

iMotions A/S
Frederiksberg Allé 1-3, 1621 København V

Company reg. no. 33 50 40 04

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 11 May 2018.

Peter Hartzbech
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of iMotions A/S for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

The annual report is recommended for approval by the general meeting.

København V, 11 May 2018

CEO

Peter Hartzbech

Board of directors

Ulrik Jensen

Peter Hartzbech

Holger Lunden

Independent auditor's report

To the shareholders of iMotions A/S

Opinion

We have audited the annual accounts of iMotions A/S for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Hillerød, 11 May 2018

Grant Thornton

State Authorized Public Accountants
Company reg. no. 34 20 99 36

Claus Koskelin

State Authorised Public Accountant
MNE-nr. 30140

Company data

The company

iMotions A/S
Frederiksberg Allé 1-3
1621 København V

Company reg. no. 33 50 40 04
Financial year: 1 January - 31 December

Board of directors

Ulrik Jensen
Peter Hartzbech
Holger Lunden

CEO

Peter Hartzbech

Auditors

Grant Thornton, Statsautoriseret Revisionspartnerselskab
Nordstensvej 11
3400 Hillerød

Subsidiary

Imotions Inc, USA

Profit and loss account 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2017</u>	<u>2016</u>
Gross profit	22.327.797	18.634.513
2 Staff costs	-16.148.100	-13.751.372
Depreciation, amortisation and writedown relating to tangible and intangible fixed assets	-114.742	-75.252
Operating profit	6.064.955	4.807.889
Other financial income	665.398	534.949
Other financial costs	-2.674.439	-143.568
Results before tax	4.055.914	5.199.270
Tax on ordinary results	-892.961	-1.225.544
Results for the year	3.162.953	3.973.726
 Proposed distribution of the results:		
Allocated to results brought forward	0	3.973.726
Allocated to other reserves	3.574.450	0
Allocated from results brought forward	-411.497	0
Distribution in total	3.162.953	3.973.726

Balance sheet 31 December

All amounts in DKK.

Assets		
<u>Note</u>	<u>2017</u>	<u>2016</u>
Fixed assets		
3 Development projects in progress and prepayments for intangible fixed assets	4.582.628	0
Intangible fixed assets in total	<u>4.582.628</u>	<u>0</u>
Other plants, operating assets, and fixtures and furniture	409.615	139.100
Tangible fixed assets in total	<u>409.615</u>	<u>139.100</u>
Equity investment in group enterprise	994.417	0
Other debtors	429.529	414.400
Financial fixed assets in total	<u>1.423.946</u>	<u>414.400</u>
Fixed assets in total	<u>6.416.189</u>	<u>553.500</u>
Current assets		
Trade debtors	6.797.450	4.527.869
Amounts owed by group enterprises	5.707.672	9.333.286
Deferred tax assets	0	22.979
Receivable corporate tax	134.314	0
Other debtors	436.155	754.642
Accrued income and deferred expenses	808.924	272.033
Debtors in total	<u>13.884.515</u>	<u>14.910.809</u>
Available funds	<u>5.760.832</u>	<u>4.869.082</u>
Current assets in total	<u>19.645.347</u>	<u>19.779.891</u>
Assets in total	<u>26.061.536</u>	<u>20.333.391</u>

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities		
<u>Note</u>	<u>2017</u>	<u>2016</u>
Equity		
4 Contributed capital	774.445	774.445
Reserve for development expenditure	3.574.450	0
Results brought forward	9.695.236	10.107.350
Equity in total	<u>14.044.131</u>	<u>10.881.795</u>
 Provisions		
Provisions for deferred tax	1.004.296	0
Provisions in total	<u>1.004.296</u>	<u>0</u>
 Liabilities		
Bank debts	61.070	153.720
Prepayments received from customers	3.661.342	1.422.540
Trade creditors	1.908.876	3.249.891
Corporate tax	0	1.176.686
Other debts	5.381.821	3.448.759
Short-term liabilities in total	<u>11.013.109</u>	<u>9.451.596</u>
Liabilities in total	<u>11.013.109</u>	<u>9.451.596</u>
 Equity and liabilities in total	<u>26.061.536</u>	<u>20.333.391</u>

1 The significant activities of the enterprise**5 Contingencies**

Accounting policies used

The annual report for iMotions A/S is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises.

Changes in the accounting policies used

The company has chosen to capitalize on development costs, which has resulted in a positive impact on the company's profit of DKK thousand. 4.583.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross profit

The gross profit comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

Accounting policies used

- The service has been provided before the end of the financial year
- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Dividend from equity investment in group enterprise is recognised in the financial year where the dividend is declared.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Intangible fixed assets

Development projects, patents, and licences

Development costs and internally generated rights are capitalized and depreciated over 5 years

Accounting policies used

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 3-5 years.

Gain and loss from the sale of development projects, patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Tangible fixed assets

Land and buildings are measured at cost with addition of revaluations and with deduction of accrued depreciation and writedown. Land is not depreciated.

Land and buildings are revaluated on the basis of regular, independent evaluation of the fair value. The net revaluation at fair value adjustment is recognised directly on the equity after deduction of deferred tax and tied up in a particular revaluation reserve. Net impairment at fair value adjustments is recognised in the profit and loss account.

The basis of depreciation is cost with the addition of revaluations at fair value and with the deduction of expected residual value after the end of the useful life of the asset. The depreciation period is fixed at the acquisition date and re-evaluated annually. If the residual value exceeds the book value of the asset, the depreciation expires.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in the company's equity.

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life and the residual value of the individual assets:

Accounting policies used

	<i>Useful life</i>	<i>Residual value</i>
<i>Other plants, operating assets, fixtures and furniture</i>	<i>3-5 years</i>	<i>0-20 %</i>

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Financial fixed assets

Equity investment in group enterprise

Equity investment in group enterprise is measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Accounting policies used

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Other liabilities are measured at amortised cost which usually corresponds to the nominal value.

Notes

All amounts in DKK.

	<u>2017</u>	<u>2016</u>
1. The significant activities of the enterprise		
Like previous years, the principal activities are development and sale of systems for conducting studies with biometric sensors such as eye trackers, GSR meters, EEG headsets and facial analysis algorithms		
2. Staff costs		
Salaries and wages	14.792.674	12.540.827
Pension costs	228.527	218.075
Other costs for social security	307.805	275.734
Other staff costs	819.094	716.736
	<u>16.148.100</u>	<u>13.751.372</u>
Average number of employees	<u>36</u>	<u>25</u>
3. Development projects in progress and prepayments for intangible fixed assets		
Additions during the year	<u>4.582.628</u>	<u>0</u>
Cost closing balance	<u>4.582.628</u>	<u>0</u>
Book value closing balance	<u>4.582.628</u>	<u>0</u>
The Company has during the year developed on specific products and solutions. The projects are progressing as planned and are expected to be finalized in future years. The developments are focused on commercial use and expected to be economic profitable when put to marked.		
4. Contributed capital		
Contributed capital opening balance	<u>774.445</u>	<u>774.445</u>
	<u>774.445</u>	<u>774.445</u>

The share capital consists of 774,445 shares a 1 DKK and multiples thereof. The capital is divided into classes. Class A shares by t.kr. 625 and B shares by DKK t.kr 69 and C shares by t.kr. 41 and D shares DKK t.kr. Own shares are kr. 617

Notes

All amounts in DKK.

5. Contingencies

Contingent liabilities

	DKK in thousands
Rent argreement	<u>967</u>
Contingent liabilities in total	<u>967</u>