Debt total	6,227	4,009	6,208
Liabilities and equity total	13,236	9,007	15,399

Equity

1 January 2018 - 31 December 2018	Share capital	Share premium account	Reserve for development costs	Total profit	Total
DKK '000					
Equity at 1 January 2018	180	-	1,338	2,379	3,896
Cash capital increase	204	10,969	-	-	11,173
Transfer, reserves	383	-10,969	1,060	10,586	1,060
Net profit/loss for the year	-	-	-	-6,938	-6,938
Equity at 31 December 2018	767	-	2,398	6,026	9,191
1 January 2019 - 31 March 2019	Share capital	Share premium account	Reserve for development costs	Total profit	Total
DKK '000					
Equity at 1 January 2019	767	-	2,398	6,026	9,191
Profit for the year	-	-	600	-2,781	-2,181
Transferred from share premium	-	-	-	-	-
Equity at 31 March 2019	767	-	2,998	3,245	7,009

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