



PENNEO®

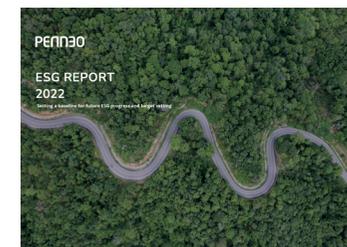
# ANNUAL REPORT 2022

Copenhagen, 28 February 2023  
Annual report for the period  
1 January 2022 - 31 December 2022  
Company announcement 03-2023

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## ESG report 2022

In our ESG report, you can read more about Penneo’s environmental, social, and governance indicators.

<https://penneo.com/wp-content/uploads/2023/02/penneo-2022-esg-report.pdf>



## Remuneration report 2022

In our remuneration report, we provide a transparent overview of the remuneration of our Executive Board and our Board of Directors.

<https://penneo.com/wp-content/uploads/2023/03/penneo-2022-remuneration-report.pdf>

# ARR performance highlights

## 2022-Q4 development

- ARR increased by 6.0M DKK compared to 5.2M DKK in 2021-Q4
- ARR increase from Newbiz amounted to 2.3M DKK compared to 2.7M DKK in 2021-Q4
- ARR increase from uplift amounted to 4.4M DKK compared to 2.7M DKK in 2021-Q4
- ARR lost to churn amounted to 0.8M DKK compared to 0.2M DKK in 2021-Q4
- ARR from foreign markets increased by 0.9M DKK compared to 1.2M DKK in 2021-Q4

## 2022 development

- ARR increased by 15.5M DKK compared to 18.5M DKK in 2021
- ARR increase from Newbiz amounted to 8.5M DKK compared to 9.8M DKK in 2021
- ARR increase from uplift amounted to 9.1M DKK compared to 9.5M DKK in 2021
- ARR lost to churn amounted to 2.2M DKK compared to 0.9M DKK in 2021
- ARR from foreign markets increased by 5.2M DKK compared to 7.1M DKK in 2021

## End of year 2022

- ARR amounted to 71.0M DKK at the end of 2022 compared to 55.5M DKK at the end of 2021 (28% YoY growth)
- YoY ARR net retention rate amounted to 113%
- YoY ARR uplift amounted to 16%
- YoY ARR churn rate amounted to 4%
- ARR from foreign markets amounted to 19.6M DKK at the end of 2022 compared to 14.4M DKK at the end of 2021 (36% YoY growth)

## 2023 ARR guidance

Penneo expects continued growth in ARR and guides ARR at the level of 87-95M DKK at the end of 2023 corresponding to an ARR growth rate of 23%-34%.

The outlook is based on currency exchange rates per end of 2022.

# Financial performance highlights

## EBITDA development

M DKK	2019	2020	2021	2022
Revenue	27.6	35.5	54.3	72.1
Cost of sales	(5.4)	(7.0)	(9.7)	(12.5)
<b>Gross profit</b>	<b>22.2</b>	<b>28.5</b>	<b>44.6</b>	<b>59.5</b>
Other external expenses	(4.6)	(8.6)	(14.4)	(17.8)
Staff costs	(16.8)	(28.6)	(44.2)	(52.8)
<b>EBITDA*</b>	<b>0.8</b>	<b>(8.7)</b>	<b>(14.1)</b>	<b>(11.1)</b>

\*EBITDA does not include income and costs categorised as "Other income" and "Other operating expenses" on page 53.

## Cash development

M DKK	2019	2020	2021	2022
Cash flow from operating activities	(1.0)	(8.7)	(8.1)	(10)
Cash flow from investing activities	(4.7)	(13.4)	(15.5)	(19.4)
<b>Free Cash Flow</b>	<b>(5.7)</b>	<b>(22.2)</b>	<b>(23.6)</b>	<b>(29.4)</b>
Adjusted*		2.3		2.4
<b>Adjusted Free Cash Flow</b>	<b>(5.7)</b>	<b>(19.9)</b>	<b>(23.6)</b>	<b>(27.1)</b>
Cash flow from financing activities	9.7	45.8	17.1	57.2
<b>Cash and cash equivalents EoY</b>	<b>8.2</b>	<b>31.8</b>	<b>25.4</b>	<b>53.2</b>

\*Adjusted for the cost that is associated with the listing on both the First North and the Copenhagen Main Market (2.3M DKK in 2020 and 2.4M DKK in 2022)

## 2023 EBITDA guidance

Penneo expects an EBITDA at a level of negative 10M DKK to negative 15M DKK.

Despite a volatile macroeconomic environment, Penneo remains confident in its current growth strategy. We will continue to invest in maturing and scaling our organization, although we may choose to adjust investments if market conditions change. These investments span across sales and marketing, product development and other key areas.

# Our vision

Let's make it easy and beneficial for companies to be compliant in a world where being accountable for the way you do business is a matter of course.



In 2022, Penneo continued its journey evolving from a digital signature platform company to a broader provider of advanced automation solutions. These solutions help businesses operate in AML-regulated industries by optimizing document transactions and meeting compliance requirements in a more simple and efficient way.

# Letter to our stakeholders

In the past year, Penneo has made solid progress scaling its business for growth, serving more customers than ever before and expanding our geographical footprint in Europe. Meanwhile, we have improved and broadened the functionality of the solutions we offer in digital signing, document workflows and regulatory compliance.

Despite this progress, 2022 has also been an extraordinary year with various external factors impacting the markets where we operate. For example the Russian invasion of Ukraine, rising inflation and interest rates, unfavourable exchange rates, energy crisis, supply chain disruption and the pressing need to tackle climate change. All of these factors combined to produce a difficult set of conditions that negatively impacted our customers' buying behaviour and also led to somewhat longer sales cycles for some of our larger deals.

Nevertheless, Penneo achieved an ARR of 71.0M DKK in 2022 which is in line with the adjusted guidance of 70-75M DKK we provided in October 2022 (company announcement no. 29-2022). This corresponds to a YoY growth rate of 28%, which is lower than our initial expectation of a 40%-49% yearly growth rate.

Furthermore, we do not believe the current economy has changed the longer term growth potential of Penneo. We remain a company with a solid subscription-based business model with growing ARR from both existing and new customers, low yearly ARR churn, and a relatively high contribution margin. Moreover, we continue to see strong underlying market trends that translate into attractive possibilities in both our existing markets and new foreign markets across the two distinct solution areas we cover; digital signing and document workflows (Penneo Sign), and Know Your Customer software (Penneo KYC) that helps companies onboard new customers and take care of regulatory compliance.

Across Europe, and especially in countries that are late digital adopters, political focus on automation and digitization remains strong due to the huge potential it holds to unleash efficiency improvements saving both time and money. This focus is supported by national political initiatives and also regulation at the EU level. In addition, companies continued to face more stringent regulatory demands within Anti Money Laundering (AML) regulation in 2022, driving them to be more accountable for the way they do business. This triggered growing interest for regulatory tech solutions including our Penneo KYC solution.

In May 2022, for example, Penneo announced (company announcement no. 16-2022) that an existing strategic cooperation with PwC Denmark was expanded to include the company's KYC software in a move aimed at automating key parts of PwC's compliance processes. Moreover, constructive sales dialogue about similar projects in other large audit and accounting companies was initiated, although the current macroeconomic climate has led to some delays and a more cautious approach to start new projects.

More broadly speaking, 2022 was a year characterised by several catalytic moments for Penneo. We entered the year on a high since COVID-19 drove strong demand for our Penneo Sign solution throughout 2021. This demand dropped somewhat in late 2021, but was outweighed by adding our Penneo KYC solution as a new revenue stream. Therefore, we kicked off 2022 with lots of optimism and in March, while still listed on the Nasdaq First North Growth Market, we issued new

shares in a private placement directed at a group of institutional investors that led to net proceeds of 59M DKK. This capital raise was a historic milestone since it boosted the overall cash position we can leverage to accelerate and scale our organisation for growth.

After this, we migrated from Nasdaq First North Growth Market to the Copenhagen Main Market in April, marking another significant milestone. This move was a natural next step for us and also a clear indicator that Penneo has now reached a new level of maturity in the way we operate our business.

More importantly, as we moved further into 2022, our focus has been to take advantage of our new cash position and use it to accelerate and create an even more professional organisation with the right structure and mix of competences. Due to the economic climate, we have taken a slightly more conservative approach,

but our strategic objective remains the same. We want to achieve growth in our existing markets, primarily Denmark and the Nordics, and simultaneously expand into new markets in Europe. Consequently, in the second half of 2022 we established a local team in Belgium and intensified the evaluation of other markets in Europe.

As we continue to scale, hiring new talent while making sure we can hold on to the employees we already have, is a critical success factor. In 2022 this proved challenging in part due to the general 'war for talent', but also due to a reorganisation of our sales structure aimed at serving existing and new customers better. This transformation triggered some undesired employee attrition, but was mitigated and we now have a new organisational setup in place that we are ramping up with additional sales staff. Furthermore, over the last year we have also hired senior recruitment specialists and made general improvements to our HR processes



## Highlights 2022

March

March

April

April

April

While listed on First North, Penneo carries out an offering of new shares to a group of institutional investors resulting in net proceeds of 59M DKK.

Penneo submits application and receives approvals for listing on Nasdaq Copenhagen Main Market and deletion from First North.

Penneo publishes a prospectus for the admission to trading and listing on the Copenhagen Main Market. April 1 marks the last day of trading on First North.

The first day of trading and official listing on Nasdaq Copenhagen Main Market using the company's existing symbol, "PENNEO".

Steffen Heegaard is elected as a new member of the Penneo Board of Directors joining Christian Sagild, Rikke Stampe Skov and Morten Kenneth Elk.

that we believe will help us attract and retain talent as we move forward.

Another noteworthy Penneo achievement is the important work that we did to upgrade our Penneo Sign technology platform to offer the highest level of electronic signature in the eIDAS regulation: Qualified Electronic Signatures (QES). In early 2023, this led to the official acceptance of Penneo on the EU Trust List, a public list of providers that are officially accredited to deliver the highest levels of compliance with the EU signature regulation.

This approval is important because we believe it will serve both as a door opener and competitive differentiator in our ongoing effort to penetrate the audit and accounting vertical and related AML regulated industries in EU countries outside Scandinavia. As such, we believe it will contribute to our future growth

across Europe and we look forward to taking advantage of this.

Also related to our Penneo Sign product, we announced in November (company announcement no. 30-2022) that Penneo has expanded an existing strategic agreement with Bankdata, a major Danish financial IT provider, extending the usage of Penneo Sign to the private customers of Bankdata's member institutions that include eight major banks in Denmark with more than 1.6 million private customers. Again, this solidified the market position that our Sign solution has achieved within the financial industries while also underlining that the investments we have made in improving the functionality of this solution, are paying off.

As we enter 2023, we believe Penneo is well equipped to continue its growth journey. During the last year we have matured significantly and the challenges and

uncertainties we faced is something our employees have handled with an admirable spirit and determination. It is thanks to their hard work, planning and care for each other that we can look back on a year in which Penneo delivered such strong results and kept the trust of our customers.

We speak on behalf of the entire Penneo Board of Directors and leadership team when we say that this makes us extremely proud and grateful. So, thank you to all Penneos, customers, shareholders and partners for the progress we made together in 2022. We look forward to taking the next steps on our journey in 2023.

**Christian Sagild**

Chairman of the Board of Directors

**Christian Stendevad**

Chief Executive Officer

**Highlights 2022**

May

June

August

November

December

Penneos expands an existing cooperation with PwC Denmark to include the company's electronic KYC solution that automates parts of its compliance process.

Penneo hires a new head of sales for the Belgian market to build a local team and secure growth in this market.

Penneo announces that it is working on upgrading Sign to offer the highest level of electronic signatures in the eIDAS regulation, and get listed on the EU Trust List.

Penneo expands an existing agreement with Bankdata extending the usage of Sign to the 1.6M private customers that are served by Bankdata's member institutions.

Penneo hires Hans J. Skovgaard as Chief Technology and Product Officer.

Nasdaq

Handwritten signatures

**PENNEO**<sup>®</sup>

Digitizing business processes & document workflows

Velkommen på Nasdaq Copenhagen

April 2022

Handwritten signatures

Handwritten signature

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Penneo

Handwritten signature  
Nasdaq Copenhagen

Another Penneo sign sheet with signatures and logos, partially visible in the background.



# Our strategy

Penneo is currently pursuing a two-fold growth strategy aimed at creating more growth in our existing markets, while simultaneously expanding to new geographical markets across Europe.



In existing markets, our focus is to target the broader auditing and accounting industry as well as other AML regulated industries. We also want to take advantage of the network effect to other industries.



Outside of the Nordics, our approach is initially to attract auditing and accounting companies by capitalizing on the product-market fit and strong relationship we have with auditing and accounting customers in Scandinavia.

This effort is supported by three primary investment streams:



Upsell Penneo KYC product to auditor and accounting customers



Penetrate AML regulated industries with Penneo's KYC and Sign products



Expand through the audit and accounting vertical to become the preferred solution for auditors in Europe

# Our equity story

Penneo is a Danish Software-as-a-Service (SaaS) company and a market leader in software for the audit and accounting industry in the Nordic countries.



The combination of a strong subscription-based model with growing ARR from both existing and new customers, low yearly churn, high contribution margin, and attractive possibilities in both existing and new markets gives us a strong foundation for growth. Particularly since our business model is scalable and we operate in high growth markets driven by both digitalization, increased regulatory demands and sustainability.



We provide a scalable platform that provides automation features across multiple aspects of digital transactions and workflows related to client onboarding, digital signing, and document management in a compliant, efficient and easy way.



Growing digitisation in Europe and the network effects provided by the large audit and accounting customers are powerful enablers and distribution channels for Penneo to become the preferred solution for the audit and accounting industry in Europe.

## Our history

Penneo was founded in 2014 by a group of Danish entrepreneurs with a shared ambition of reducing the “hassle to get documents signed” by replacing pen and paper with a digital alternative.

Today, Penneo has evolved into much more than just a digital signature tool. With our two solutions, we ensure secure and convenient digital interactions with digital signing featuring automated signing flows and identity verification, as well as automated client onboarding/KYC processes with risk assessment, record keeping, and continuous data monitoring in compliance with GDPR and AML regulation.



  
**2,500+**  
customers

Early on, auditors became a strategic focus for Penneo, and the company has evolved together with the increasing complexity of workflows and requirements related to this industry. However, as companies in many other industries carry out similar workflows and are subject to the same regulation, Penneo is now helping more than 2,500 customers across many industries with automating recurring administrative tasks. We are headquartered in Copenhagen and currently employ 111 people.

## Our markets

Penneo has a strong presence in Denmark, Norway and Sweden and has entered Belgium. These four countries have our main commercial focus. In addition, we have customers in Finland, Germany and other countries.

The Nordic markets are some of the most digitalized in Europe and have by far the highest adoption of eIDs. Despite a strong foothold among auditors, Penneo still has a considerable potential to penetrate the Nordic markets further with Penneo Sign and Penneo KYC by focusing on other AML-regulated industries such as finance, lawyers, property admin, real estate, etc. with a need for both our Sign and KYC solution.

In line with the broader digitalization of Europe, including the adoption of national eIDs, Penneo is also well positioned to gain market share outside the Nordics. Currently, Penneo is considering entering markets such as the Netherlands, France, Germany and Austria, and others as well.

Denmark

Norway

Sweden

Belgium



# How we measure our performance

Penneo uses a range of SaaS metrics to evaluate its performance. E.g. Annual Recurring Revenue (ARR), ARR churn, Net Retention Rate (NRR), Customer Acquisition Cost (CAC) and Customer Life-Time Value (CLTV). These metrics provide a picture of our potential ability to generate revenue and cash flow in the future and how effective we are in terms of gaining and keeping customers. Some of the metrics we use to evaluate our performance are described here.

## Continuous high ARR growth rates

Development in ARR comes from three sources: (i) maintaining low churn, (ii) securing upsell and cross sales to existing customers, and (iii) attracting new customers on existing and new markets. Penneo has significantly increased ARR each year since it was founded. From 2020 to 2021, Penneo increased ARR by 50% from 37M DKK to 55M DKK, and in 2022, Penneo realized an ARR of 71M DKK corresponding to a growth of 28%.

## Low ARR churn rate

By providing a strong product fit to our customers, Penneo has maintained a low ARR churn rate of 2% and 4% for 2021 and 2022 respectively. Churned customers primarily fall outside our strategic focus areas, emphasizing the 'stickiness' of our software.

## Significant ARR uplift from existing customers

In absolute terms, Penneo increased uplift from existing customers from DKK 6.3M in 2020 to 9.5M DKK in 2021 and realized an uplift of 9.1M DKK in 2022. In 2022, the uplift was driven by two factors; (i) existing customers increasing their usage of Penneo Sign and upgrading their subscription, and (ii) existing Penneo Sign customers subscribing to Penneo KYC.

## New customers onboarded

Over the years, Penneo has been able to expand its customer base significantly. In 2021 for example, we onboarded 530 new customers and in 2022, a total of 404 new customers were added.

## SaaS terms explained

### Annual Recurring Revenue (ARR)

Used to measure the recurring revenue from customers. ARR can be measured in two ways: Live ARR and Contract ARR. Live ARR is the recurring revenue currently being received, whereas Contract ARR also includes the recurring revenue that a company has contracted to receive from its customers, but not necessarily started receiving yet.

In Penneo, we calculate ARR as Live ARR since we prefer to present the current status of our business. From 2019 and onwards, all new customers in Penneo were onboarded to a fully subscription-based model. By the end of 2022, 80% of the revenue was subscription-based compared to 75% at the end of 2021.

### ARR churn

Refers to the decrease in ARR in a given time period due to the expiration of a customer relationship. A low ARR churn rate indicates that a company's products have a strong market fit and the price/value relationship is in balance. In Penneo, we consider a churn rate below 5% as healthy.

### ARR uplift

Used to measure growth from customers who became customers in a previous period. In Penneo, ARR uplift comes from upgrading existing subscriptions, e.g. a larger commitment from Penneo Sign customers or upselling Penneo KYC to Sign customers.

### Customer Acquisition Cost (CAC)

How much a company spends to acquire one new customer in a given period. Overall, there are two types of CAC; Fully loaded CAC and Direct CAC. Fully Loaded CAC includes all the costs associated with acquiring a new customer, whereas Direct CAC includes only the direct costs.

In Penneo, we include compensation costs to reps in sales and marketing who are directly involved in the sales process and also direct advertising expenses. In other words, we use Direct CAC, since we believe it is the best metric in a scaling phase where measuring the incremental investment in one new customer makes sense. In the future, where overall profitability has a higher priority than growth, it makes sense to use Fully loaded CAC.

It's important to note that CAC is a metric that should be tracked over time, as the number of new customers can vary due to seasonality, selling cycle and coincidental factors.

### Average Revenue Per Account (ARPA)

A metric used to measure the average yearly revenue generated from each individual customer. Commonly used to measure the ability to create uplift from customers.

### Customer Life-Time Value (CLTV)

Highlights the long-term value of a customer relationship making it possible to make informed decisions about pricing, customer acquisition, and retention. Development in CLTV should be viewed alongside CAC to evaluate the profitability in a scaling phase where cash flow often is negative.

### Net Retention Rate (NRR)

Measures the retention of ARR from existing customers in a given time period. NRR is calculated by subtracting ARR churn from ARR uplift. A high NRR indicates that it might be profitable in the long term to invest in acquiring more customers in the short term even if CAC increases.

# ARR growth from financial year cohorts

New customers that Penneo acquires in one specific financial period (customer cohorts) evolve and gradually contribute with additional ARR in subsequent years.

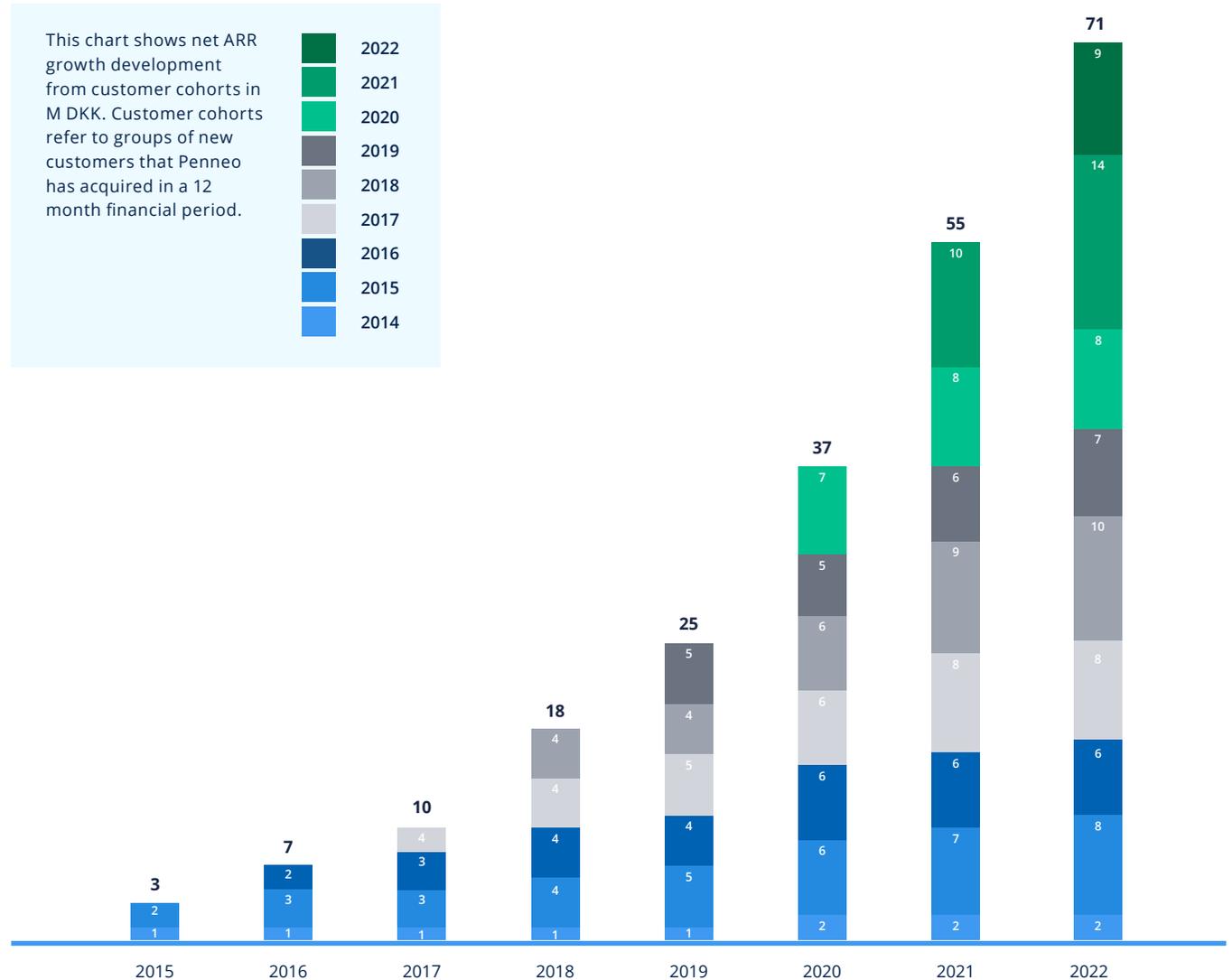
This is important since the cost of acquiring a new customer on average initially outweighs the upfront income generated by this customer.

An analysis of all financial years since Penneo was established in 2014 shows a yearly average growth of 18% in net ARR from any given customer cohort during the first five years.

Moreover, when viewed individually, cohorts are developing with a positive year-on-year growth.

From 2019 and onwards, new customers have been onboarded to a fully subscription-based model. By the end of 2022, 80% of the revenue was subscription-based compared to 75% at the end of 2021.

## Annual Recurring Revenue Development Yearly cohorts (M DKK)



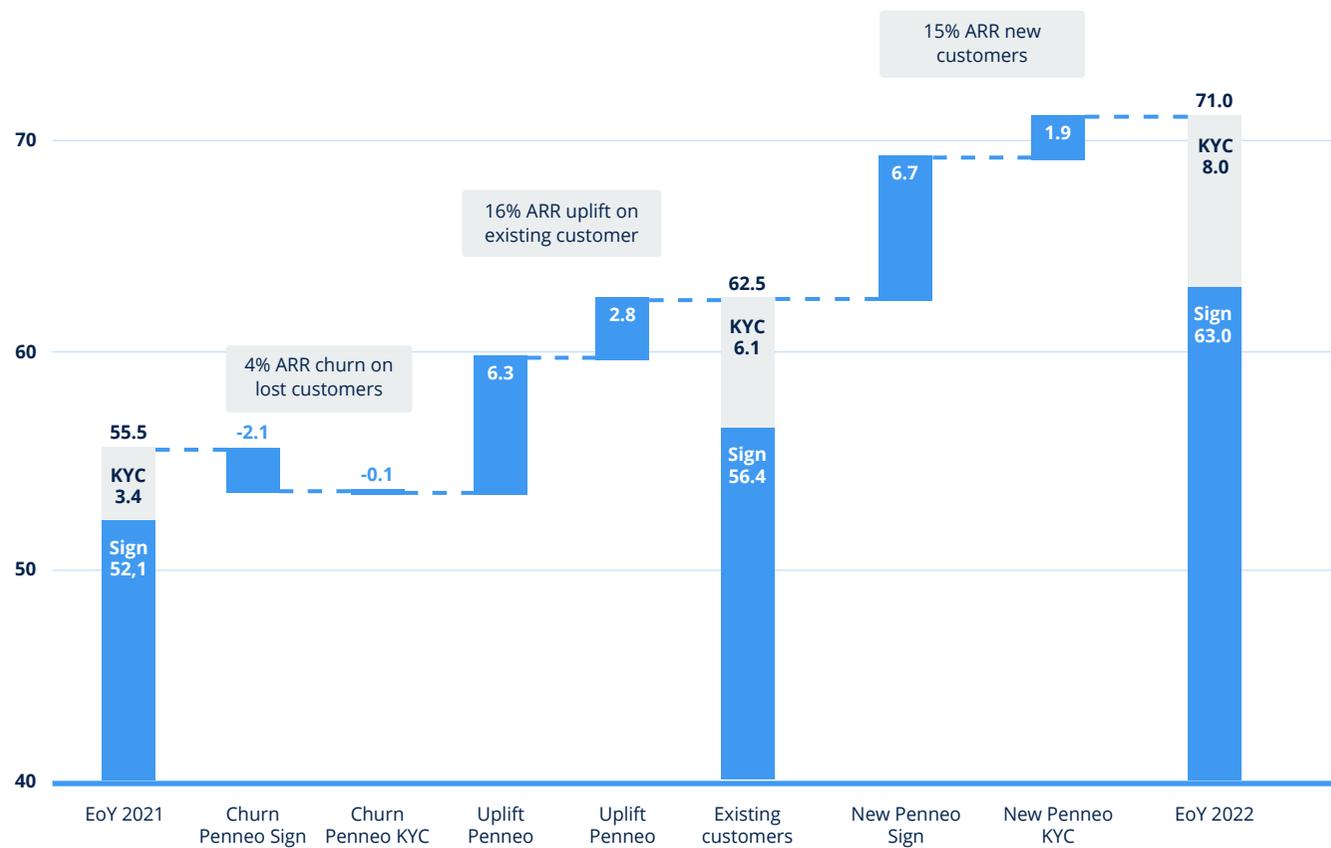
# Overview of ARR development

In Q4 2022, Penneo realized its second largest quarterly result increasing ARR with 6M DKK to 71M DKK. This performance was driven by strong ARR uplift from existing customers, especially due to an expansion of our agreement with Bankdata. In addition, Penneo also secured 125 new customers in Q4, making it the quarter of 2022 with the highest number of new customers onboarded.

Looking at 2022 as a whole, however, reveals a more mixed picture. Penneo reached an ARR of 71M DKK which corresponds to a YoY growth rate of 28%. This result is in line with our latest ARR guidance of 70-75M DKK, but lower than our previous expectation of a 40%-49% yearly growth rate.

In Q4, the buying behavior observed in Q3 continued, negatively impacting selling cycles by delaying larger Penneo KYC deals or resulting in smaller initial business commitments. Similarly, the average deal size for new customers in Q4 continued to be lower than in H1, even though it was higher when compared to Q3.

## Annual Recurring Revenue Development In the period (M DKK)



The annual development represents the development from 2021 to 2022 and is measured on the last day of both periods.

**ARR churn**

In 2022, Penneo maintained a low churn of 4%, higher than the 2% achieved in 2021. The churn in 2022, however, is still below the 5% that we consider as satisfactory. The Average Revenue Per Account (ARPA) for our churned customers remained in the lower end signaling that churned customers on average were made up of smaller customers in 2022.

**ARR uplift**

Penneo achieved an uplift from existing customers adding 9.1M DKK to our ARR which corresponds to 16% of our total ARR at the beginning of the year. Penneo

KYC contributed 31% to our total uplift in 2022 growing from a contribution of 2.3M DKK in 2021 to 2.8M DKK in 2022 indicating growing interest among our existing customers. Uplift from Penneo Sign, however, decreased from 7.2M DKK in 2021 to 6.3M DKK in 2022 due to lower growth in the level of engagement with our platform among existing customers.

**ARR newbiz**

In 2022, Penneo realized an ARR new business growth of 15% compared to 26% in 2021. KYC accounted for a larger share of new business contributing with 1.9M DKK in 2022 compared to 1.1M DKK in 2021.

New business from Penneo Sign, however, decreased from 8.7M DKK in 2021 to 6.7M DKK in 2022, primarily because customers on average committed to a smaller initial business volume, which is a trend we have also observed for new KYC customers.

In 2022, new business growth was positively impacted by growth in foreign markets, particularly the Belgian market that achieved its best Q4 so far in terms of new customers, average deal size, and ARR contribution. The Belgium market now accounts for 15% of foreign ARR contribution up from 6% in 2021.

<b>Reported numbers</b>	<b>2021-Q1</b>	<b>2021-Q2</b>	<b>2021-Q3</b>	<b>2021-Q4</b>	<b>2022-Q1</b>	<b>2022-Q2</b>	<b>2022-Q3</b>	<b>2022-Q4</b>
ARR newbiz	2.5	3.2	1.4	2.7	1.9	2.9	1.1	2.3
ARR uplift	1.4	3.6	1.8	2.7	1.6	2.4	1.0	4.4
ARR churn	0.0	(0.1)	(0.6)	(0.2)	(0.4)	(0.3)	(0.7)	(0.8)
<b>Total ARR growth</b>	<b>3.9</b>	<b>6.7</b>	<b>2.6</b>	<b>5.2</b>	<b>3.1</b>	<b>5.0</b>	<b>1.5</b>	<b>6.0</b>
<b>ARR EoQ</b>	<b>40.9</b>	<b>47.6</b>	<b>50.2</b>	<b>55.5</b>	<b>58.5</b>	<b>63.5</b>	<b>65.0</b>	<b>71.0</b>

# SaaS metrics

In 2022, the average ARR for new customers was 20.5T DKK compared to 18.5T DKK in 2021 corresponding to an increase of 11%.

In 2022-Q4, average ARR for new customers was 19T DKK up from 15T DKK in 2022-Q3. This increase was in part created by the Belgian market, where our sales team made solid progress in Q4 securing 28 new customers with 28T DKK in average ARR, primarily in our tier 1 customer target segment that generally has a higher ARPA. Despite this positive development,

average ARR for new customers in Q4 remained at a lower level compared with 2022-H1.

On average, Customer Acquisition Cost (CAC) was 32T DKK in 2022. Consequently, it takes approximately 19 months to recover the CAC.

In 2022-Q4, the net ARR retention rate amounted to 113%\* as a result of an ARR uplift of 16% and ARR churn of 4%, which indicates steady growth, as also supported by the continued increase in ARPA.

\* The net ARR retention rate is calculated using these figures:  $(62.5/55.5 * 100 = 112.61)$



	2021-Q1	2021-Q2	2021-Q3	2021-Q4	2022-Q1	2022-Q2	2022-Q3	2022-Q4
New customers	149	171	87	123	98	103	78	125
Average ARR in the first year for new customers	17,027	18,845	16,366	21,939	19,432	28,131	14,686	18,619
Customer Acquisition Costs (CAC)	(22,511)	(21,523)	(35,640)	(32,229)	(29,871)	(31,952)	(35,833)	(32,633)
Net ARR retention (NRR)	123%	130%	124%	124%	120%	114%	112%	113%
Average Revenue per account (ARPA)	19,988	21,444	21,960	23,137	23,751	25,092	25,288	26,608

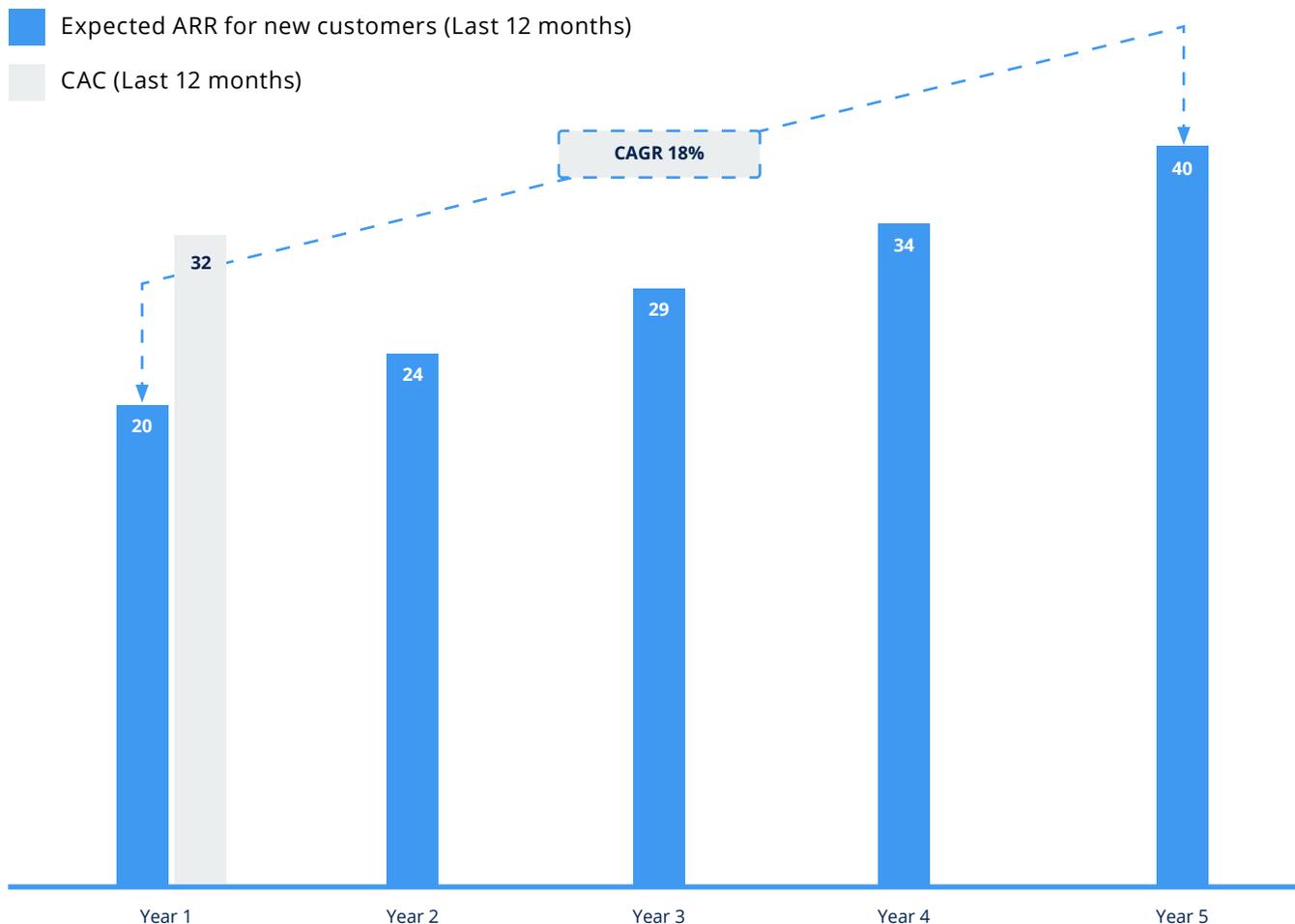
# Projected ARR contribution

A cohort analysis based on all financial years since the establishment of Penneo in 2014, shows a yearly growth of 18% in net ARR over the first five years for a given cohort (including both churn of customers and ARPA development of retained customers). Consequently, the ARR could grow from 20T DKK in year one to 40T DKK in year five.

In a SaaS business model, it is important to understand the relationship between the cost of acquiring the next new customer with the projected Customer Life-Time Value (CLTV) of the customer.

To calculate this relationship, there are various elements that Penneo considers. Among others Customer Acquisition Cost (CAC), Average ARR Per New Customer (ARPA), contribution margin, yearly ARR uplift and expected customer lifespan based on churn rate. While these elements are provided in this report, we have chosen not to provide this calculation since our low churn in principle provides a customer lifespan of 25 years and we have only been active in the market for eight years.

**Average ARR development (T DKK)**  
A five year cohort analysis based on new customers

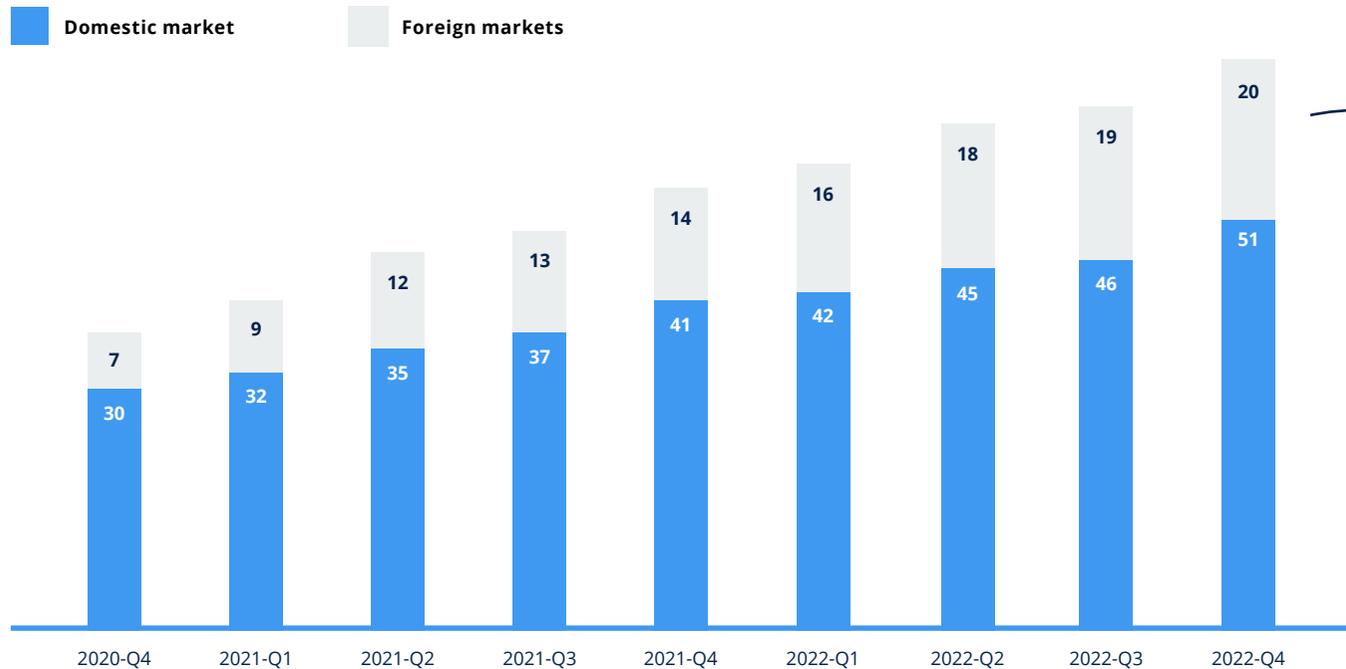


# Domestic and foreign ARR base split

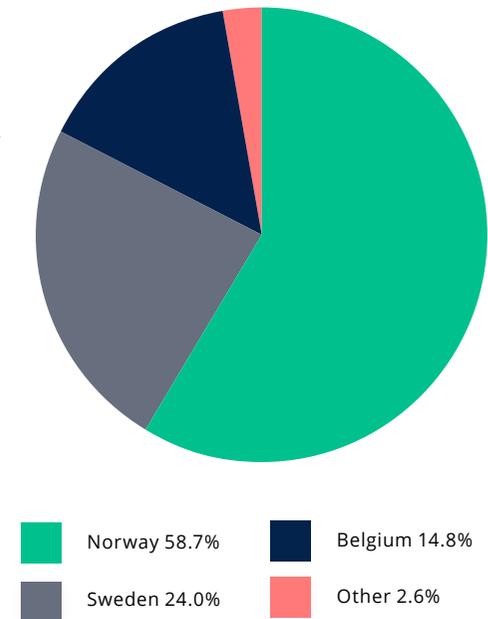
Penneo's growth strategy is based on entering new markets while simultaneously increasing its market share in existing markets. This chart shows the growth of Penneo's ARR base split into the domestic market (Denmark) and foreign markets including Norway, Sweden, Belgium and others.

In 2022, ARR from the Danish market grew by 24% year-on-year driven by a continued effort to strengthen the company's market position further as well as growing demand for Penneo KYC. Meanwhile, ARR from foreign markets increased by 43% year-on-year, due to Penneo's expansion strategy including in particular success in the Belgium market.

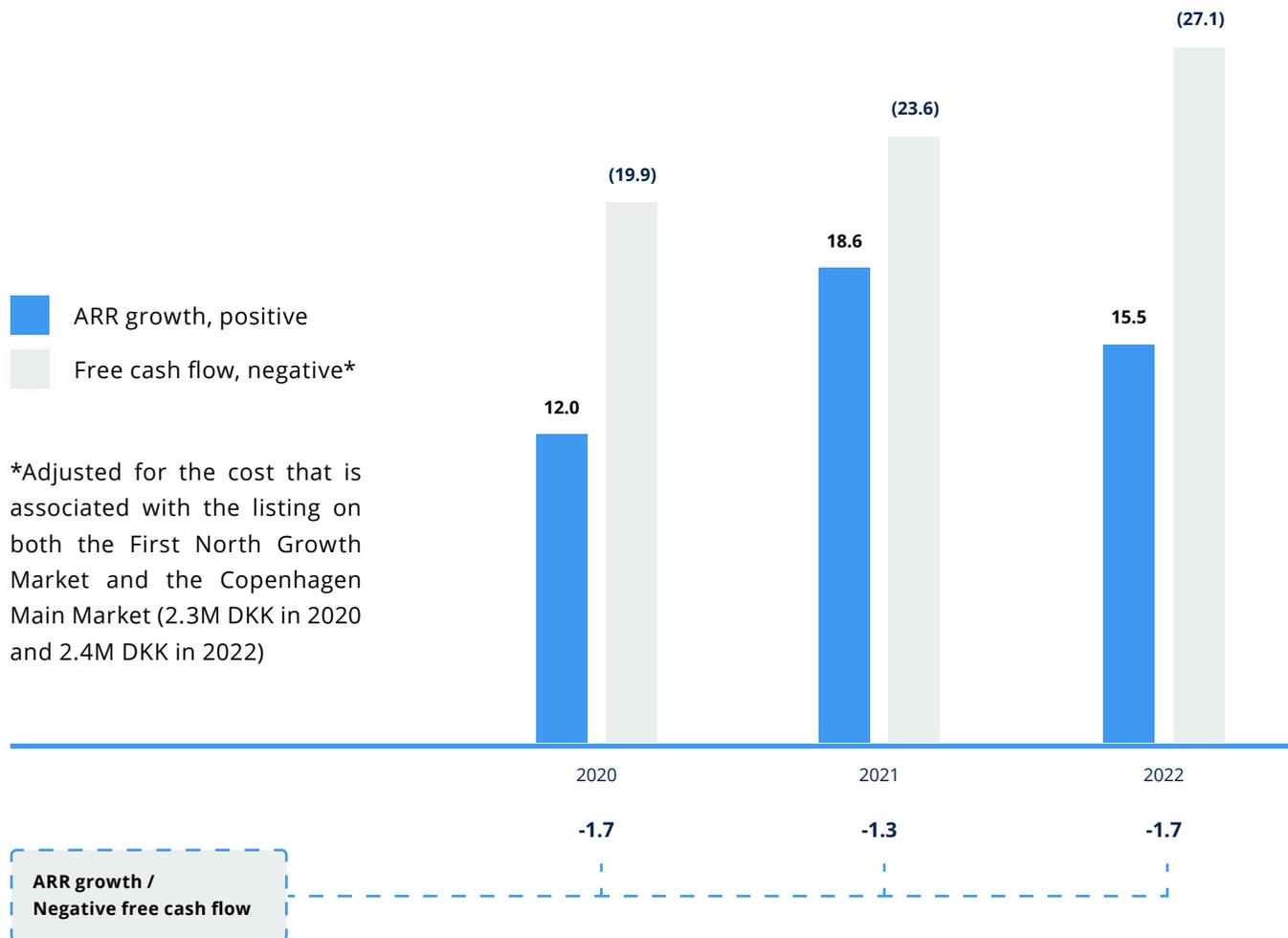
Looking into ARR from foreign markets in 2022, Norway was the largest market (59%) followed by Sweden (24%). Belgium currently accounts for 15%, an increase from 6% in 2021.



Foreign markets break-down (2022-Q4)



# ARR growth compared to negative free cash flow



In 2022, Penneo realized an ARR growth of 15.5M DKK and a free cash flow of negative 27.1M DKK adjusted for the cost that is associated with being listed on the Copenhagen Main Market (2.4M DKK in 2022-Q2).

This is equivalent to a cash to acquired ARR ratio of 1.7 which we consider satisfactory considering that one acquired DKK of ARR on average results in a revenue of more than seven DKK in the first five years.

Moreover, our current level of cash to ARR growth ratio also reflects that we are in the early phase of our investment plan, having recruited relatively many new employees in 2022.

Looking ahead, we will carry out investments with caution to ensure a balance between negative free cash flow and the growth rate.

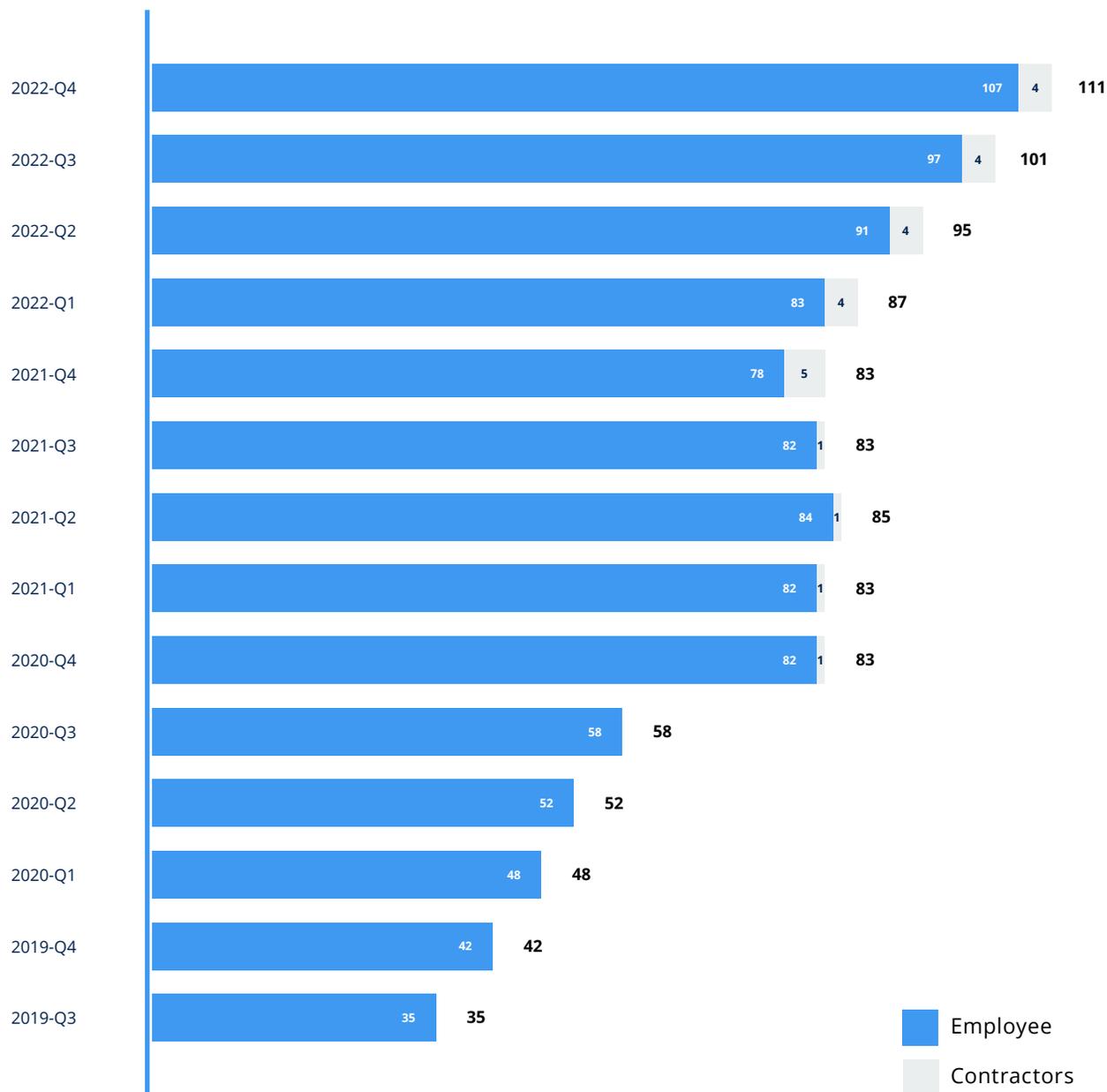
# Employee development

Penneo is investing in sales and marketing, product development and business operations to lay the foundation for continued growth. Most of these investments are being made in the recruitment of new employees.

Penneo has raised growth capital on two occasions; in Q2-2020 as part of our listing on Nasdaq First North Growth Market and most recently in Q1-2022 when we issued new shares in a private placement that led to net proceeds of 59M DKK. Penneo's staff growth over the last two years reflects this. In 2020, for example, we increased the number of employees by 71% from 48 in Q1 to 83 in Q2. Following this, 2021 remained relatively flat with an average number of 84 employees. In 2022, however, the number of employees grew by 28% from 87 in Q1 to 111 in Q4.

Penneo's workforce is diverse with +20 nationalities and a gender representation of 33% women and 67% men. We regularly measure employee engagement using an eNPS survey tool. In 2022, engagement increased from 8.0 to 8.4 on a scale from 0-10.

In 2022, employee retention proved challenging in part due to the general 'war for talent', but also due to the transition of our organization. This triggered some undesired employee churn, but has to a large extent been mitigated in 2022-H2.



# Outlook 2023

## ARR guidance

Penneo expects continued growth in ARR and guides ARR at the level of 87-95M DKK at the end of 2023 corresponding to an ARR growth rate of 23%-34%.

## EBITDA guidance

Penneo expects an EBITDA at a level of negative 10M DKK to negative 15M DKK.

The outlook is based on currency exchange rates per end of 2022.

Penneos guidance for 2023 is based on a number of key assumptions that are outlined below.

## Continued conservative buying patterns

In 2023, we expect a continuation of the unfavorable macroeconomic market conditions that we observed during 2022, particularly in H2. Consequently, we also expect a continuation of the more conservative buying patterns that we have experienced among our existing and new customers. Compared to historical performance, this includes for example lower average deal sizes due to smaller initial sales commitments and longer sales cycles for some types of larger deals (Penneo KYC in particular).

## Unchanged strategic priorities

Despite uncertain market conditions, Penneo remains confident in its current growth strategy. We will continue to invest in maturing and scaling up our organization, although we may choose to adjust investments if market conditions deteriorate. These investments span across sales and marketing, product development and other key areas that play a critical role in supporting the continued geographic expansion of Penneo Sign and roll out of Penneo KYC.

In 2023, our intention is also to enter at least one new market in Europe (in addition to our existing markets in Scandinavia and Belgium). However, since it requires time to gain traction and adapt our solutions to local rules and legislation, we have assumed only a relatively small share of new revenue from new markets in our 2023 guidance.

## Increased demand generation capabilities

Over the last year, particularly in 2022-H2, Penneo has carried out organizational changes aimed at increasing our demand generation capabilities and sales reach. Our primary way of creating demand, acquiring leads and converting them to customers remains digital inbound marketing and sales.

However, in 2022, we strengthened our outbound sales with reps who are solely focused on sales prospecting. Therefore, we expect a larger share of new customers from this sales channel and also a larger number of new customers in 2023 compared to 2022. This will contribute positively to ARR growth despite lower average deal size per new customer due to the current market conditions.

## Low churn and continued uplift

In 2023, we expect a slightly higher customer churn rate, yet still below the 5% benchmark that we have set as our general company goal as a result of the historical performance. We also expect a continued uplift from existing customers based on increased engagement with Penneo Sign and revenue from the cross-selling of Penneo KYC. Moreover, we expect a net positive effect on ARR uplift from an annual adjustment of our pricing reflecting the general increase in inflation rate. This has been introduced in 2022 and steps into effect from 1 January 2023.

## Forward-looking statements

Statements about the future expressed in the annual report reflect Penneo's current expectations for future events and financial results. The nature of these statements are affected by risk and uncertainties. Therefore, the company's actual results may differ from the expectations expressed in the management report.



# Guidance methodology

## ARR guidance

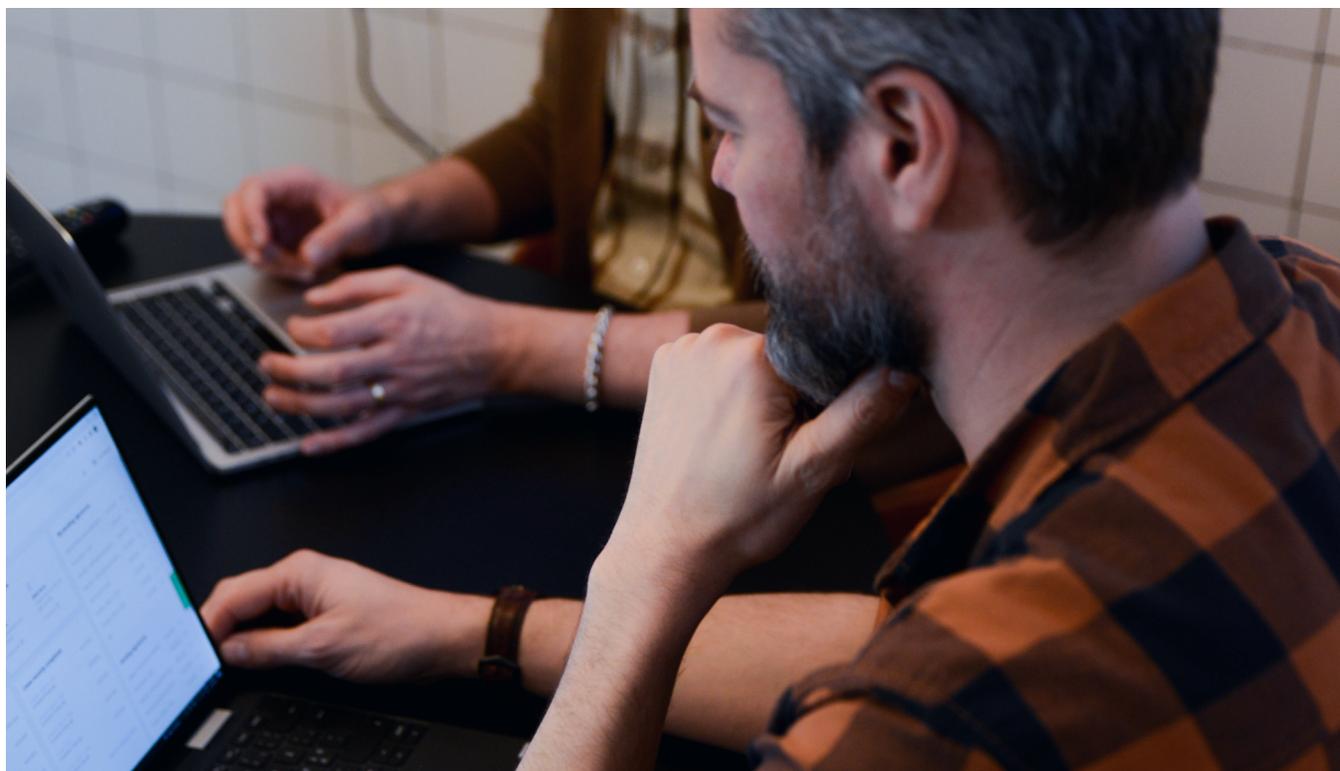
The initial projected Annual Recurring Revenue (ARR) is based on historical performance figures, however, adjusted with a higher weighting for the last six months to reflect more recent changes in our macroeconomic environment as well as seasonality and concrete plans outlining how we plan to scale our organization further in 2023.

This initial ARR projection is then reviewed and discussed with the commercial teams and Executive Management, who review it based on their knowledge of our current pipeline as well as their specific qualitative knowledge of the current conditions across Penneo's different markets. Based on this analysis, we adjust the initial ARR projection to increase the precision of the forecast of expected ARR.

Lastly, the adjusted forecast and the underlying drivers are presented to the Board of Directors for final approval.

## EBITDA guidance

Penneo's expected EBITDA is closely correlated to the expectations for ARR since the company is committed to scale up its organization and hire the staff it needs to realize its full growth potential. This includes maintaining a negative EBITDA because Penneo based on historical data believes that the cost of investing in acquiring new



customers will consistently be outweighed by profit from the subscription revenue from these customers over the following years. Growth investments, however, are done within the cash flow limits of the company, and its long-term business strategy and associated investment plan.

In Penneo, development in our realized ARR is closely monitored on a monthly basis and the hiring plan is adjusted accordingly to reflect a matching level. This means EBITDA will likely not be directly impacted following a change in expected ARR. If the expected ARR

is lower than expected, for example, fewer hirings will be executed, and conversely, if ARR increases, additional hirings will be made.

Since Penneo adjusts its costs according to the expected cash flow, the expected EBITDA is subject to change in accordance with changes in the relation between expected ARR, cash flow, and costs.

# Analyst coverage

Penneo A/S is followed by the analysts listed above. Please note that any opinions, estimates or forecasts regarding Penneo's performance made by these analysts are theirs alone and do not represent opinions, forecasts or predictions of Penneo A/S or its management. Penneo A/S does not by its reference above or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

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## Independent coverage



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# ESG strategy

In 2022, Penneo has created a baseline for future ESG progress and target setting



For every new employee that Penneo hires, the company plants a tree working together with the Danish company Klimatræ (Climate Tree). The collaboration with Klimatræ began in 2022 and initially 100 trees were planted.

# ESG highlights

In 2022, Penneo's digital sign has helped save approximately...



**62 million sheets of paper**



**280 tons of paper**



**1,016 tons of wood**



**2,300 tons of CO<sub>2</sub>**



**25 million liters of water**



**165,561 kilos of solid waste**

Penneo has estimated the environmental impact from the digital workflows that Penneo Sign creates using the Paper Calculator from the Environmental Paper Network's Paper Calculator Version 4.0:

<https://c.environmentalpaper.org/>

Estimates are based on the total number of documents completed via Penneo's Sign solution in 2022. The model assumes that each recipient would print their document(s) once and that there is an average of 10 A4 sheets of paper per document completed.

The reduced paper estimate builds on the assumption of a recycled content percentage of 10%. This is slightly higher than the 8% estimate that is part of the Environmental Paper Network's 2018 State of the Global Paper Industry Report, which leads to a more conservative estimate.

Penneo is aware that its business activities also negatively impact the environment, for example by CO<sub>2</sub> emissions from the data centers we use, energy consumption at our offices or employee travel.

We will continue to prioritize reducing these impacts in parallel with our effort to promote digital processes over paper-based alternatives.

# ESG highlights

## Environment



2023 goal < 0.2

**0.2**

2022 indirect CO2 emissions (scope 2) measured in tons per FTE



2023 goal < 0.8

**0.8**

2022 energy consumption in GJ per FTE



2023 goal < 3.5

**3.2**

2022 water consumption in M3 per FTE

## Social



2023 goal 8.6

**8.4**

2022 employee engagement score



2023 goal 35%/65%

**+33%**

2022: 33% female/67% male employee gender diversity



2023 goal 30%/70%

**29%**

2022: 29% female/71% male diversity for managers, senior management and C-level

## Governance



2023 goal 25%/75%

**25%**

2022: 25% female/75% male BoD gender diversity



2023 goal > 95

**100%**

Attendance at BoD meetings

# ESG statement

<b>Environment</b>		<b>Total 2022</b>	<b>Unit</b>	<b>Target 2023</b>	<b>2022</b>	<b>2021</b>
	CO <sub>2</sub> e, scope 1 (direct emissions)	0*	Tons per FTE	< 0.1	0.0	0.0
	CO <sub>2</sub> e, scope 2 (indirect emissions)	12.94	Tons per FTE	< 0.2	0.2	0.1
	Energy consumption	67.56	GJ per FTE	< 0.8	0.8	0.6
	Renewable energy share	N/A	%	> 10	19	19
	Water consumption	267.50	M3 per FTE	< 3.5	3.2	2.4
	Documents sent through Penneo	4,286,616	No. of signed documents	> 5,000,000	4,286,616	3,367,285
<b>Social</b>			<b>Unit</b>	<b>Target 2023</b>	<b>2022</b>	<b>2021</b>
	Average full-time employees incl. contractors		FTE		85	78
	Gender diversity		f/m %	35/65	33/67	32/68
	Gender diversity for managers, senior management and C-level		f/m %	30/70	29/71	13/87
	Sickness absence		%	< 3	1.3	1.3
	Employee satisfaction		Engagement	8.6	8.4	8.0
	Customer satisfaction (measured as churn)		%	< 5	4	2
<b>Governance</b>			<b>Unit</b>	<b>Target 2023</b>	<b>2022</b>	<b>2021</b>
	Gender diversity - Board of Directors (BoD)		f/m	25/75	25/75	33/66
	Attendance at the BoD meetings		%	> 95	100	97

\*Due to the nature of Penneo's business, we do not have any direct CO<sub>2</sub> emissions.



# Our business

## Our growth drivers

Increased focus on digitalization across Europe, stricter regulatory demands, especially in industries that are regulated by anti money laundering (AML) regulation, and a growing focus on mitigating climate change are some of the main underlying growth drivers that pushed Penneo's business forward in 2022.

The two key markets in which Penneo operates today – the digital signature and the KYC market – are both part of three broader markets; the digital identity market, the digital transaction management market, and the business process automation market. These markets are all characterized by high annual growth rates and tap into several global trends that have been key for the development of Penneo in the past and remain highly important to the company's continued growth.

Looking more closely at these trends, the single most important one is increased digitalization and automation across the public and private sectors aimed at enhancing work efficiency and saving cost. In Europe and around the world, industries are still undergoing comprehensive digital transformation because it provides an essential way forward to gain competitive edge, improve operational efficiency and reduce costs.

Across Europe and particularly in 2021, the COVID-19 crisis accelerated digital transformation of the economy simply because digitalization and bringing services



online in many cases became integral to mitigate the crisis. In this way, companies used digitalization to mitigate the effects of the disruption caused by the pandemic including closing down offices and asking employees to work from home. As digitalization increased, however, so did identity and financial fraud, which increased the need for safer digital methods and tools such as secured digital identification and the KYC solution that Penneo offers.

### Large potential in Europe

Despite the rapid advancement of digitalization in Europe, the continent has still not closed the gap with the United States. According to data for 2021-2022 from the European Investment Bank, for example, the share of companies using advanced digital tech is slightly higher in the United States (66%) than in the European Union (61%). Furthermore, digital adoption across Europe remains very heterogeneous with a very high

uptake of advanced technologies in some countries and others lagging significantly behind. According to the Digital Economy and Society Index (DESI) published annually by the EU Commission, particularly countries in the Nordics, including Denmark, Sweden, Norway, Finland along with Netherlands for example are ahead in terms of having 'advanced digital economies' whereas other countries, e.g. Germany, Spain, Italy are behind.

Overall, this means Europe has a large market potential. For example in digital signatures where Europe is currently the second largest region in terms of market size and is expected to see the highest growth in the coming years.

In the auditing and accounting industry vertical which is of key strategic importance to Penneo, investment in digitalization is also picking up speed. According to research carried out by McKinsey, this industry has a particularly high technical potential for automation since 86% of all current tasks and workflows can be digitalized. Not surprisingly, leveraging this potential to deliver new services, drive staff efficiency and profitability is a highly important focus area, particularly in the larger accounting companies, but increasingly also in smaller companies.

### EU legislation is paving the way

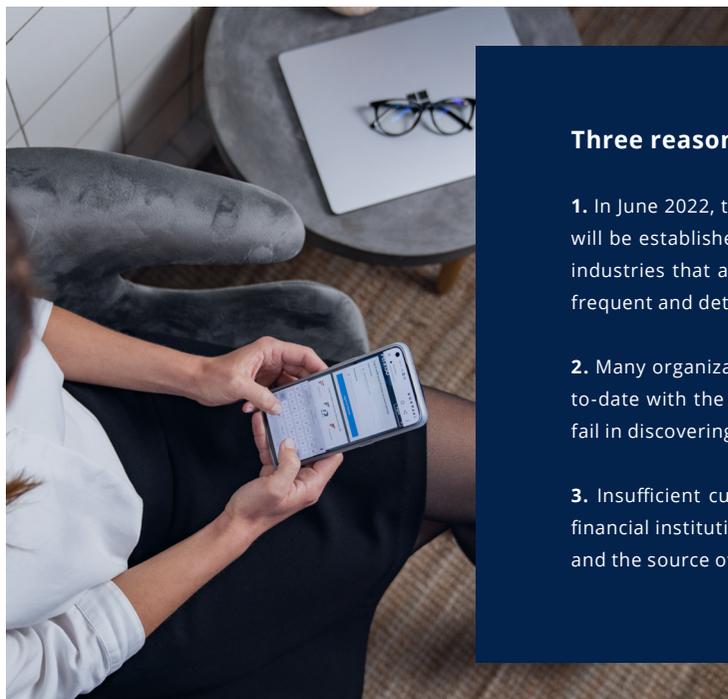
Political ambition for increased cybersecurity in the EU is another underlying dynamic that is driving growth for Penneo. Upcoming regulations such as the Digital Operational Resilience Act (DORA) and the NIS2 directive, for example, are both legislative initiatives

that will increase cybersecurity requirements for companies in the EU. Along with GDPR and other regulations as well, this is raising the bar in terms of what it requires to stay compliant.

AML compliance requirements are also becoming increasingly stringent as authorities tighten the reins of control to detect money laundering. The UN currently estimates that the cost of global money laundering annually is between \$800 billion – \$2 trillion which makes up 2-5% of global GDP. Unfortunately, only 1% of the money laundered can be detected and acted upon. Regulatory bodies are therefore responding with more

regulation, but also increasing fines for companies that are not compliant with AML regulation.

Climate change and the growing focus on sustainable business practices are yet another growth driver. Digitalization removes the need for physical documents and helps companies to become more sustainable by increasing resource efficiency and reducing waste. Penneo solutions remove the need for physical documents, which helps companies increase resource efficiency, reduce waste, and thus generally make business practices more sustainable.



### Three reasons why AML fines are rising

1. In June 2022, the EU announced that a new AML Authority (AMLA) body will be established to fight money laundering. This means that a range of industries that are subject to this regulation in the EU can expect more frequent and detailed AML investigations.
2. Many organizations rely on conventional AML systems that are not up-to-date with the functionality that modern software offers, making them fail in discovering false positives and suspicious activities.
3. Insufficient customer due diligence and automated checks mean that financial institutions are vulnerable because they fail to verify the identity and the source of the funds.

# Break into new markets while expanding existing ones

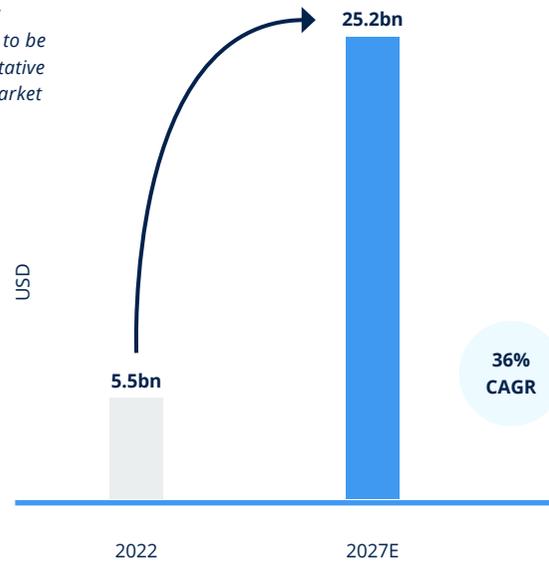
Over the last years, Penneo has successfully improved its market position in Denmark, Sweden, and Norway, and also secured a number of large auditing and accounting customers in Belgium and Finland. In this way, we have managed to attract several new large companies and at the same time create revenue uplift from our existing customer base of Penneo Sign.

To continue on this path, Penneo has adopted a growth strategy that outlines how we plan to create additional



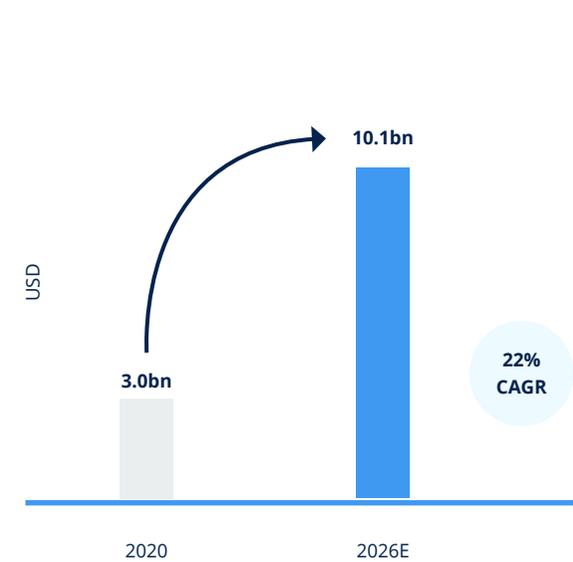
## Expected market growth in the global digital signature market

*Global market growth is assessed to be representative for EU market growth*



Source: MarketsandMarkets

## Expected market growth in the global KYC market



Source: Fatpos Global

revenue by entering new geographical markets and simultaneously expand further in the ones where we are already present.

In our existing markets, the plan is to strengthen our collaboration with the largest auditing and accounting customers and target other players in the same industry as well as companies in different industries with heavy document workflows.

Meanwhile, in new markets outside Scandinavia, our approach is to leverage the strong relationships we have with large auditing and accounting companies in the Nordics to secure business in new geographies.

In general, and regardless of whether it is a new or existing market, we are committed to invest in three areas that we believe are critical to stay competitive:

### **1. Additional investments in the auditing and accounting industry**

To secure a leading position, both in existing and newer markets such as Belgium, Penneo is increasing investments both from a commercial and technological perspective. This entails for example sales and marketing, solution adaptation to meet language and industry standards and comply with local rules and regulation. In new markets our priority is the local auditing and accounting industry because it brings us into a position where we can capitalize on network effects and make our value proposition visible towards companies in other AML-regulated industries.

### **2. Providing value-adding solutions to other AML-regulated industry companies**

Penneo intends to leverage its traction in the auditing and accounting industry and also tailor its solutions further to address customers operating in adjacent industries that are also subject to AML regulations, and have a need for both our Penneo Sign and KYC solution. This includes for example leasing companies, real estate and property administration companies among several others.

### **3. Upsell Penneo KYC to auditing and accounting industry**

Penneo KYC is a new growth lever and plays a key role in consolidating our position as a critical software provider for auditors. During 2022, we have made solid progress upselling KYC to existing Sign customers, but also in using the product to secure new business. To exploit this potential further, we are investing in sales and marketing and product development. Integrations, for example, is a key focus area intended to make it easier for our customers to make KYC work with their current IT infrastructure. In addition, tailoring KYC to meet different regional compliance requirements in Europe is also a focus area.



# Penneo receives green light for acceptance on the EU Trust List

Penneo has been accepted for inclusion on the EU Trust List marking a major milestone reached for the company since it paves the way for further growth in the audit and accounting vertical and other industries across Europe.

In early 2023, the Agency for Digital Government in Denmark (Digitaliseringsstyrelsen) completed its review and approved Penneo's application to be included on the European Commission Trust list (EUTL). This means that Penneo is now officially listed on a public list of Quality Trust Service Providers (QTSPs) that are specifically accredited and authorized to deliver the highest levels of compliance with the EU eIDAS electronic signature regulation.

During 2022, Penneo has invested significant resources to enhance its tech infrastructure and upgrade the company's Sign platform according to EU legislation. The recent approval means that Penneo is now authorized to offer the highest level of electronic signature in the eIDAS regulation: Qualified Electronic Signatures (QES) in addition to Advanced Electronic Signatures (AES)

that Penneo already offers. The signature type that is issued in different EU member states depends on the assurance level and maturity of the eID infrastructure in a given country. Becoming a QTSP, however, positions Penneo as a key player in this field and will allow the company to increase the security and compliance level for signatures as soon as the market allows it.

In eIDAS, only QES signatures are perceived legally and automatically equivalent to handwritten signatures. Also, they are the only types of signatures that are automatically recognized in transactions across EU member states.

All EU member states oversee providers in their own country, but once a QTSP is approved in one country, their services can be marketed in other EU countries with the same level of compliance. In other words, the approval will improve Penneo's overall value proposition and ability to serve larger companies across borders in the EU.

In Denmark, the only entities listed on the EUTL are currently the Danish Government and Nets. In many countries outside the Nordics, QES is required for certain document types to be considered legally valid. For example, this is the case for employee contracts in Belgium and annual reports in Germany. In this way, QES is an important market enabler and Penneo expects it will speed up new market entries.



The eIDAS regulation was introduced in 2016 and became mandatory in all EU member states taking precedence over any conflicting national laws. At the time, it replaced the eSignature Directive that was introduced in the late 90's by establishing an EU-wide legal framework for electronic signatures and a range of newly defined digital "trust services". The overall objective of the regulation is to enable convenient and secure electronic transactions across EU borders for citizens, businesses, and public sector institutions.

# Governance Section



# Governance

## Company information

Penneo A/S  
Enghavevej 40  
DK-1674 Copenhagen V

Business Registration No.: 35 63 37 66  
Registered office: Copenhagen

Date of incorporation: 09.01.2014  
Accounting period: 01.01.2022 - 31.12.2022

## Board of Directors

Christian Sagild (Chairman)  
Morten Kenneth Elk  
Rikke Stampe Skov  
Steffen Heegaard

## Executive Board

CEO Christian Stendevad

## Auditor

Deloitte Statsautoriseret  
Revisionspartnerselskab



### **Christian Stendevad**

CEO (Chief Executive Officer) since 18.08.2021

Profession: Chief Executive Officer at Penneo

Educational background:

Master in Engineering in Electronics, DTU

Christian Stendevad has solid experience within the digital identity and security space and in scaling SaaS businesses globally. Christian is an experienced leader who previously held a position as Chief Operating Officer in Omada. Christian has been with Omada for the past 17 years, where he successfully co-headed the international scaling and growth journey of Omada. Prior to Omada he held a position as Managing Consultant in PwC Consulting and IBM.

Christian Stendevad privately owns 21,554 shares in Penneo A/S.

Christian Stendevad privately holds 930,000 warrants in Penneo A/S.



### **Christian Sagild**

Chairman of the Board

Chairman since 28.04.2021

Profession: Professional board member

Educational background:

Actuary, cand. act. , University of Copenhagen

Christian Sagild is currently the Chairman of Nordic Solar A/S, Deputy Chairman of Ambu A/S, and member of the Board of Directors in Royal Unibrew A/S. He was the CEO of Topdanmark A/S between 2009-2017. His areas of expertise are capital markets, managing public companies, stakeholder and reputation management, and complex framework management.

Other key positions: Chairman of the Remuneration and Nomination committee and member of the Audit and Risk Committee in Nordic Solar A/S. Member of the Audit Committee of Ambu A/S. Chairman of the Audit Committee of Royal Unibrew A/S

Independent of Company

Christian Sagild privately owns 200,000 shares in Penneo A/S.

Christian Sagild privately holds 597,037 warrants in Penneo A/S.



### **Rikke Stampe Skov**

Board member  
Board member since 5.03.2021  
Profession: CEO at Impero A/S

Educational background:  
Board Master Class (CBS), HD(O) (CBS), HA(jur.) (CBS)

Rikke Stampe Skov is the CEO of Impero A/S, a position, which she has held since June 2018. Prior to joining Impero, Rikke Stampe Skov worked as a partner in PwC co-chairing the Risk Assurance Services service line, and later as a partner with Odgers Berndtson. Before this, Rikke co-founded the IT security consulting company, Protego. Rikke Stampe Skov's long career also includes positions with Maersk, ISS, and Siemens. She also serves as a board advisor with several organizations.

Other key positions: CEO at Impero, Chairman of the Board at Union Bulk, member of the Board of Representatives at Forenet Kredit.

Independent of Company

Rikke Stampe Skov privately owns 1,615 shares in Penneo A/S.  
Rikke Stampe Skov privately holds 15,000 warrants in Penneo A/S.



### **Steffen Heegaard**

Board member  
Board member since 27.04.2022  
Profession: Professional board member

Educational background: Cand.merc.fir, Copenhagen Business School (CBS); Board Leadership Masterclass, Copenhagen Business School (CBS)

Steffen Heegaard has more than 30 years of experience within capital market communication, investor relations and ESG, primarily from Topdanmark. He was Head of Investor Relations, Communications and ESG, Executive Vice President at Topdanmark from 1999-2021 and has now transitioned into a board career.

Other key positions: Board member at Luxor A/S, Chairman of the Board of Directors at Flowering ApS, Chairman of the Board of Directors at Janica A/S, Board member at HC Andersen Capital.

Independent of Company

Steffen Heegaard owns 7,222 shares in Penneo A/S.  
Steffen Heegaard privately holds 15,000 warrants in Penneo A/S.


**Morten Kenneth Elk**

Board member since 14.09.2018  
 Profession: Professional board member and investor

Educational background: Ph.D. Physics, University of Copenhagen

Morten Elk is a serial entrepreneur, board member and business angel. He began his career in 1997 after leaving a postdoctoral position in Physics to co-found what became a leading Danish digital agency. In 2003, Morten Elk co-founded SimpleSite, a global player in the DIY website building field. The company was exited to Group.One in 2022. Morten Elk has invested in several start-ups and holds board and chairman positions in a number of them. He is also the initiator behind the event series Nordic Growth Hackers where members from the tech community in Copenhagen come together to share growth experiences and tactics.

Independent of Company

Morten Kenneth Elk privately owns 18,083 shares in Penneo A/S.  
 Morten Kenneth Elk privately holds 283,167 warrants in Penneo A/S.

**Board composition**

As of 31 December 2022, the Board of Directors consists of four members. To ensure constructive and value-creating discussions, the Board aims at ensuring the right composition and balance of competencies. This includes Board members with competencies related to scaling SaaS based businesses and preparing them for international growth, but also members that hold solid experience in other fields and a strong track record from large listed companies to ensure long term value-creation for Penneo.

**Board evaluation**

In Q4-2022, the Board of Directors conducted a self-evaluation to ensure that it serves Penneo's overall purpose and promotes its culture and values. The

Chairman of the Board was responsible for conducting this evaluation and it included all members of the Board as well as the Executive Board. The evaluation was conducted using the recommendations on Corporate Governance that are aimed primarily at Danish companies whose shares are admitted to trading on a regulated market. As part of the evaluation, the Board focused on how collaboration and board operations can be improved as well as current board composition among several other areas. The intention is to repeat the Board evaluation yearly.

**Board committees**

During 2022, following the general assembly, Penneo has established a formal Audit Committee. Following the recommendations on Corporate Governance,

this committee is composed such that the chairman of the board of directors is not chairman of the audit committee. Rikke Skov is currently Chairman of Penneo's Audit committee, while Christian Sagild is a member of the committee. The Audit Committee has held three meetings during 2022.

*Penneo's Corporate Governance Statement is available on the company's website*

[www.penneo.com/investors](http://www.penneo.com/investors)

# Key risks

## Risk management

Penneo regularly assesses which risks the company is facing as an organization in order to make sure that appropriate mitigation measures are taken to address them. The risk management approach is inspired by the International Organisation for Standardization (ISO) 31000 (Risk Management Framework) and covers all areas within Penneo, such as financial, organizational, legal, market, industry and cyber risks. Risk owners evaluate relevant risks and Penneo's CEO evaluates the risk assessments. The results of these assessments are then presented to Penneo's Audit Committee and ultimately to the Board of Directors where final discussions are held and decisions are made.

## Cyber risk

As a processor of sensitive customer data through the products Penneo Sign and Penneo KYC, Penneo continues to have product security as a top priority to mitigate the risk of cyber threats, as well as other kinds of risks that could disrupt Penneo's services or lead to unintended disclosure of data.

Penneo continues to operate its Information Security Management System (ISMS), which is based on the internationally recognised ISO 27001 standard, to ensure that appropriate internal processes and controls address relevant risks related to the confidentiality, integrity and availability of data.

Penneo engages an external audit firm to audit relevant internal processes and controls for both Penneo Sign and Penneo KYC, which results in ISAE 3000 audit reports that are shared with customers and other relevant stakeholders. Both technical and organizational measures are audited and cover areas such as governance, access control, encryption, disaster recovery and software development. Penneo also engages an external IT security firm to perform security penetration tests aimed at testing Penneo's infrastructure and applications and discover potential vulnerabilities.

Penneo uses Amazon Web Services (AWS) as its Infrastructure as a Service (IaaS) provider, which continues to be a secure and reliable hosting provider. Both performance and compliance is monitored by Penneo's engineers and Legal and Compliance teams.

In 2022, Penneo has been audited by an independent auditor using the criteria that are applied to European Qualified Trust Service Providers (QTSP), a group of providers that have been specifically accredited to deliver the highest levels of compliance with the EU eIDAS electronic signature regulation. As part of this audit, Penneo has been evaluated across a range of different organizational and technical requirements. Penneo successfully completed this audit demonstrating its ability to provide secure and reliable products.

## GDPR risk

Penneo handles a large amount of EU citizens personal data and is subject to the General Data Protection Regulation. Penneo is subject to risks as we operate both as a Data Processor, in relation to our customers data, and as a Data Controller for our employees' personal data. Non-compliance with this legislation can be due to human error, insufficient technical security measures, misinterpretation of the rules or case law. The consequences for non-compliance are either public criticism or a fine. Most severely, Penneo could face reputational damages.

## Implemented measures

Penneo has implemented several internal guidelines and all employees must complete an annual awareness training. Penneo vets all vendors and suppliers from a GDPR and security perspective. Through dialogue and follow-up between our management, legal and product/engineering department, Penneo tries to update our products in response to new case law or data privacy specifications.

Penneo will implement more automated ways of improving and scaling our data protection efforts and is planning to become ISO 27701 certified. Penneo also ensures adequate training of legal staff through seminars and certifications to stay updated on relevant changes to the legislation and the practical implementation of data privacy rules/case law.

# Company information

Penneo is a Software-as-a-Service (SaaS) provider originally established to help companies with digital document signatures. Penneo was founded by Danish entrepreneurs, who joined forces with a shared ambition to reduce the “hassle of getting documents signed” by replacing pen and paper with a digital alternative. This new digital “pen” (Pen-neo) was launched in 2014.

Today, Penneo has evolved into an eco-system of automation solutions that digitize company workflows in connection with onboarding of customers (KYC), secure signing and management of documents. The company offers a RegTech solution that gives companies an efficient and inexpensive tool for complying with regulatory requirements.

Penneo holds a strong position across the geographical markets it operates in. In total, 1.8 million individuals signed documents electronically with Penneo in 2022 across all of the markets we operate in.

**For more information about Penneo please visit:**  
<https://penneo.com/investors/>

## 2023 financial calendar

### ANNUAL GENERAL MEETING

March 29, 2023

### Q1 REPORT

May 16, 2023

### H1 REPORT

August 17, 2023

### Q3 REPORT

November 21, 2023

A young man with dark, wavy hair is shown in profile, looking intently at a large, curved computer monitor. He is wearing a light-colored, textured sweater and large black headphones. The setting is a modern office with large windows in the background, showing a blurred view of buildings. The lighting is soft and natural, coming from the windows. The overall mood is professional and focused.

# Financial review

# CFO statement



## Deployment of raised growth capital

Following the net 59M DKK capital raise carried out at the end 2022-Q1, the main focus of 2022 has been to scale up our team in preparation for future growth. Even though we faced some employee retention challenges in 2022, we also addressed these issues and took relevant mitigating actions.

Consequently, we ended the year as a team of 111 people compared to 83 people at the end of 2021. In 2023, we do not expect to increase our headcount as much as in 2022. Our plans for 2023 include additional headcounts to scale our product development team further and also hire additional sales staff focused on foreign markets later on in 2023.

For now, however, our core focus is to consolidate and make sure that new resources hired in 2022 are productive and fully ramped up to deliver expected outcomes. Looking ahead, we will carry out investments with caution to ensure a balance between negative free cash flow and the growth rate.

## Customer Acquisition Cost (CAC)

In 2022, we onboarded 404 new customers with initial ARR at 20T DKK on average per customer. In total, costs related to acquiring new customers including lead generation as well as sales and marketing staff costs amounted to 13M DKK corresponding to an average cost of 32T DKK per new customer.

Consequently, it takes approximately 19 months to recover CAC. In general, the customer is invoiced for 12 months up front, which is why the customer is expected to be cash positive after one year of subscription. Due to this rapid pay-back time as well as the long and growing 'tail' of positive cash-flow that continues after year one (with net ARR retention of 113% in 2022), we consider our current customer acquisition process profitable.

In 2022, 19% of our fixed costs were allocated to acquiring new customers. This figure reflects our dual focus between upsell and sales to new customers. We expect roughly the same focus in 2023, and consequently the total amount of costs spent on getting new customers on board will increase when we scale the fixed costs. In addition, we have established a revenue operation department to ensure a constant focus and follow up on all the initiatives set in place across the different units that make up our commercial organization.

## EBITDA

In 2022, we realized a less negative EBITDA (negative 11M DKK) than we provided in our initial guidance (negative 15-20M DKK). As previously communicated (Company Announcement No. 01-2023) this is due to a higher recognized revenue, a change in the method we used to measure provision related to the accounts receivables and slightly lower than expected overall costs related to payroll.

Even if we had not encountered these changes, our EBITDA for 2022 would have approached the 'positive' end of our initial guidance (negative 20-15M DKK). This is due to a combination of two factors. Firstly, in 2022 we encountered unintended employee attrition and also challenges recruiting new employees in 2022 which translated into significantly lower than expected costs related to payroll. Secondly, we took a more cautious approach to investments in general due to the changed macroeconomic environment.

# Key figures

DKK	2022	2021
Revenue	72,057,638	54,280,225
Cost of sales	(12,522,305)	(9,663,276)
<b>Gross profit</b>	<b>59,535,333</b>	<b>44,616,950</b>
	83%	82%
Other external expenses	(17,823,211)	(14,445,453)
Staff costs	(52,839,080)	(44,239,638)
<b>EBITDA*</b>	<b>(11,126,958)</b>	<b>(14,068,142)</b>

DKK	2022-Q4	2022-Q3	2022-Q2	2022-Q1	2021-Q4	2021-Q3	2021-Q2	2021-Q1
Revenue	25,388,533	14,748,751	17,565,608	14,354,746	18,458,693	9,128,555	15,832,776	10,860,201
Cost of sales	(3,563,534)	(2,834,338)	(3,187,849)	(2,936,584)	(2,690,089)	(2,071,042)	(2,607,159)	(2,294,986)
Gross profit	21,824,999	11,914,413	14,377,759	11,418,162	15,768,604	7,057,514	13,225,617	8,565,215
	86%	81%	82%	80%	85%	77%	84%	79%
Other external expenses	(4,419,983)	(4,820,340)	(4,556,908)	(4,025,980)	(3,626,638)	(3,405,948)	(3,298,648)	(4,114,219)
Staff costs	(14,185,712)	(11,764,446)	(13,489,501)	(13,399,421)	(12,729,816)	(11,741,094)	(10,628,358)	(9,140,370)
<b>EBITDA*</b>	<b>3,219,304</b>	<b>(4,670,373)</b>	<b>(3,668,650)</b>	<b>(6,007,239)</b>	<b>(587,850)</b>	<b>(8,089,529)</b>	<b>(701,389)</b>	<b>(4,689,374)</b>

\*EBITDA does not include income and costs categorised as “Other income” and “Other operating expenses” on page 53.

# Key figures

M DKK	2022	2021	2020	2019	2018*
<b>Financial performance</b>					
Annual recurring revenue**	71.0	55.5	37.0	25.0	18.0
Revenue	72.1	54.3	35.5	27.6	22.7
Gross profit	59.5	44.6	28.5	22.2	19.7
Operating profit	(23.5)	(22.7)	(16.2)	(2.2)	3.7
Net financials	(2.3)	(1.4)	(1.0)	(0.5)	(0.1)
Net profit/(loss)	(20.3)	(18.6)	(12.8)	(2.7)	(2.2)
Purchase of property, plant and equipment	0.1	0.7	0.6	0.2	0.0
Purchase of intangible assets	19.1	14.8	23.9	3.4	5.6
Trade receivables	20.0	11.8	8.7	3.5	5.2
Free cash flow	(29.4)	(23.6)	(22.2)	(5.7)	2.9
Equity	105.5	57.0	57.6	9.0	6.1
Total assets	152.0	104.5	95.9	39.4	22.9
<b>Financial ratios</b>					
ARR growth	28%	50%	48%	39%	80%
Revenue growth	33%	53%	29%	21%	141%
Gross margin	83%	82%	80%	81%	87%
Operating margin	(33%)	(42%)	(46%)	(8%)	16%
Solvency ratio	69%	55%	60%	23%	27%
Asset turnover	0.6	0.5	0.5	0.9	1.4
Trade receivables turnover ratio	4.5	5.4	6.1	5.8	3.7
ARR growth vs FCF***	(1.9)	(1.3)	(1.8)	(0.8)	0.4
Adjusted ARR growth vs FCF****	(1.7)	(1.3)	(1.7)	(0.8)	0.4

\* The annual report of 2018 was prepared in accordance with the Danish Financial Statements Act.

\*\* Annual recurring revenue is a non-IFRS financial measurement.

\*\*\* The growth rate represents the cost of increasing Annual Recurring Revenue by 1 DKK.

\*\*\*\* Adjusted for the cost that is associated with the listing on both the First North and the Copenhagen Main Market (2.3M DKK in 2020 and 2.4M DKK in 2022)

# Financial commentary

## Recognized revenue

In 2022, total recognized revenue increased by 33% compared to 2021. Revenue from the Belgian market increased by 229% in 2022 compared to 2021 due to Penneo's increased focus on internationalization and the presence of a new local Penneo team. Meanwhile, revenue from the Danish market grew by 32% in 2022 compared to 2021.

The deviation between ARR and recognized revenue is caused by the following three reasons.

1. One-time fees recognized does not count for any ARR.
2. Recognized revenue from signature packages are not equal to the ARR from signatures, since the ARR is calculated by taking the past 12 months of usage multiplied by the signature price.
3. Revenue is recognized when outlined performance obligations are met. Please refer to note 1 for further explanation.

## Cost of sales

Cost of sales has increased by 30% in 2022 compared to 2021, which is caused by the continuously increased usage of Penneo's products. As a result of the increases in revenue of 33% and cost of sales of 30%, the gross profit margin has increased from 82% in 2021 to 83% in 2022.

## Other external expenses

Other external expenses have increased by 23% in 2022 compared to 2021. This is a result of the investments we have made to improve the way Penneo operates and support the company's growth and internationalization. It includes for example marketing costs and the cost of four consultants working full-time for Penneo.

## Staff costs

Staff costs have increased by 19% in 2022 compared to 2021 driven primarily by the recruitment of new employees in sales, marketing and software development. Furthermore, Penneo has also invested in recruiting specialists and resources devoted to management to strengthen and professionalize its organization further.

## Other operating expenses

Other operating expenses have increased by 133% in 2022 compared to 2021. Other operating expenses solely consist of costs related to the Nasdaq Copenhagen Main Market listing.

## Intangible assets

Intangible assets have increased by 27% in 2022 compared to 2021 which is caused by the growing continuous investment into development projects.

## Trade receivables

Trade receivables have increased by 69% in 2022 compared to 2021. The increased sum of trade receivables is caused by December 2022 being the highest invoicing month in the lifetime of Penneo. In December 2022, invoicing increased by 65% compared to December 2021.

## Income tax receivables

Income tax receivable consists of tax credit related to Penneo's innovative development projects.

## Trade payables

Trade payables have decreased by 40% in 2022 compared to 2021. This decrease has been caused by extraordinary high trade payables in 2021.

## Cash flow from operating activities

Net cash flow from operating activities resulted in an outflow of 10.0M DKK in 2022 compared to an outflow of 8.1M DKK in 2021. Net cash flow from operating activities is related to the increase in the operations related costs (e.g. staff costs and increased marketing activities) that are being invested in the international expansion of Penneo according to the strategy in addition to the Nasdaq Copenhagen Main Market listing.

## Cash flow from investing activities

Net cash flow from investing activities resulted in an outflow of 19.4M DKK in 2022 compared to an outflow of 15.5M DKK in 2021. The increase is caused by an increased focus and investment in the continued development and enhancement of Penneo's products.

## Cash flow from financing activities

Net cash flow from financing activities resulted in an inflow of 57.2M DKK in 2022 compared to an inflow of 17.1M DKK in 2021. The increase was caused by the net 59M DKK capital raise in March 2022.

<b>DKK</b>	<b>2022</b>	<b>2021</b>
Cash flow from operating activities	(10,043,589)	(8,079,301)
Cash flow from investing activities	(19,403,043)	(15,481,131)
<b>Free Cash Flow</b>	<b>(29,446,632)</b>	<b>(23,560,432)</b>
Adjusted*	2,365,758	
<b>Adjusted Free Cash Flow</b>	<b>(27,080,874)</b>	<b>(23,560,432)</b>
Cash flow from financing activities	57,192,126	17,133,378
<b>Cash and cash equivalents EoY</b>	<b>53,161,291</b>	<b>25,415,797</b>

<b>DKK</b>	<b>2022-Q4</b>	<b>2022-Q3</b>	<b>2022-Q2</b>	<b>2022-Q1</b>	<b>2021-Q4</b>	<b>2021-Q3</b>	<b>2021-Q2</b>	<b>2021-Q1</b>
Cash flow from operating activities	795,552	(2,054,739)	(3,542,478)	(5,241,924)	(617,208)	482,436	2,655,548	(10,600,077)
Cash flow from investing activities	(5,037,090)	(5,198,482)	(4,481,480)	(4,685,991)	(4,755,818)	(3,661,802)	(3,436,842)	(3,626,669)
<b>Free Cash Flow (FCF)</b>	<b>(4,241,537)</b>	<b>(7,253,221)</b>	<b>(8,023,958)</b>	<b>(9,927,915)</b>	<b>(5,373,026)</b>	<b>(3,179,366)</b>	<b>(781,294)</b>	<b>(14,226,746)</b>
Adjusted*			2,365,758					
<b>Adjusted free cash flow</b>	<b>(4,241,537)</b>	<b>(7,253,221)</b>	<b>(5,658,200)</b>	<b>(9,927,915)</b>	<b>(5,373,026)</b>	<b>(3,179,366)</b>	<b>(781,294)</b>	<b>(14,226,746)</b>
Cash flow from financing activities	9.7	45.8	169,800	57,891,011	9,223,422	9,031,981	(591,338)	(530,624)
<b>Cash and cash equivalents EoY</b>	<b>8.2</b>	<b>31.8</b>	<b>65,524,735</b>	<b>73,378,894</b>	<b>25,415,797</b>	<b>21,565,401</b>	<b>15,712,849</b>	<b>17,085,481</b>

\*Adjusted for the cost that is associated with the listing on both the First North and the Copenhagen Main Market (2.3M DKK in 2020 and 2.4M DKK in 2022)

# Financial statements

# Statement by Management

The Board of Directors and Executive Board have today considered and approved the annual report for the financial year 1 January 2022 – 31 December 2022 for Penneo A/S.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of Penneo's assets, liabilities and financial position as of 31 December 2022 and of the results of Penneo's activities and cash flows for the financial year 01 January 2022 – 31 December 2022. We believe that the management commentary contains a fair review of the affairs and conditions referred to therein. The annual report is submitted for adoption at the Annual General Meeting which is scheduled to be held on 29 March 2023.

In our opinion, the annual report of Penneo A/S for the financial year 1 January to 31 December 2022, with the file name *Penneo-Annual-Report-2022*, has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 28 February 2023

## **Executive Board**

CEO, Christian Stendevad

## **Board of Directors**

Christian Sagild

Rikke Stampe Skov

Morten Kenneth Elk

Steffen Heegaard

# Independent auditor

## To the shareholders of PENNEO A/S

### Our opinion

We have audited the financial statements of Penneo A/S for the financial year 1 January 2022 – 31 December 2022, which comprise the income statement, statement of financial position, statement of changes in equity and notes, including a summary of significant accounting policies, statement of comprehensive income and cash flow statement. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 2022, and of the results of its operations and cash flows for the financial year 1 January 2022 – 31 December 2022 in accordance with International Financial Reporting Standards as endorsed by the EU and additional requirements under the Danish Financial Statements Act.

Our opinion is consistent with our Audit Book comments issued to the Audit Committee and the Board of Directors.

### 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 this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Penneo A/S for the first time on 29 December 2019, for the financial year 2019. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of 4 years up to and including the financial year 2022.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 1 January 2022 – 31 December 2022.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### *Revenue recognition*

The recognition of revenue is subject to the inherent complexities in the software industry. We focused on this area due to the judgemental and complex nature of revenue recognition, which include identification of performance obligations in the contracts including the associated timing of the revenue recognition. Refer to note 3 "Critical accounting judgements and key sources of uncertainty" and note 5 "Revenue" in the Financial Statements.

### *How the matter was addressed in our audit*

We performed risk assessment procedures to obtain an understanding of the IT systems, business processes and relevant controls over the Company's revenue cycle. For revenue recognized, we evaluated and challenged Management's assessment that all benefits for the licenses have been transferred.

For revenue recognized at a point in time, we evaluated and challenged Management's documentation for the right to payment and that the licenses have been transferred and made available to the customer. For revenue recognized over time we evaluated and challenged Management's assessment that customers over time consumes and benefit from the services delivered. We also assessed the outcome of prior period estimates.

### Statement on the management review

Management is responsible for the management review.

Our opinion on the financial statements does not cover the management 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 the management review and, in doing so, consider whether the management review is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the management 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 the management review.

### 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 International Financial Reporting Standards as endorsed by the EU and additional requirements of the Danish Financial Statements Act as well, and for such internal control as Management

determines is necessary to enable the preparation of 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, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 judgement 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and, where applicable, safeguards put in place and measures taken to eliminate threats.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in

our auditor's report unless law or regulation precludes public disclosure about the matter.

#### **Report on compliance with the ESEF Regulation**

As part of our audit of the financial statements of Penneo A/S we performed procedures to express an opinion on whether the annual report of Penneo A/S for the financial year 1 January 2022 – 31 December 2022 with the file name *Penneo-Annual-Report-2022* is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format.

Management is responsible for preparing an annual report that complies with the ESEF Regulation. This responsibility includes the preparing of the annual report in XHTML format.

Our responsibility is to obtain reasonable assurance on whether the annual report is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained, and to issue a report that includes our opinion. The procedures consist of testing whether the annual report is prepared in XHTML format.

In our opinion, the annual report of Penneo A/S for the financial year 1 January 2022 – 31 December 2022 with the file name *Penneo-Annual-Report-2022* is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 28 February 2023

**Deloitte**

Statsautoriseret Revisionspartnerselskab

CVR-nr.: 33 96 35 56

**Bjørn Winkler Jakobsen**

State-Authorised Public Accountant

MNE-nr. mne32127

**Henrik Wolff Mikkelsen**

State-Authorised Public Accountant

MNE-nr. mne33747



# Statement of profit or loss and other comprehensive income

	Note	2022 DKK	2021 DKK
Revenue	5	72,057,638	54,280,225
Cost of sales		(12,522,305)	(9,663,276)
<b>Gross profit</b>		<b>59,535,333</b>	<b>44,616,950</b>
Other external expenses		(17,823,211)	(14,445,453)
Staff costs	6	(52,839,080)	(44,239,638)
Other income		44,785	44,785
Other operation expenses		(2,365,758)	(1,017,363)
Depreciation, amortisation, impairment	8	(10,012,975)	(7,682,379)
<b>Operating profit/(loss)</b>		<b>(23,460,907)</b>	<b>(22,723,098)</b>
Financial income	9	122,528	128,363
Financial expenses	10	(2,420,728)	(1,576,313)
<b>Profit/(loss) before tax</b>		<b>(25,759,107)</b>	<b>(24,171,048)</b>
Tax for the year	11	5,500,000	5,536,417
<b>Profit/(loss) for the year</b>		<b>(20,259,107)</b>	<b>(18,634,631)</b>
<b>Total comprehensive income for the year</b>		<b>(20,259,107)</b>	<b>(18,634,631)</b>
Earnings per share, basic (EPS)	18	(0.65)	(0.72)
Earnings per share, diluted (DEPS)	18	(0.65)	(0.72)

# Statement of financial position

	Note	31.12.2022 DKK	31.12.2021 DKK
Intangible assets	12	57,012,359	45,048,292
Property, plant and equipment	13	1,094,886	1,227,193
Right-of-use assets	14	11,602,470	12,852,335
Deposits	15	1,439,174	1,288,942
<b>Total non-current assets</b>		<b>71,148,888</b>	<b>60,416,763</b>
Trade receivables	16	19,980,670	11,830,821
Income tax receivables	11	5,500,000	4,756,084
Other receivables		1,585	22,325
Prepayments		2,198,270	2,039,272
Cash		53,161,291	25,415,797
<b>Total current assets</b>		<b>80,841,817</b>	<b>44,064,299</b>
<b>Total assets</b>		<b>151,990,705</b>	<b>104,481,061</b>

# Statement of financial position

	Note	31.12.2022 DKK	31.12.2021 DKK
Share capital	18	642,933	542,579
Reserves for development		43,224,973	30,600,906
Retained earnings		44,232,570	12,050,329
Treasury shares		4,477	7,177
Other capital reserves	19	17,396,193	13,842,673
<b>Total equity</b>		<b>105,501,146</b>	<b>57,043,664</b>
Interest bearing liabilities	20	10,699,587	14,366,991
Provisions	21	454,302	442,790
Lease liabilities	14	9,626,100	11,212,840
Other payables		2,442,713	2,384,316
Contract liabilities	5	358,281	403,066
<b>Total non-current liabilities</b>		<b>23,580,983</b>	<b>28,810,003</b>
Contract liabilities	5	5,104,931	4,216,457
Lease liabilities	14	2,835,660	2,347,715
Trade payables		2,691,826	4,487,375
Other payables		8,606,762	7,245,187
Interest bearing liabilities	20	3,669,397	330,660
<b>Total current liabilities</b>		<b>22,908,576</b>	<b>18,627,395</b>
<b>Total liabilities</b>		<b>46,489,559</b>	<b>47,437,397</b>
<b>Total equity and liabilities</b>		<b>151,990,705</b>	<b>104,481,061</b>

# Statement of changes in equity

<b>2022</b>	<b>Share Capital DKK</b>	<b>Reserves for development expenditure DKK</b>	<b>Retained earnings DKK</b>	<b>Treasury shares DKK</b>	<b>Other capital reserves DKK</b>	<b>Total DKK</b>
Equity beginning of 2022	542,579	30,600,906	12,050,329	7,177	13,842,673	57,043,664
Net profit/(loss) for the period			(20,259,107)			(20,259,107)
Excercise of warrants	10,770		2,790,926		(457,521)	2,344,176
Capital increase	89,584		61,499,471			61,589,055
Transaction costs			(3,659,841)			(3,659,841)
Transfer to reserves		12,624,067	(12,624,067)			0
Treasury shares transferred as consideration in a business combination			3,001,826	(1,826)	(3,000,000)	0
Transfer of shares as a part of Employee Share Scheme			1,433,033	(874)	(1,432,159)	0
Shared-based payments					8,443,200	8,443,200
<b>Equity end of 2022</b>	<b>642,933</b>	<b>43,224,973</b>	<b>44,232,570</b>	<b>4,477</b>	<b>17,396,193</b>	<b>105,501,145</b>

<b>2021</b>	<b>Share Capital DKK</b>	<b>Reserves for development expenditure DKK</b>	<b>Retained earnings DKK</b>	<b>Treasury shares DKK</b>	<b>Other capital reserves DKK</b>	<b>Total DKK</b>
Equity beginning of 2021	502,615	15,928,604	35,227,386	7,177	5,910,269	57,576,051
Net profit/(loss) for the period			(18,634,631)			(18,634,631)
Excercise of warrants	39,964		10,159,877		(295,361)	9,904,480
Transaction costs			(30,000)			(30,000)
Transfer to reserves		14,672,302	(14,672,302)			0
Shared-based payments					8,227,765	8,227,765
<b>Equity end of 2021</b>	<b>542,579</b>	<b>30,600,906</b>	<b>12,050,329</b>	<b>7,177</b>	<b>13,842,673</b>	<b>57,043,664</b>

# Cash flow statement

	Note	2022 DKK	2021 DKK
Operating profit/loss		(23,460,907)	(22,723,098)
Depreciation, amortisation and impairment		10,012,975	7,682,379
Share-based payment expense		8,443,200	8,227,765
Other income		(44,785)	(44,785)
Changes in working capital	17	(7,775,213)	(2,895,167)
Income taxes received		4,756,084	2,745,144
Financial income received		122,528	128,363
Financial expenses paid		(2,097,471)	(1,199,901)
<b>Cash flow from operating activities</b>		<b>(10,043,589)</b>	<b>(8,079,301)</b>
Investments in intangible assets		(19,149,425)	(14,763,630)
Investments in property plant and equipment		(103,386)	(687,259)
Deposits		(150,232)	(30,242)
<b>Cash flow from investing activities</b>		<b>(19,403,043)</b>	<b>(15,481,131)</b>
Proceeds from borrowings		0	10,000,000
Repayment of borrowings		(328,668)	(372,778)
Payment of principal portion of lease liabilities		(2,752,596)	(2,368,323)
Transactions costs from capital increase		(3,659,841)	(30,000)
Cash increase from capital		63,933,231	9,904,480
<b>Cash flow from financing activities</b>		<b>57,192,126</b>	<b>17,133,378</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents 1 January		25,415,797	31,842,851
Net cash flow		27,745,494	(6,427,054)
<b>Cash and cash equivalents 31 December</b>		<b>53,161,291</b>	<b>25,415,797</b>

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# 1. Accounting policies

Penneo's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU and additional Danish disclosure requirements for the financial statements of reporting class D enterprises cf. the Danish Executive Order on Adoption of IFRSs ("IFRS bekendtgørelsen") issued in accordance with the Danish Financial Statements Act ("DFSA").

Reporting under the ESEF Regulation The Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) requires the use of a particular electronic reporting format for annual reports of listed companies. More specifically, the ESEF Regulation requires the annual report to be prepared in XHTML format. Consistently with the requirements of the ESEF Regulation, the annual report approved by Management is an XHTML file Penneo-Annual-Report-2022 that may be opened using standard web browsers.

## Basis of preparation

The financial statements are presented in Danish kroner (DKK). The financial statements have been prepared on a going concern basis and in accordance with the historical cost convention, except where IFRS explicitly requires the use of other values.

For the purpose of clarity, the financial statements and the notes to the financial statements are prepared

using the concepts of materiality and relevance. This means that line items not considered material in terms of quantitative and qualitative measures or relevant to financial statement users are aggregated and presented together with other items in the financial statements. Similarly, information not considered material is not presented in the notes.

The accounting policies, except as described below, have been applied consistently during the financial year and for the comparative figures.

## Foreign currency translation

Transactions denominated in currencies other than the functional currency are considered transactions in foreign currency.

On initial recognition, transactions denominated in foreign currencies are translated to the functional currency at the exchange rates at the transaction date. Foreign exchange rate adjustments arising between the transaction date and at the date of payment are recognised in the income statement under financial income or financial expenses.

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates at the reporting date. The difference between the exchange rates at the reporting date and at the date of the transaction or the exchange rate in the latest financial statements is recognised in the income statement under financial income or financial expenses.

## Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing, and financing activities for the year as well as Penneo's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are calculated based on operating profit/loss, adjusted for the cash flow effect of non-cash operating items, working capital changes, financial expenses paid and income tax paid. Cash flows from investing activities comprise payments in connection with the acquisition and sale of non-current intangible assets, property, plant, and equipment, as well as financial assets.

Cash flows from financing activities comprise payments arising from changes in the size or composition of Penneo's share capital and dividend paid.

## Income statement

### Revenue

Revenue is recognised exclusive of VAT and taxes and with deduction of any rebates given. Net revenue is allocated to performance elements, where performance elements are training/education, customer access to systems agreed, delivery of any validations and certificates of signatures and to a lesser extent support and storage. Allocation is based on the contract with the customer to the extent possible, but for combined contracts, an estimate is being made for the distribution of sales price to the performance elements. Such allocation to performance elements is

based on historical data to the extent possible, with frequent reestimation based on the development in data or other knowledge around tendencies or expected development. The contracts held by Penneo are to a huge extent combined contracts. The main contracts contain three elements: right to use the system, signatures and support.

Penneo has two main price models within the Sign solution: "old" transaction based and "new" subscription based price model. The "old" transaction based price model which is only for customers who signed up before 2019 is recognized when the two distinct performance obligations are met. The invoiced subscription is recognized upfront at the start date of the subscription. The signatures are recognized upon the specific use since the customers have an inventory that comprises signatures. Bought but not used signatures are deferred according to the cost-plus a margin approach as a part of the Contract liabilities.

The "new" subscription based price model which comprises a fair usage is recognized according to the subscription period by a specific percentage upfront and the remaining amount recognized on a straight-line basis over time. The percentage is calculated by the average cost of signature lines as certificates on the signature lines is the only performance element not fulfilled at the start date of the subscription. Refer to note 3 for further details.

One-time fees comprises onboarding and other consultancy services and is recognized upon fulfillment.

#### **Cost of sales**

Cost of sales comprise costs incurred to achieve the year's revenue.

#### **Other external costs**

Other external expenses include expenses relating to Penneo's ordinary activities, including expenses for stationery and office supplies, marketing costs, etc.

#### **Staff costs**

Staff costs consist of salaries and wages, share-based payments, and other benefits. Salaries, share-based payments, and other benefits are recognised in the year in which the associated services are rendered by the employees. Contributions to defined contribution plans are recognised in the income statement in the period to which they relate and any contributions outstanding are recognised in the statement of financial position as other liabilities.

#### **Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment, intangible assets and right-of-use assets comprise depreciation and amortisation.

#### **Share-based payments**

The Board of Directors, Management and other employees have been granted warrants. In addition the Company has also had an employee share scheme where the employees were able to sign up. The warrants as well as the share scheme are measured at fair value at the grant date and are recognised as an expense

in staff costs over the vesting period. Expenses are set off against equity as a consequence of the share based payments being equity settled. Lender warrants are measured at fair value at the grant date and are recognised as an expense in financial expenses over the vesting period. Expenses are set off against equity as a consequence of the share based payments being equity settled.

The fair value of the warrants is measured using the Black Scholes valuation method or other generally accepted valuation techniques. The calculation takes into account the terms and conditions under which the warrants are granted.

Fair value is not subsequently remeasured. If subsequent modifications to a warrant program increase the value of the warrants granted, measured before and after the modification, the increase is recognised as an expense. If the modification occurs before the end of the vesting period the increase in value is recognised as an expense over the period for services to be received. If the modification occurs after the vesting date, the increase in value is recognised as an expense immediately. Consideration received for warrants sold are recognised directly in equity.

#### **Other operating income and expenses**

Other operating income and other operating expenses comprise income and expenses of a secondary nature relative to the principal activities of Penneo.

### **Other financial income**

Other financial income comprises dividends etc. received on other investments, interest income, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc..

### **Impairment losses on financial assets**

Impairment losses on financial assets comprise impairment losses on financial assets which are not measured at fair value on a current basis. They are included in the line item "depreciation, amortisation and impairment losses".

### **Other financial expenses**

Other financial expenses comprise interest expenses, lease interest, net capital or exchange losses on payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme, etc.

### **Tax**

Tax on the profit/loss for the year comprises the year's current tax and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to items recognised in other comprehensive income and directly in equity, respectively, is recognised in other comprehensive income or directly in equity. Exchange rate adjustments of deferred tax are recognised as part of the adjustment of deferred tax for the year.

Current tax payable and receivable is recognised in the balance sheet as the expected tax on the taxable income for the year, adjusted for tax paid on account. The current tax charge for the year is calculated based on the tax rates and rules enacted at the balance sheet date.

Deferred tax is calculated using the liability method on all temporary differences between the accounting and taxable values of assets and liabilities. Deferred tax assets are assessed yearly and only recognised to the extent that it is more likely than not that they can be utilised. Deferred tax assets, including the tax value of tax losses carried forward, are recognised as other non-current assets and measured at the amount at which they are expected to be realised, either by setting off deferred tax liabilities or by setting off tax on future earnings within the same legal entity.

However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Penneo recognises deferred tax assets relating to losses carried forward when Management finds that these can be offset against taxable income in the foreseeable future. An assessment is made taking into consideration the effect of restrictions in utilisation in local tax legislation. Future taxable income is assessed based on budgets as well as Management's expectations regarding growth and operating margin in the coming years.

### **Balance sheet**

#### **Intangible assets**

##### ***Goodwill***

In connection with every acquisition of businesses, goodwill and a non-controlling interest (minority) are recognised as follows: Goodwill relating to the entity acquired comprises a positive difference, if any, between the consideration paid plus the fair value of previous held interest in the acquiree and the fair value of the total net assets for accounting purposes.

Goodwill is recognised in intangible assets. It is not amortised, but reviewed for impairment once a year and also if events or changes in circumstances indicate that the carrying value may be impaired. If impairment is present, the goodwill is written down to its lower recoverable amount. Sold or liquidated entities are recognised up to the date of disposal.

##### ***Intellectual property rights and development projects***

Intellectual property rights etc. comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets. Development projects on clearly defined and identifiable products and processes, for which the technical feasibility, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets.

Development costs that does not meet the criteria for capitalization are recognised as costs in the income

statement as incurred. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use.

Acquired intangible assets are at initial recognition measured at cost where as intangible assets acquired in a business combination is measured at fair value.

Intangible assets are amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually. For development projects protected by intellectual property rights, the maximum period of amortisation is the remaining duration of the relevant rights. The amortisation periods used are 3-10 years.

### **Property, plant and equipment**

Property, plant and equipment comprise other fixtures and fittings as well as leasehold improvements and are measured at cost less accumulated depreciation and accumulated impairment. Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. Property, plant and equipment are depreciated on a straight-line basis over the expected useful lives of the finite-lived assets, which are as follows:

Leasehold improvements - 5 years

Other fixtures - 5 years

For leasehold improvements, the depreciation period cannot exceed the contract period. Estimated useful lives and residual values are reassessed annually. Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount. Leasehold improvements are tested for impairment if indications of impairment exist. Tangible assets are written down to its recoverable amount, if the carrying amount exceeds the higher of the fair value less costs to sell and the value in use. Depreciation and impairment charges are recognised in the income statement.

### **Leases**

When entering into an agreement, Penneo assesses whether an agreement is a lease agreement or contains a lease element.

The right-of-use asset is measured at cost, which is calculated as the present value of the lease obligation plus any direct costs related to the entering into of the lease and prepaid lease payments. The cost also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset. The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset.

Penneo leases properties which includes a service element in the payments to the lessor. This service is deducted from the lease payment when measuring the lease obligation. Where Penneo cannot reliably separate lease and non-lease items, it is considered a single lease payment. Short leases with a maximum lease

term of 12 months and leases where the underlying asset has a low value are not recognised in the statement of financial position.

The lease term is defined as the non-cancellable period of a lease together with periods covered by options to extend the lease if it is reasonably certain that the options will be exercised and periods covered by options to terminate the lease if it is reasonably certain that the options will not be exercised. A number of leases contain extension and termination options in order to guarantee operational flexibility in managing the leases.

The lease obligation, which is recognised under "Lease liabilities", is measured at the present value of the remaining lease payments, discounted by Penneo incremental loan interest rate, if the implicit interest rate is not stated in the lease agreement or cannot reasonably be determined. The lease obligation is subsequently adjusted if:

- The value of the index or interest rate on which the lease payments are based changes.
- There is a change in the exercise of options to extend or shorten the lease period due to a material event or material change in circumstances which are within the control of the lessee.
- The lease term is changed as a result of exercising an option to extend or shorten the lease term.

Subsequent adjustments of the lease obligation are recognised as a correction to the right-of-use asset.

### **Trade receivables**

Trade receivables are measured at amortised cost less allowance for lifetime expected credit losses. For trade receivables, Penneo applies a simplified approach in calculating expected credit losses (ECLs). Therefore, Penneo does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Provisions for bad debts are determined on the basis of a general provision based on overdue accounts receivables, adjusted for forward-looking factors specific to the debtors and the economic environment.

Penneo may also consider a financial asset to be in default when internal or external information indicates that Penneo is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by Penneo. Trade receivables are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

The cost of allowances for expected credit losses and write-offs for trade receivables are recognised in the income statement under other external expenses.

### **Prepayments**

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### **Cash and cash equivalents**

Cash comprises bank deposits.

### **Contract liabilities**

Contract liabilities include prepayments from customers, which comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### **Interest-bearing liabilities**

Interest-bearing liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Trade payables and other payables**

Other payables include bonus and commission accruals, vacation pay obligations, payroll taxes and VAT. Payables are measured at cost.

### **Provisions**

Provisions are recognised when Penneo has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as financial expense.

### **Reserves for development expenditure**

Reserves for development expenditure is a reserves mandatory by law related to development projects. The reserves is increasing upon additions to the development projects and decreasing upon depreciation or impairment of the development projects. The reserves does not hold any deferred tax as the deferred tax asset of Penneo has not been recognized. Refer to note 11.

### **Other capital reserves**

Other capital reserves is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration as well as lender warrants. In addition the reserves is used for shares issued as consideration in a business combination refer to note 25. The reserves is decreasing upon exercise of warrants and issuance of shares as consideration for the business combination.

### **Cash flow statement**

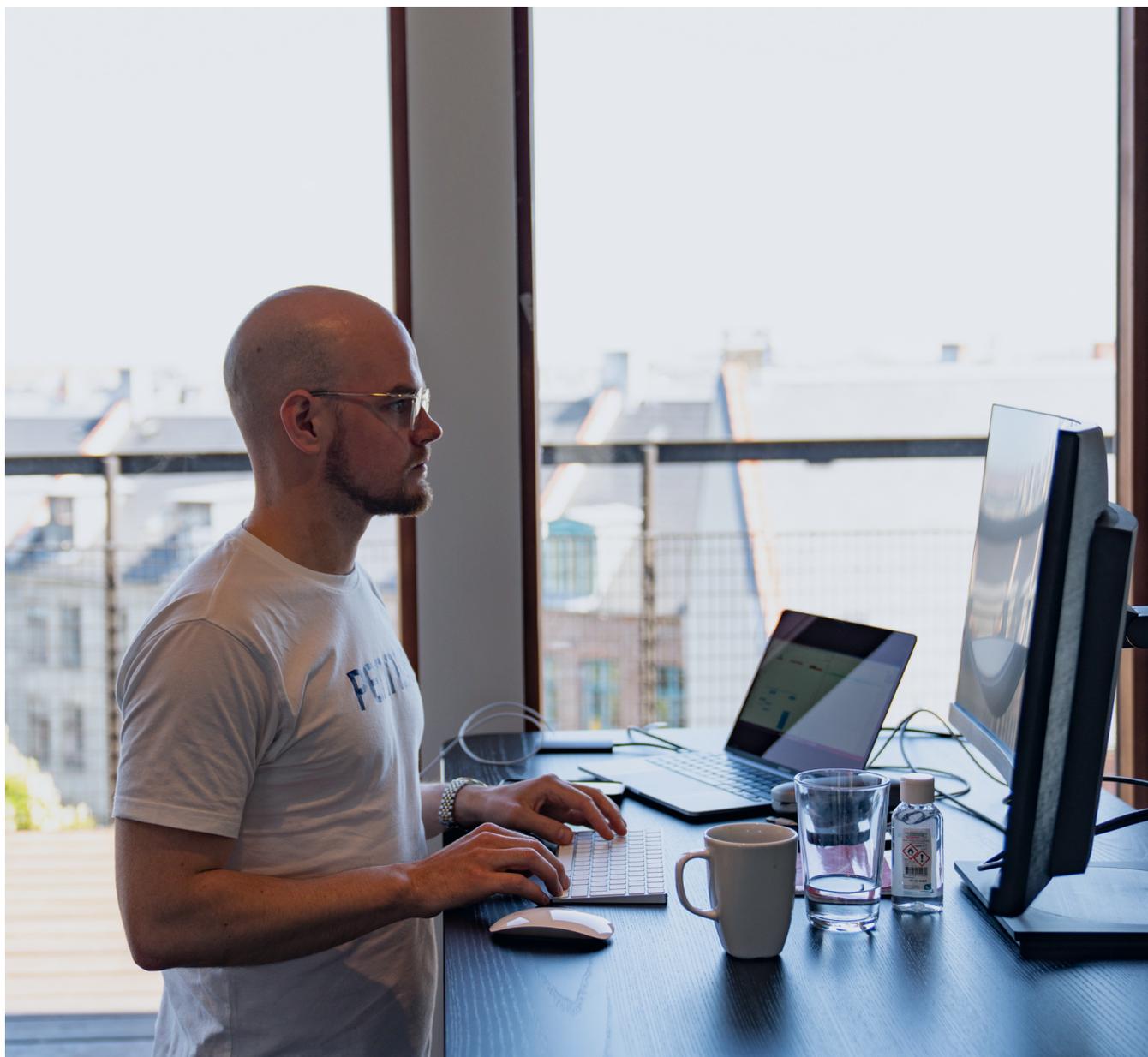
The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the financial year.

Cash flow from operating activities are presented using the indirect method and calculated as the operating profit adjusted for non-cash operating items, working capital changes as well as financial income received, financial expenses paid and income taxes received.

Cash flows from investing activities comprise investments in intangible assets, property plant and equipment and deposits.

Cash flows from financing activities comprise proceeds from borrowings, repayment of borrowings, payments relating to leasing obligations as well as cash increase from capital and transaction costs related to the increase.

Cash and cash equivalents comprise cash.



## 2. Adoption of new and amended standards

Management has assessed the impact of new or amended accounting standards and interpretations (IFRSs) issued by the IASB and IFRSs endorsed by the European Union effective on or after 1 January 2022. Management assessed that application of these has not had a material impact on the financial statements for 2022.

Furthermore, Management has assessed the impact of new or amended accounting standards and interpretations (IFRSs) issued by the IASB that has not yet become effective. Management does not anticipate any significant impact on future periods from the adoption of these amendments.



### 3. Critical accounting judgements and key sources of estimation uncertainty

As part of the preparation of the financial statements, Management makes a number of accounting estimates and assumptions as a basis for recognising and measuring Penneo's assets, liabilities, income and expenses as well as judgements made in applying Penneo's accounting policies. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility.

The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The accounting policies are described in detail in note 1 to the financial statements to which we refer. Management considers the following accounting estimates and judgements to be significant in the preparation of the financial statements.

#### Revenue

Contracts with customers often include several com-

ponents. Subscription to the platform and certificates on signature lines constitute the main performance obligations. The fees allocated to the different performance obligations are recognized separately.

The only performance obligation related to subscription has been identified as the right to use the Penneo platform which is why this is recognized upon the start date of subscription.

Penneo uses the cost-plus a margin approach relating to the determination of the deferred revenue relating to the certificates on the signature lines. The residual between the transaction price and the allocated price for certificates on the signature lines are allocated to the subscription to the platform. Judgment is applied in allocating the transaction price to the different performance obligations, subscription and certificates.

#### Development costs

Penneo capitalises costs for software development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the expected future cash generation of the project and the expected period of benefits. At 31 December 2022, the carrying amount of capitalised development costs was DKK 43,497k (2021: DKK 30,873k).

#### Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 7.

#### Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value-in-use calculation is based on a DCF model.

The cash flows are derived from the budget for the next six years and do not include restructuring activities that Penneo is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognised by Penneo.

The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur, for which reason the actual results may differ from the estimates and judgements made.

## 4. Segment information

For management purposes and based on internal reporting information, Penneo is organised in only one operating segment, as the information reported includes operating results at a consolidated level only.

The company setup and costs related to the main nature of the business are not attributable to any specific revenue stream or customer type and are therefore borne centrally. The results of the single reporting segment are shown in the statement of comprehensive income. All non-current assets are related to Denmark.



## 5. Revenue

	2022 DKK	2021 DKK
Subscription	54,707,740	39,713,249
Signature packages	15,512,159	12,699,575
One-time fee	1,837,739	1,867,401
<b>Total</b>	<b>72,057,638</b>	<b>54,280,225</b>

	2022 DKK	2021 DKK
Denmark	52,633,272	39,936,676
Sweden	4,767,952	3,916,318
Norway	11,474,263	9,233,066
Belgium	2,693,868	819,631
Other countries	488,284	374,534
<b>Total</b>	<b>72,057,638</b>	<b>54,280,225</b>

None of the Company's customers constitutes 10% or more of the total revenue

Customers are invoiced in the starting or renewal month of their subscription. In addition the signature packages are invoiced upon request or at latest when the customer runs out of signatures. The default payment term is net 14 days.

The following table shows the opening and closing balances of contract liabilities. There was no revenue recognised in the current reporting period that related to performance obligations that were satisfied in a prior year.

<b>Contract balances (liability)</b>	2022 DKK	2021 DKK
Contract balances at 1 January	4,619,523	4,511,444
Additions	3,954,261	2,644,914
Performance obligations satisfied	(3,110,572)	(2,536,835)
<b>Contract balances at 31 December</b>	<b>5,463,212</b>	<b>4,619,523</b>

Management expects that around 80% of the transaction price allocated to the unsatisfied contracts as of the year ended 2022 will be recognised as revenue during the next reporting period. The remaining 20% will be recognised in the upcoming financial years.

## 6. Staff costs

	2022 DKK	2021 DKK
Salaries	(38,852,945)	(33,245,634)
Shared-based payments	(8,299,591)	(7,631,651)
Other social security costs	(2,857,974)	(1,247,608)
Other staff costs	(2,828,570)	(2,114,744)
<b>Total</b>	<b>(52,839,080)</b>	<b>(44,239,638)</b>

In 2022, Penneo has activated an amount corresponding to DKK 15,012k of staff costs as a part of development projects (2021: DKK 11,441k)

Average numbers of FTE during the year	85	78
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2022	Board of Directors	Executive management	Key management personnel	Total
Remuneration	(939,167)	(2,861,448)	(2,990,789)	(6,791,404)
Shared-based payments	(2,303,447)	(5,103,213)	(214,178)	(7,620,837)
<b>Total</b>	<b>(3,242,613)</b>	<b>(7,964,661)</b>	<b>(3,204,967)</b>	<b>(14,412,241)</b>

2021	Board of Directors	Executive management	Key management personnel	Total
Remuneration	(324,182)	(1,424,432)	(4,920,616)	(6,669,230)
Shared-based payments	(3,449,277)	(3,799,236)	0	(7,248,513)
<b>Total</b>	<b>(3,773,459)</b>	<b>(5,223,668)</b>	<b>(4,920,616)</b>	<b>(13,917,743)</b>

Penneo does not provide pension contributions.

Employment contracts for members of the Key Management Personnel contain terms and conditions that are common to those of their peers in similar companies including terms of notice and non-competitive clauses.

## 7. Shared-based payments

Costs of share-based payments are recognised as staff costs with a corresponding effect in equity. In 2022 Penneo has activated an amount corresponding to DKK 119k of the share-based payments as a part of development projects (2021: DKK 594k).

Costs of lender warrants are recognised as financial expenses with a corresponding effect in equity. Consideration received for warrants sold is recognised directly in equity.

### Employee shares

In 2020, the employees were offered to participate in an Employee Share Scheme. A number of shares with a total fair value at grand date equal to a voluntary deduction in pre-tax salary vest successively over a period of 14 months ending 31 December 2021 and are transferred to the employees when the Company has published the 2021 Annual Report. If the employee has left in the vesting period, the employee will still receive the shares corresponding to the amount deducted from the pre-tax salary until they left. Every employee was offered to subscribe for shares within a maximum of 20% of the pre-tax salary before deduction. 56 employees have accepted the offer and 44,045 shares were earned corresponding to 0.16% of the share capital. The share price was DKK 32.77 per share based on the average share price during week 38 in 2020. The shares were transferred after the publication of the 2021 Annual Report.

	2022 DKK	2021 DKK
Cost of share-based payments	(8,418,126)	(8,225,676)
Cost of lender warrants	(25,072)	(2,089)
<b>Total</b>	<b>(8,443,198)</b>	<b>(8,227,765)</b>

In December 2021, the employees were offered to participate in an Employee Share Scheme starting as of January 2022. A number of shares with a total fair value at grand date equal to the voluntary deduction in pre-tax salary vest successively over a period of 12 months ending 31 December 2022 and are transferred to the employees when the Company has published the 2022 Annual Report. If the employee leaves in the vesting period, the employee will still receive the shares corresponding to the amount deducted from the pre-tax salary until they leave. Every employee was offered to subscribe for shares within a maximum of 20% of the pre-tax salary before deduction.

27 employees accepted the offer and 51,481 shares were earned corresponding to 0.16% of the share capital. The share price was DKK 25.81 per share based on the average share price during week 47 in 2021.

In December 2022, the employees were offered to participate in an Employee Share Scheme starting as of January 2023. A number of shares with a total fair value at grand date equal to the voluntary deduction in pre-tax salary vest successively over a period of 12 months ending 31 December 2023 and are transferred to the employees when the Company has published the 2023 Annual Report. If the employee leaves in the vesting period, the employee will still receive the shares corresponding to the amount deducted from the pre-tax salary until they leave. Every employee was offered to subscribe for shares within a maximum of 20% of the pre-tax salary before deduction. 32 employees accepted the offer corresponding to the issue of 81,702 shares equal to 0.25% of the share capital. The share price was DKK 10.49 per share based on the average share price during week 48 in 2022.

## Employee warrant programmes

The company has over the years introduced Warrant programmes aimed to key employees. Warrants are vesting over time to ensure the retention of such key employees. The warrant program of 28 May 2020 is fully vested and is a modification to non-exercised warrants under an existing program where all warrants were fully vested upon the listing of the Company on First North in 2020. The program consists of 4,502,603 warrants. The warrants can be exercised within a period of 14 days after the announcement of the interim financial reporting ending 30 June 2021 at the earliest and no later than 14 days after announcement of the interim report ending 30 September 2023.

Further, in accordance with the provisions of the warrant programme the warrant holders are bound by a lock-up agreement on terms equivalent to the terms of the Lock-Up Obligation applying to the Existing Shareholders.

At 13 October 2020, 37,500 warrants were granted to two key employees divided in 5 tranches. The warrants in each tranche vest upon the fulfillment of different performance conditions before 30 September 2023 provided that the employee is employed at the date the performance condition is fulfilled. Vested warrants can

be exercised after the announcement of the financial reporting ending 30 June 2021 at the earliest and no later than 14 days after announcement of the interim report ending 30 September 2023.

At 22 March 2021, 630,000 warrants were granted in connection with the appointment of Christian Stendevad as the new CEO of Penneo. The warrants are vested over 36 months starting from the first day of the employment. Continuous employment during the vesting period is a condition for the vesting. Warrants that have not been exercised before 22 March 2029 will lapse automatically. Vested warrants can be exercised in periods of four weeks starting the day after the publication of the Company's annual report, half-year report or quarterly report, respectively.

At 28 April 2021, 406,377 warrants were granted in connection with the election of Christian Sagild as new Chairman of Penneo. The warrants will vest over 36 months starting from the first day of employment. Continuous board duties during the vesting period is a condition for the vesting. Warrants that have not been exercised before 28 April 2029 will lapse automatically. Vested warrants can be exercised in periods of four weeks starting the day after the publication of the

Company's annual report, half-year report or quarterly report, respectively.

At 27 April 2022, 220,600 warrants were granted to the Board of Directors. The warrants are vested over 36 months starting from the grant date. Continuous board duties during the vesting period is a condition for the vesting. Warrants that have not been exercised no later than 8 years after the date of issuance will lapse automatically. Vested warrants can be exercised in periods of four weeks starting the day after the publication of the Company's annual report, half-year report or quarterly report, respectively.

At 1 July 2022, 660,000 warrants were granted to Key management personnel as well as key employees. The warrants are vested over 36 months starting from between the grant date and 1 January 2023. Continuous employment during the vesting period is a condition for the vesting. Warrants that have not been exercised no later than 8 years after the date of issuance will lapse automatically. Vested warrants can be exercised in periods of four weeks starting the day after the publication of the Company's annual report, half-year report or quarterly report, respectively.

## Lender warrant programme

At 8 December 2021, 25,000 warrants were granted to Vækstfonden in connection with raising of a loan. The warrants will vest upon and can solely be exercised in connection with one of the following three events: In a period of fourteen days following repayment of the loan, in a period of fourteen days from the due date of repayment in which repayment has not been completed or in a period of ten working days following the Company's announcement of delisting from Nasdaq First North with no simultaneous listing of the Company on Nasdaq Copenhagen Main Market. Warrants that have not been exercised before 18 January 2027 will lapse automatically.

## Specification of outstanding warrants:

Number of warrants	Weighted average exercise price DKK	Board of Directors	Key management personnel	Employees, former employees and advisors	Lender warrants	Total
Outstanding at 1 January 2021	4.90	283,167	1,798,726	2,458,210	0	4,540,103
Granted 2021	56.12	406,377	630,000		25,000	1,061,377
Exercised 2021	4.96	0	(63,421)	(1,934,782)		(1,998,203)
<b>Outstanding at 31 December 2021</b>	<b>19.96</b>	<b>689,544</b>	<b>2,365,305</b>	<b>523,428</b>	<b>25,000</b>	<b>3,603,277</b>
Transferred 2022	4.35	0	(848,302)	848,302	0	0
Granted 2022	12.15	220,660	350,000	310,000	0	880,660
Exercised 2022	4.35	0	(182,413)	(356,099)	0	(538,512)
Forfeited 2022	19.06	0	0	(77,222)	0	(77,222)
<b>Outstanding at 31 December 2022</b>	<b>20.38</b>	<b>910,204</b>	<b>1,684,590</b>	<b>1,248,409</b>	<b>25,000</b>	<b>3,868,203</b>

The average weighted share price on exercised warrants in 2022 was DKK 13.39.

As of 31-12-2022, 2,583,921 of the outstanding warrants have been vested and are able to be exercised. 1,965,888 of those warrants have a lower exercise price than the closing share price as of 31-12-2022 which amounted to 9.15 DKK

**Specification of outstanding warrants:**

<b>Warrants outstanding</b>	Weighted average exercise price <b>DKK</b>	Vesting period	Exercise period	<b>2022</b>	<b>2021</b>
Warrants granted 28 May 2020	4.86	Fully vested as of 28 May 2020	From August 2021 to November 2023	1,965,888	2,504,400
Warrants granted 13 October 2020	32.93	From October 2020 to November 2023	From August 2021 to November 2023	7,500	37,500
Warrants granted 22 March 2021	58.94	From August 2021 to July 2024	From August 2021 to March 2029	630,000	630,000
Warrants granted 28 April 2021	53.79	From April 2021 to March 2024	From April 2021 to April 2029	406,377	406,377
Warrants granted 8 December 2021	23.20	From December 2021 to January 2027	From December 2021 to January 2027	25,000	25,000
Warrants granted 27 April 2022	17.85	From May 2022 to April 2025	From May 2022 to April 2030	220,660	0
Warrants granted 1 July 2022	10.24	From August 2022 to July 2025	From August 2022 to July 2030	127,778	0
Warrants granted 1 July 2022	10.24	From November 2022 to October 2025	From November 2022 to October 2030	35,000	0
Warrants granted 1 July 2022	10.24	From December 2022 to November 2025	From December 2022 to November 2030	50,000	0
Warrants granted 1 July 2022	10.24	From January 2023 to December 2025	From January 2023 to December 2030	400,000	0
<b>Outstanding at 31 december</b>				<b>3,868,203</b>	<b>3,603,277</b>
				<b>2022</b>	<b>2021</b>
Average remaining life of outstanding warrants at 31 December (years)				3,8	3.5
Exercise price for outstanding warrants at 31 December (DKK)				4.28 to 58.94	4.28 to 58.94

The fair value of the warrants issued is measured at calculated market price at the grant date based on the Black & Scholes option pricing model. Penneo expects no dividend to be paid out within the near future. The calculation is based on the following assumptions at the grant date:

	Warrant programs <b>2022</b>	Warrant programs <b>2021</b>	Lender warrants <b>2021</b>	Warrant programme <b>2020</b>
Average share price (DKK)	10.24-17.85	53.79-58.94	23.20	10.99
Expected volatility rate (% p.a.)	15.75-16.49	25	25	24.92
InterRisk-free interest rate (% p.a.)	0.5	0	0	0
Expected warrant life (no. years)	8	8	5	3
Exercise price (DKK)	10.24-17.85	53.79-58.94	23.20	4.86
Fair value all warrants, after dilution (DKK'000)	1,762	16,300	129	27,741

In 2022 the expected volatility rate is based on Penneos historical standard deviation on the share price during Penneos time listed on the Nasdaq market. The standard deviation on the share price is defined as the daily average.

Before 2022 expected volatility rate is applied based on the annualised volatility on relevant peer groups derived from the standard deviation of daily observations over 12 months ending 2020 as the entity had not been listed for 12 months as of grant date.

## 8. Depreciation, amortisation, and impairment

	2022 DKK	2021 DKK
Amortisation of intangible assets	(7,185,359)	(4,971,625)
Depreciation of property, plant and equipment	(235,693)	(194,806)
Depreciation of right-of-use assets	(2,591,924)	(2,515,948)
<b>Total</b>	<b>(10,012,975)</b>	<b>(7,682,379)</b>

## 9. Financial income

	2022 DKK	2021 DKK
Exchange rate adjustments	122,528	128,363
<b>Total</b>	<b>122,528</b>	<b>128,363</b>

## 10. Financial expenses

	2022 DKK	2021 DKK
Interest expenses	(1,667,262)	(768,498)
Exchange rate adjustments	(346,740)	(171,165)
Other financial expenses	(406,727)	(636,650)
<b>Total</b>	<b>(2,420,728)</b>	<b>(1,576,313)</b>

# 11. Tax for the year

Income tax benefits for both the years 2022 and 2021 relate to tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

	2022 DKK	2021 DKK
Current tax for the year income	5,500,000	4,756,084
Adjustment concerning previous years	0	780,333
<b>Recognised as receivable tax credit</b>	<b>5,500,000</b>	<b>5,536,417</b>

	2022 DKK	2021 DKK
Tax calculated as 22% of profit/loss before tax	(5,667,004)	(5,317,631)
Non-capitalised tax assets	1,165,207	1,986,393
130% development costs	(1,792,313)	(1,426,825)
Non-deductible expenses	794,110	1,979
<b>Effective tax</b>	<b>(5,500,000)</b>	<b>(4,756,084)</b>
<b>Effective tax rate for the year (%)</b>	<b>21%</b>	<b>20%</b>

**Deferred tax is recognized in the statement of financial position as follows:**

	2022 DKK	2021 DKK
Deferred tax (asset)	0	0
Deferred tax (liability)	0	0
<b>Total</b>	<b>0</b>	<b>0</b>

<b>Deferred tax concerns</b>	2022 DKK	2021 DKK
Intangible assets	9,243,000	6,611,000
Other fixtures and fittings, tools, and equipment	41,000	22,000
Right-of-use assets	2,446,000	2,769,000
Lease liabilities	(2,742,000)	(2,983,000)
Tax loss carried forward	(8,988,000)	(6,419,000)
<b>Total</b>	<b>0</b>	<b>0</b>

Due to uncertainty of utilisation of the tax loss carry-forward, Penneo has not recognised any deferred tax assets. Deferred tax asset not recognized has a total value of DKK 14,874k as of 31-12-2022 (2021: DKK 13,687k). Total tax loss carried forward amounts to DKK 23,862k in 2022 (2021: DKK 20,105k).

## 12. Intangible assets

<b>2022 DKK</b>	Acquired intellectual property rights	Completed development project	Development projects in progress	Goodwill	<b>Total</b>
Cost as at 1 January	6,600,000	27,927,134	14,763,630	9,500,000	58,790,764
Additions			19,149,426		19,149,426
Transfer		12,282,376	(12,282,376)		0
<b>Cost as at 31 December</b>	<b>6,600,000</b>	<b>40,209,510</b>	<b>21,630,680</b>	<b>9,500,000</b>	<b>77,940,190</b>
Amortisation and impairment as at 1 January	(825,000)	(11,817,472)		(1,100,000)	(13,742,472)
Amortisations during the year	(660,000)	(6,525,359)			(7,185,359)
<b>Amortisations and impairment as at 31 December</b>	<b>(1,485,000)</b>	<b>(18,342,831)</b>		<b>(1,100,000)</b>	<b>(20,927,831)</b>
<b>Carrying amount as at 31 December</b>	<b>5,115,000</b>	<b>21,866,679</b>	<b>21,630,680</b>	<b>8,400,000</b>	<b>57,012,359</b>

<b>2021 DKK</b>	Acquired intellectual property rights	Completed development project	Development projects in progress	Goodwill	<b>Total</b>
Cost as at 1 January	6,600,000	17,963,202	9,963,932	9,500,000	44,027,134
Additions			14,763,630		14,763,630
Transfer		9,963,932	(9,963,932)		0
<b>Cost as at 31 December</b>	<b>6,600,000</b>	<b>27,927,134</b>	<b>14,763,630</b>	<b>9,500,000</b>	<b>58,790,764</b>
Amortisation and impairment as at 1 January	(165,000)	(7,505,847)		(1,100,000)	(8,770,847)
Amortisations during the year	(660,000)	(4,311,625)			(4,971,625)
<b>Amortisations and impairment as at 31 December</b>	<b>(825,000)</b>	<b>(11,817,472)</b>		<b>(1,100,000)</b>	<b>(13,742,472)</b>
<b>Carrying amount as at 31 December</b>	<b>5,775,000</b>	<b>16,109,662</b>	<b>14,763,630</b>	<b>8,400,000</b>	<b>45,048,292</b>

Development projects in progress include the development of a new software platform. The development project essentially consists of costs in the form of direct costs which are registered through Penneo's internal project module.

Management is of the opinion that it is technically possible to complete the development projects during execution.

Completed development projects comprise software development costs related to development of the existing software platform. The software is under

continuous development for the use of customers and is sold as a licence to use the software for a given period. The user has access to upgrades and new functionalities during the contract period. Costs related to maintenance are expensed when incurred.

Development costs for the year cover both development of the front-end and the back-end part of the software solution. Both parts to increase the user experience and functionalities within the software in order to increase Penneo's revenue by maintaining existing clients and acquiring new clients.

It is Management's assessment that the expected useful lives, as well as the expected future revenue streams from the assets are sufficient to cover the value of recognised developed software at the reporting date.

In 2022, Penneo expensed DKK 8,007k (2021: DKK 6,855k) for development projects, primarily planning, administrative and other general overhead expenditures not meeting the recognition criteria applicable to internally generated intangible assets.

### Impairment testing

Penneo tests goodwill for impairment annually, or more frequently if there are indications that goodwill might be impaired. The carrying amount of goodwill has been allocated to the following cash-generating unit:

	2022 DKK Penneo KYC	2021 DKK Penneo KYC
Goodwill	8,400,000	8,400,000
Acquired intellectual property rights*	5,115,000	5,775,000
Development projects in progress	5,899,422	4,127,726
Completed development projects**	3,750,471	597,721
<b>Total</b>	<b>23,164,893</b>	<b>18,900,447</b>

\* Expected remaining lifetime of Acquired intellectual property rights are 8 years. (2021: 9 years)

\*\* Expected remaining lifetime of Completed development projects are 4 years. (2021: 5 years)

Management is of the opinion that the lowest level of cash-generating unit to which the carrying amount of goodwill can be allocated is in the CGU. In both 2022 and 2021, the impairment test of goodwill showed no impairment.

The following key assumptions have been used in the impairment testing:

	<b>Penneo KYC</b>
WACC	15.81%
Growth rate in terminal period	2.00%
Budget period (years)	10
CAGR	32%

Budgets used for the impairment testing are based on an external and independent research report. The report has been evaluated by management and adjusted to the Penneo KYC CGU. In addition to the research report a projection has been made by Management according to the research report, historical values and expected revenue split.

**WACC:**

WACC has been calculated before tax and according to the company's financial numbers and loan agreements.

**Growth rate in terminal period:**

Growth rate in the terminal period has been set to 2% according to external and independent research reports.

**Budget period:**

The budget period of 10 years has been set according to the current growth stage of Penneo. The growth is not expected to hit a terminal period before 10 years.

**CAGR:**

Compound annual growth rate has been set to 32% for the budget period. The revenue growth rate is decreasing over the years.

Penneo has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for the company's CGU to which goodwill is allocated. Management believes that any reasonably possible change in the key assumptions on which the recoverable amount of Penneo KYC is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGU.

## 13. Property, plant and equipment

<b>2022</b>	Other fixtures <b>DKK</b>	Leasehold improvements <b>DKK</b>	<b>Total DKK</b>
Cost as at 1 January	494,966	1,201,525	1,696,491
Additions	14,271	89,115	103,386
<b>Cost as at 31 December</b>	<b>509,237</b>	<b>1,290,640</b>	<b>1,799,877</b>
Depreciation as at 1 January	0	(469,298)	(469,298)
Depreciation during the year	(16,975)	(218,718)	(235,693)
<b>Depreciation as at 31 December</b>	<b>(16,975)</b>	<b>(688,016)</b>	<b>(704,991)</b>
<b>Carrying amount as at 31 December</b>	<b>492,262</b>	<b>602,624</b>	<b>1,094,886</b>

<b>2021</b>	Other fixtures <b>DKK</b>	Leasehold improvements <b>DKK</b>	<b>Total DKK</b>
Cost as at 1 January	0	1,009,231	1,009,231
Additions	494,966	192,294	687,260
<b>Cost as at 31 December</b>	<b>494,966</b>	<b>1,201,525</b>	<b>1,696,491</b>
Depreciation as at 1 January	0	(274,492)	(274,492)
Depreciation during the year	0	(194,806)	(194,806)
<b>Depreciation as at 31 December</b>	<b>0</b>	<b>(469,298)</b>	<b>(469,298)</b>
<b>Carrying amount as at 31 December</b>	<b>494,966</b>	<b>732,227</b>	<b>1,227,193</b>

# 14. Leases

<b>2022</b>	Properties <b>DKK</b>
Cost as at 1 January	17,795,996
Additions	221,842
Adjustments and revaluations	1,120,216
<b>Cost as at 31 December</b>	<b>19,138,054</b>
Depreciation as at 1 January	(4,943,661)
Depreciation during the year	(2,591,924)
<b>Depreciation as at 31 December</b>	<b>(7,535,585)</b>
<b>Carrying amount as at 31 December</b>	<b>11,602,469</b>

<b>2021</b>	Properties <b>DKK</b>
Cost as at 1 January	17,797,072
Adjustments and revaluations	(1,076)
<b>Cost as at 31 December</b>	<b>17,795,996</b>
Depreciation as at 1 January	(2,427,713)
Depreciation during the year	(2,515,948)
<b>Depreciation as at 31 December</b>	<b>(4,943,661)</b>
<b>Carrying amount as at 31 December</b>	<b>12,852,335</b>

**Carrying amounts of lease liabilities and movements during the period:**

	2022 DKK	2021 DKK
As at 1 January	13,560,555	15,564,063
Additions	221,842	
Accrual of interest	311,743	365,893
Payments	(2,752,596)	(2,368,325)
Adjustments	1,120,216	(1,076)
<b>As at 31 December</b>	<b>12,461,760</b>	<b>13,560,555</b>
<b>Non-current</b>	<b>9,626,100</b>	<b>11,212,840</b>
<b>Current</b>	<b>2,835,660</b>	<b>2,347,715</b>

**The following amounts have been recognized in the income statement:**

	2022 DKK	2021 DKK
Depreciation expense of right-of-use assets	2,591,924	2,515,948
Interest expense on lease liabilities	311,743	365,893
<b>Total amount recognised in the income statement</b>	<b>2,903,667</b>	<b>2,881,841</b>

Penneo had total cash outflow for leases of DKK 2,753k (2021: DKK 2,368k).

Penneo leases offices and lease terms are negotiated on an individual basis and contain different terms and conditions.

In addition Penneo have in 2022 entered into short term and low value leases which according to IFRS 16 have not been recognised as a part of Leases. The total recognised cost in the income statement amounted to DKK 237k in 2022.

Refer to note 22 for a table of the maturity profile of Penneo's lease liabilities.

## 15. Deposits

	2022 DKK	2021 DKK
Cost as at 1 January	1,288,942	1,258,700
Additions	150,232	30,242
<b>Cost as at 31 December</b>	<b>1,439,174</b>	<b>1,288,942</b>

## 16. Trade receivables

	31.12.2022 DKK	31.12.2021 DKK	01.01.2021 DKK
Trade receivables	21,653,655	13,370,333	9,084,581
Write-downs	(1,672,985)	(1,539,512)	(423,740)
<b>Total</b>	<b>19,980,670</b>	<b>11,830,821</b>	<b>8,660,841</b>

The carrying amounts are equivalent to the fair value of the assets. In 2022 write-downs of DKK 133k has been recognized as an expense (2021: DKK 1,116k)

### Expected credit loss

The expected credit losses on trade receivables are estimated using a provision matrix. The matrix has been divided into the specific industries in which Penneo has sales. In addition to the matrix, Penneo has made specific provisions towards high risk customers. The total provision is considered to cover all expected credit loss in the trade receivables.

The following table details the risk profile of trade receivables based on Penneo's expected loss on trade receivables:

	Not past due	Overdue by 0-45 days	Overdue by 46-90 days	Overdue by >90 days	Write-downs	Carring amount of receivables
31 December 2022 (Trade receivables)	13,026,399	4,670,121	1,061,224	2,895,911	(1,672,985)	19,980,670
31 December 2021 (Trade receivables)	9,100,665	1,646,099	1,084,057	1,539,512	(1,539,512)	11,830,821
01 January 2021 (Trade receivables)	7,404,976	807,554	448,311	423,740	(423,740)	8,660,841

## 17. Working capital changes

	2022 DKK	2021 DKK
Change in receivables and prepayments	(8,288,108)	(4,430,075)
Change in trade payables and other payables etc.	512,895	1,534,907
<b>Total</b>	<b>(7,775,213)</b>	<b>(2,895,168)</b>

## 18. Share capital and earnings per share

As at 31 December 2022, the share capital consisted of 32,146,647 (2021: 27,128,931) shares with a nominal value of DKK 0.02 each. The shares are not divided into classes and carry no right to fixed income.

	DKK	Number of shares
<b>As at 1 January 2021</b>	<b>502,615</b>	25,130,728
Capital increase	39,964	1,998,203
<b>As at 31 December 2021</b>	<b>542,579</b>	27,128,931
Capital increase	100,354	5,017,716
<b>Share capital as at 31 December 2022</b>	<b>642,933</b>	<b>32,146,647</b>

Treasury shares	Number	Nominal value	% of share capital, year-end
<b>Holding at 1 January 2021</b>	<b>358,841</b>	<b>7,177</b>	<b>1,3%</b>
<b>Holding at 31 December 2021</b>	<b>358,841</b>	<b>7,177</b>	<b>1,3%</b>
Shares issued as consideration in a business combination	(43,698)	(874)	(0,1%)
Transfer of shares as a part of Employee Share Scheme	(91,302)	(1,826)	(0,3%)
<b>Holding at 31 December 2022</b>	<b>223,841</b>	<b>4,477</b>	<b>0,7%</b>

### Earnings per share

The calculation of earnings per share is based on the following:

	2022	2021
Profit/(loss) for the period	(20,259,107)	(18,634,631)
<b>Average numbers of ordinary shares for calculation of earnings per share:</b>	<b>31,054,573</b>	<b>25,719,152</b>
Earnings per share, basic (EPS)	(0.65)	(0.72)
Earnings per share, diluted (DEPS)*	(0.65)	(0.72)

\*The diluted effect of outstanding share options has not been calculated as the Earnings per share is negative.

## 19. Other capital reserves

Other capital reserves is used to recognise the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration as well as lender warrants. Refer to Note 7 for further details of these programmes.

In addition the reserves is used for the potential shares issued as consideration in a business combination (earn out), see note 25.

The reserves is decreasing upon exercise of warrants and issuance of shares as consideration for the business combination.

## 20. Interest-bearing liabilities

	31.12.2022 DKK	31.12.2021 DKK
<b>Non-current borrowings</b>		
Debt to credit institutions	10,699,587	14,366,991
Lease liabilities	9,626,100	11,212,840
<b>Total</b>	<b>20,325,687</b>	<b>25,579,831</b>
<b>Current borrowings</b>		
Debt to credit institutions	3,669,397	330,660
Lease liabilities	2,835,660	2,347,715
<b>Total</b>	<b>6,505,057</b>	<b>2,678,375</b>

The carrying amount is by Management assessed as equivalent to the fair value of the liabilities as explained in note 22.

**Debt to credit institutions**

<b>2022</b>	<b>Vækstfonden (i)</b>	<b>Vækstfonden (ii)</b>	<b>Vækstfonden (iii)</b>	<b>Total</b>
Non-current borrowings (DKK)	300,387	2,451,814	7,947,386	10,699,587
Current borrowings (DKK)	364,468	1,252,315	2,052,614	3,669,397
<b>Total</b>	<b>664,855</b>	<b>3,704,129</b>	<b>10,000,000</b>	<b>14,368,984</b>

<b>2021</b>	<b>Vækstfonden (i)</b>	<b>Vækstfonden (ii)</b>	<b>Vækstfonden (iii)</b>	<b>Total</b>
Non-current borrowings (DKK)	662,862	3,704,129	10,000,000	14,366,991
Current borrowings (DKK)	330,660	0	0	330,660
<b>Total</b>	<b>993,522</b>	<b>3,704,129</b>	<b>10,000,000</b>	<b>14,697,651</b>

	<b>Vækstfonden (i)</b>	<b>Vækstfonden (ii)</b>	<b>Vækstfonden (iii)</b>
Last scheduled repayment	July 2024	July 2025	January 2027
Exit obligation (maximized DKK)	0	800,000	0
Performance obligation (maximized DKK)	0	400,000	0
Dividend limitation agreement	Yes	Yes	Yes
Warrants granted	No	No	Yes

Penneo has signed a dividend limitation agreement, which entails that the Company is not entitled to propose a resolution to pay dividends without the consent of Vækstfonden. The dividend limitation agreement applies until all current and future loans are fully repaid. The last scheduled repayment fall due on January 4, 2027.

Vækstfonden has the right to demand the loans to be repaid if a change of control in Penneo should happen. A “change of control” is defined as a direct or indirect transfer of more than 25% of the shares or the rights of the shares in the Company, or in any other way the transfer of a controlling majority.

Vækstfonden (ii) is entitled to a one-time performance bonus of DKK 400,000.00 if the Company reaches a performance target within a financial year during the loan period. The performance target is reached when the Company’s accumulated earnings measured at EBITDA-level exceeds DKK 15,000,000.00 in accordance with the latest audited report.

Further, Vækstfonden (ii) is entitled to a one-time exit bonus of DKK 800,000, if an exit transaction occurs, and the Company has experienced an added (equity) value in the period between July 2019 and the date of the exit transaction. An “exit transaction” is defined as a direct or indirect transfer of more than 25% of the shares or the rights of the shares in the Company, or in any other way the transfer of a controlling majority. For the avoidance of doubt, capital increases by the issuance of new shares does not constitute an exit transaction.

Warrants have been granted as a part of the loan agreement with Vækstfonden(iii). Refer to Note 7 for further details regarding the warrants.

## 21. Provisions

<b>2022</b>	Decommissioning <b>DKK</b>
<b>As at 1 January</b>	<b>442,790</b>
Unwinding of discount and changes in the discount rate	11,512
<b>As at 31 December</b>	<b>454,302</b>

<b>2021</b>	Decommissioning <b>DKK</b>
<b>As at 1 January</b>	<b>432,267</b>
Unwinding of discount and changes in the discount rate	10,523
<b>As at 31 December</b>	<b>442,790</b>

A provision has been recognised for decommissioning costs associated with an office lease. Penneo is committed to restore the site at the end of the lease term. Cash flow effect of the decommissioning is expected in 2027.

## 22. Financial risks

### Capital Management

Penneo manages its capital to ensure that it will be able to continue as a going concern while maximising the growth in ARR through the optimisation of the debt and equity balances. The capital structure of Penneo consists of net debt and equity. Management reviews the capital structure continually to consider if the current capital structure is in accordance with the company and shareholders' interests. In March 2022, the company made a capital increase of net 59M DKK in order to continue to invest in continued ARR growth and optimise the capital structure.

### Financial risk management

Due to the nature of its operations, investments, and financing, Penneo is exposed to a number of financial risks. It is company policy to operate with a low risk profile, so that currency risk, interest rate risk and credit risk only occur in commercial relations.

The scope and nature of the financial instruments appear from the income statement and statement of financial position in accordance with the accounting policies applied. Provided below is information about factors that may influence amounts, time of payment, or reliability of future payments, where such information is not provided directly in the financial statements. This note addresses only financial risks directly related to Penneo's financial instruments.

### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations towards Penneo, leading to a financial loss. Penneo is exposed to credit risk primarily related to its trade and other receivables. Penneo are using a provision matrix to write off expected credit loss, in addition to a specific provision towards high risk customers or when there is a court order of bankruptcy from the counterparty. The maximum exposure to credit risk at the reporting date is the carrying value of trade receivables in note 16. Penneo does not hold collateral as security.

Penneo is also exposed to credit risk in regards to bankdeposits. In order to limit Penneo's counterparty risk, deposits are only made in well-reputed banks.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Penneo issues invoices in local currency, which is why the incoming cash flow reflects different currencies. Penneo has in all aspects only transactions in DKK, NOK, SEK and EUR. The material costs and investments are primarily paid in DKK and EUR, which is why there is low risk on that part.

However management established bank accounts for NOK and EUR currencies in 2021, to reduce costs and

lower risk in the short term. Penneo is avoiding the small fluctuations since both incoming and outgoing payments are paid directly in the currency.

### Liquidity risk

Penneo ensures sufficient liquidity resources by liquidity management. Overall Penneo has a policy to only allocate cash flow that the company has at its disposal defined as cash, cash equivalents, forecasted cash flow and credit facility.

After each month, the previous month is financially closed and reviewed with an updated running 12 month forecast. The forecast is adjusted to meet Penneo's policy through adapting it to the hiring plan. Each quarter, an updated 12 month cash flow forecast is reviewed and approved by the Board of Directors.

At 31 December 2022, Penneo's cash and cash equivalents amounted to DKK 53,161k (2021: DKK 25,416k). The cash reserves including the current credit facility at DKK 5,000k and expected cash flow for 2023 are considered to be adequate to meet the obligations of Penneo as they fall due.

The table below summarises the maturity profile of Penneo's financial liabilities based on contractual undiscounted payments:

**Financial liabilities:**

<b>Year ended 31 December 2022</b>	On demand DKK	Less than 6 months DKK	6 to 12 months DKK	1 to 5 years DKK	> 5 years DKK	<b>Total DKK</b>
Interest-bearing loans and borrowings		2,372,768	2,372,768	12,101,339	0	16,846,875
Lease liabilities		1,553,928	1,555,948	10,006,221	0	13,116,097
Trade and other payables	704,443	8,926,588		2,442,713		12,073,744
	<b>704,443</b>	<b>12,853,284</b>	<b>3,928,716</b>	<b>24,550,273</b>	<b>0</b>	<b>42,036,715</b>

<b>Year ended 31 December 2021</b>	On demand DKK	Less than 6 months DKK	6 to 12 months DKK	1 to 5 years DKK	> 5 years DKK	<b>Total DKK</b>
Interest-bearing loans and borrowings		208,800	208,800	16,145,287	701,589	17,264,475
Lease liabilities		1,342,746	1,314,518	11,073,256	736,087	14,466,607
Trade and other payables	304,398	8,604,387		2,384,316		11,293,101
	<b>304,398</b>	<b>10,155,933</b>	<b>1,523,318</b>	<b>29,602,859</b>	<b>1,437,676</b>	<b>43,024,183</b>

## Financial instruments:

<b>Financial assets measured at amortised cost</b>	<b>2022 DKK</b>	<b>2021 DKK</b>
Deposits	1,439,174	1,288,942
Trade receivables	19,980,670	11,830,821
Other receivables	1,585	22,325
Current Cash	53,161,291	25,415,797
<b>Total</b>	<b>74,582,721</b>	<b>38,557,885</b>

## Financial liabilities measured at amortised cost

Interest bearing loan	14,368,984	14,697,652
Lease liabilities	12,461,760	13,560,555
Trade payables	2,691,826	4,487,375
Other payables	9,381,918	9,629,502
<b>Total</b>	<b>38,904,488</b>	<b>42,375,084</b>

## Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. Penneo's interest-bearing debt to Vækstfonden of DKK 14,369k as per 31 December 2022 (2021: DKK 14,698k) is subject to a variable rate of interest based on a 3-month CIBOR plus a premium. If market interest rates increased by one percentage point, the interest rate sensitivity as calculated based on the loan balance to credit institutions as per end of 2022 would lead to a yearly increase in interest expenses of DKK 0,14 million. A corresponding decrease in market interest rates would have the opposite impact.

Penneo's bank deposit at Danske Bank of DKK 53,161k as per 31 December 2022 (2021: DKK 25,416k) is subject to a variable rate of interest based on Danske Banks calculations including, among other things, the interest rates of Nationalbanken as well as competitive and business considerations. If the interest rate decreased by one percentage point, the interest rate sensitivity as calculated based on the bank deposit as per end of 2022 would lead to a yearly increase in interest expenses of DKK 0,53 million. A corresponding increase in interest rates would have the opposite impact.

## Fair value of financial assets measured at amortised cost

Since Penneo's financial instruments measured at amortised cost are either short-term and/ or exposed to floating interest rates, Management has assessed that the carrying amount is a reasonable approximation of fair value.

## 23. Liabilities arising from financing activities

<b>2022</b>	Interest bearing liabilities	Lease liabilities	<b>Total DKK</b>
Liabilities as at 1 January	14,697,652	13,560,555	28,258,207
Loans raised	0	221,842	221,842
Repayments	(328,668)	(2,752,596)	(3,081,264)
Adjustments	0	1,120,216	1,120,216
Other	0	311,743	311,743
<b>Liabilities as at 31 December</b>	<b>14,368,984</b>	<b>12,461,760</b>	<b>26,830,745</b>

<b>2021</b>	Interest bearing liabilities	Lease liabilities	<b>Total DKK</b>
Liabilities as at 1 January	5,070,430	15,564,063	20,634,493
Loans raised	10,000,000	0	10,000,000
Repayments	(372,778)	(2,368,325)	(2,741,103)
Adjustments	0	(1,076)	(1,076)
Other		365,893	365,893
<b>Liabilities as at 31 December</b>	<b>14,697,652</b>	<b>13,560,555</b>	<b>28,258,207</b>

## 24. Guarantees, contingent liabilities and collateral

### Contingent liabilities

As security for debt to credit institutions of DKK 14,369k, a company charge of DKK 15,000k has been provided comprising trade receivables, intangible assets and property, plant and equipment. The total carrying amount of the comprised assets is DKK 78,088k (2021: 58,106k).

## 25. Business combinations

### Acquisition of business activities from CLA Reply in 2020

On 6 October 2020, Penneo acquired a part of CLA Reply business division concerning Anti Money Laundering (AML) and Know Your Customer (KYC) activities, in exchange for cash consideration, issue of Penneo shares and earn out in terms of potential Penneo shares.

As a part of the acquisition an earn-out clause was agreed. The earn-out clause was triggered by:

- a) Retention of critical business knowledge and know-how from key stakeholders
- b) Successful technical integration of Penneo's and CLA Reply's platforms
- c) Proof of internationalizing CLA Reply's platform

The fair value of the earn-out was DKK 3,000k and was recognised upon acquisition due to the expectation of fulfillment. The triggers were as of 31-12-2021 all fulfilled which is why there has been no changes to the recognised amount. The earn out in terms of Penneo shares has been transferred in January 2022.

## 26. Fee to the auditor

	2022 DKK	2021 DKK
Statutory audit	545,500	286,100
Other assurance agreements	45,000	45,000
Tax and VAT advisory services	0	42,500
Other services	23,000	193,000
<b>Total fee to the auditor</b>	<b>613,500</b>	<b>566,000</b>

## 27. Related parties

### Shareholders

	Registered office	Basis of influence*
Andersen Advisory Group A/S	Denmark	9.7%
Biostrat Biotech Consulting ApS	Denmark	7.2%
ARBEJDSMARKEDETS TILLAEGSPENSION	Denmark	6.8%
Clausen Online ApS	Denmark	6.3%
Flora IT ApS	Denmark	5.7%

\* None of the shareholders have control or significant influence over the company

### Other related parties

Other related parties of Penneo A/S with significant influence comprise the Board of Directors and Executive Board and their related parties. There where no other related parties identified.

There has been no related party transactions other than normal remuneration of the Board of Directors and Executive Board which are disclosed as part of note 6.

## 28. Events after the reporting period

From the balance sheet date and until today, no matters, which would influence the evaluation of the annual report has occurred.

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