ANNUAL REPORT 2023

Copenhagen, 21 February 2024
Annual report for the period
1 January 2023 - 31 December 2023

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Contents

ESG report 2023
In our ESG report, you can read more about Penneo's environmental, social, and governance indicators.
https://penneo.com/wp-content/uploads/2024/02/penneo-2023-esg-report.pdf

Remuneration report 2023
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/2024/02/penneo-2023-remuneration-report.pdf

ARR performance highlights

The below performance highlights are calculated based on actual end-of-year currency exchange rates.

2023-Q4 development

- ARR increased by 6.8M DKK including the positive currency exchange related impact of 0.1M DKK compared to 6.0M DKK in 2022-Q4
- ARR increase from newbiz amounted to 3.8M DKK compared to 2.3M DKK in 2022-Q4
- ARR increase from uplift amounted to 4.5M DKK compared to 4.4M DKK in 2022-Q4
- ARR lost to churn amounted to 1.4M DKK compared to 0.8M DKK in 2022-Q4
- ARR from foreign markets increased by 3.0M DKK compared to 0.9M DKK in 2022-Q4

2023 development

- ARR increased by 18.4M DKK despite a negative currency related impact of 0.6M DKK compared to 15.5M DKK in 2022
- ARR increase from newbiz amounted to 10.1M DKK compared to 8.5M DKK in 2022
- ARR increase from uplift amounted to 11.4M DKK compared to 9.1M DKK in 2022
- ARR lost to churn amounted to 3.2M DKK compared to 2.2M DKK in 2022
- ARR from foreign markets increased by 7.1M DKK compared to 5.2M DKK in 2022

End of year 2023

- ARR amounted to 89.3M DKK at the end of 2023 compared to 71.0M DKK at the end of 2022 (26% YoY growth)
- YoY ARR net retention rate amounted to 112%
- YoY ARR uplift amounted to 16%
- YoY ARR churn rate amounted to 4%
- ARR from foreign markets amounted to 26.7M DKK at the end of 2023 compared to 19.6M DKK at the end of 2022 (36% YoY growth)

2024 ARR guidance

Penneo expects continued growth in ARR and guides ARR at the level of 105-112M DKK at the end of 2024 corresponding to an ARR growth rate of 18%-25%.

The outlook is based on currency exchange rates per end of 2023.

Financial performance highlights

EBITDA development

M DKK	2023	2022	2021	2020
Revenue	88.4	72.1	54.3	35.5
Cost of sales	(12.4)	(12.5)	(9.7)	(7.0)
Gross profit	**76.1**	**59.5**	**44.6**	**28.5**
Other external expenses	(20.9)	(17.8)	(14.4)	(8.6)
Staff costs	(63.8)	(52.8)	(44.2)	(28.6)
EBITDA*	**(8.7)**	**(11.1)**	**(14.1)**	**(8.7)**

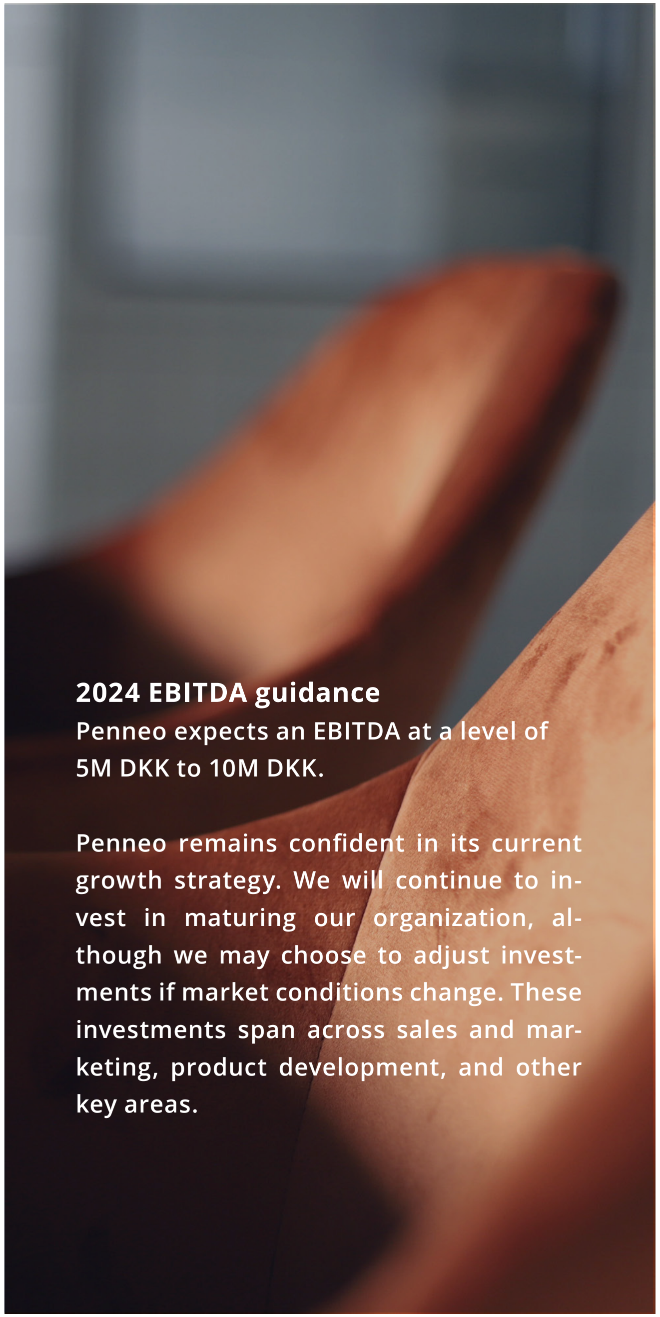
*EBITDA does not include income and costs categorised as "Other income" and "Other operating expenses" on page 57.

Cash development

M DKK	2023	2022	2021	2020
Cash flow from operating activities	7.5	(10.0)	(8.1)	(8.7)
Cash flow from investing activities	(22.8)	(19.4)	(15.5)	(13.4)
Free Cash Flow	**(15.3)**	**(29.4)**	**(23.6)**	**(22.2)**
Adjusted*	0.0	2.4	0.0	2.3
Adjusted Free Cash Flow	**(15.3)**	**(27.1)**	**(23.6)**	**(19.9)**
Cash flow from financing activities	4.4	57.2	17.1	45.8
Net cash flow	**(10.9)**	**27.8**	**(6.5)**	**23.6**

M DKK	2023	2022	2021	2020
Cash and cash equivalents end of period	**42.2**	**53.2**	**25.4**	**31.8**

*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)



2024 EBITDA guidance

Penneo expects an EBITDA at a level of 5M DKK to 10M DKK.

Penneo remains confident in its current growth strategy. We will continue to invest in maturing 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

A world where you can trust the way businesses do business.

Penneo transforms the way business-to-business companies in Anti-Money-Laundering (AML) regulated industries can meet growing compliance demands. With Penneo's signing and KYC workflow platform, they can optimize and automate critical business workflows throughout the client lifecycle, from customer onboarding to document signing and ongoing risk assessment. This empowers them to spend less time on quality assurance, compliance, and control freeing up time for more value-adding tasks.

Letter to our stakeholders

Over the past year, Penneo has made significant progress maturing and scaling its business, catering to a larger customer base and expanding our footprint in Europe beyond our existing markets in the Nordics. Particularly in Belgium where we have seen strong growth. Meanwhile, we have invested significantly in enhancing, diversifying and localizing the solutions we offer to streamline critical business workflows in digital signing and KYC for AML regulated B2B companies.

In 2023, we achieved an ARR of 89.3M DKK. This corresponds to a YoY growth rate of 26%. In a fixed currency scenario based on the exchange rate end of 2022, we achieved 89.9M DKK corresponding to a YoY growth of 27%. This is in line with the guidance of 87-92M DKK that we provided as part of our Q3-2023 financial reporting (company announcement no. 31-2023).

Speaking of our 2023 ARR result, it should be noted that we experienced fluctuation in currency exchange rates throughout the year, especially when comparing the NOK to the DKK. This negatively impacted our 2023 ARR result by 0.6M DKK which means that currency fluctuation is concealing a slightly more positive ARR development.

In 2023, we achived an EBITDA of negative 8.7M DKK which is better than the guidance of negative 10-15M DKK that we provided as a part of our Annual Report 2022. The positive deviation is mainly due to effective cost management.

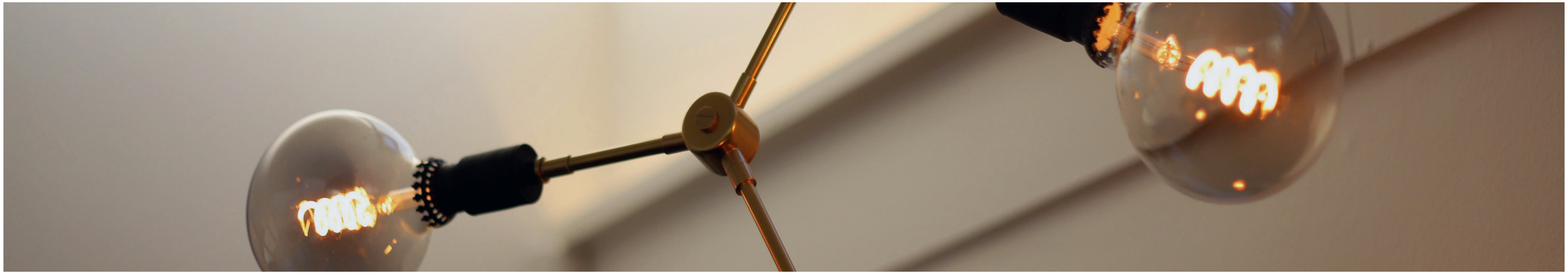
At the end of 2023, Penneo's cash position was 42.2M DKK. As we move forward, our approach is to invest the cash that is available and continuously ensure that we have a clear path to a cash positive position given the cash available. At the end of 2024, we expect to reach a position where our ARR will exceed our overall cost base, positioning us to achieve at least a cash neutral status on a yearly basis by 2025 according to our current projections.

In general, 2023 has been yet another extraordinary year with ongoing economic, environmental, social and geopolitical volatility. Combined with increasing interest rates and unfavorable exchange rates this has led to cautious buying behavior in some of our key markets.

This was particularly noticeable among our new customers where we observed reduced deal sizes due to smaller initial sales commitments. However, this mostly applied to our established markets, i.e. Denmark, Norway and Sweden, whereas our new market Belgium showed much stronger growth, especially in terms of onboarding new customers and higher initial deal sizes.

Furthermore, we managed to outweigh the trend of lower deal sizes across some markets by a stronger performance in terms of acquiring new customers. In 2023, for example, we onboarded a total of 584 new customers up from 404 in 2022 which led to a 19% increase in our new business ARR that amounted to 10.1M DKK in 2023 up from 8.5M DKK in 2022.

In this way, we are proud that Penneo's business model has proven itself resilient. We have faced challenging market conditions and been able to offset smaller average deal sizes by securing more deals. This holds special value when considering that we are a company with 'sticky' products and a low customer churn rate of



4% as well as a strong historical track record of uplift. This implies that customers not only tend to stay with us, but also gradually buy more over time underscoring why initial customer acquisition is important.

Another key achievement in 2023, was the continued ARR growth in new business from foreign markets. More than 60% of our new business ARR in 2023 originated from foreign markets, primarily due to our success in Belgium. For instance, during 2023 alone, we successfully acquired 184 new customers in Belgium, resulting in a 171% increase in ARR compared to 2022.

Breaking into new markets while nurturing existing ones is a key part of our growth strategy and therefore we are particularly pleased with this development. Furthermore, we are currently getting ready for our next market expansion targeting an entry into Germany in 2024. Due to its large size and commercial potential, Germany is highly interesting.
However, there are still barriers to penetrate the German market, such as the relatively low level of digitalization and eID adoption. Nonetheless, we believe that the timing is now for Penneo to enter and grow as the market gradually matures. As elaborated further later in this report, this is due to the recent strong political drive to digitize its public administration, along with various regulatory developments and changed conditions for leveraging eID solutions.

During 2023, we also achieved other key milestones that we believe will strengthen Penneo's continued growth and internationalization. In Q3-2023, for example, we attained ISO 27001 and ISO 27701 certifications for our information security and privacy management systems. These certifications require a robust framework of policies and controls to protect sensitive information, including personal data. In this way, they emphasize our dedication to the highest privacy and data security standards, which is crucial since our core customer value proposition revolves around assisting organizations optimize and securely manage digital collaboration and privacy.

In general, Penneo has made significant investments in strengthening its product development organization during 2023 including the recruitment of Hans Jørgen Skovgaard, our Chief Technology Product Officer (CTPO). This effort has focused on expanding the team, reinforcing key leadership positions, and aligning product development objectives with our expansion plans. Consequently, Product Development employed 41 people by the end of 2023, an increase of 28% compared to 32 employees at the end of 2022. This highlights our increased focus on product development and has already led to concrete progress. For example, during 2023, Penneo has launched a total of 14 new integrations to relevant third-party business applications and improved the functionality of our KYC solution based on selected industry best practices related to legal AML compliance.

In general, Penneo's product development effort has focused on supporting the growth of Penneo KYC as well as facilitating the expansion of Penneo Sign in the Belgian market and preparing it for other markets. Moreover, the team has focused on enhancing the features and functionality of Penneos' solutions since continuous improvement is important to meet customer expectations and maintain a competitive edge. This

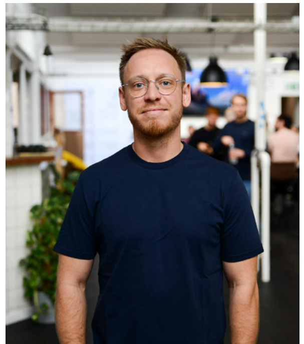

Christian Stendevad
Chief Executive Officer (CEO)


Casper Christiansen
Chief Financial Officer (CFO)


Hans Jørgen Skovgaard
Chief Technology & Product Officer (CTPO)


Kirstine Møller Pedersen
Chief Marketing Officer (CMO)


Mads Paludan Aabling
Chief Sales Officer (CSO)


André Clement
Chief Commercial Officer (CCO)

includes for example support for MitID Erhverv, investigation of face- or passport-based identification methods and other areas. Moreover, developing integrations that seamlessly integrate with other software systems is essential, as they serve as a valuable sales enabler for us.

Another noteworthy project done in 2023, was the completion of a brand positioning project in Q4-2023 that is aimed at strengthening our brand and providing a clearer market differentiation to drive growth with new customers, and in new markets. Headed by our newly recruited CMO, Kirstine Møller Pedersen, this project began by engaging a broad range of employees, customers and other stakeholders in defining the positioning strategy that can differentiate Penneo moving forward. With this is in mind, we then worked to update and revitalize our overall brand narrative, and as we move further into 2024, we will build on this by introducing a new corporate visual identity providing Penneo with a new look and feel.

As part of enhancing value creation in Penneo, the board will continue the work of formulating financial goals for Penneo. These financial goals are expected to be announced in the first half of 2024.

On a final note, we would like to underline that we remain confident in the long term growth potential of Penneo. 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 the AML-regulated industries we serve, continued digital transformation and disruption combined with increased regulation is changing work assignments and increasing the daily workload and complexity of tasks. In this environment, doing nothing or throwing more people at the problem no longer works.

Organizations must seize the opportunity to use the power of intelligent automation to optimize critical business workflows throughout the entire client lifecycle, from customer onboarding to document signing and ongoing risk assessment. This is exactly what Penneo delivers and in 2024 we will do our utmost to communicate this value proposition to the market.

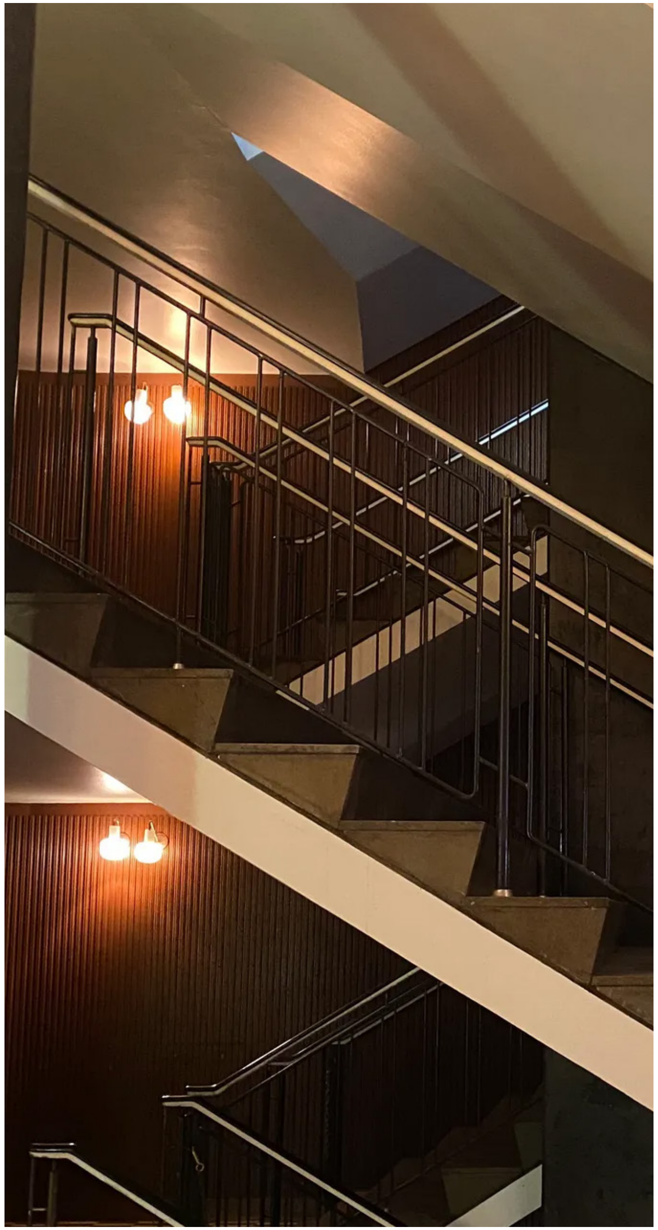
As we move further into 2024, we believe Penneo is well prepared to continue on its growth trajectory. In 2023, our organization has evolved and matured significantly and our employees have navigated challenges and uncertainties with an amazing determination. The results we have achieved and the sustained trust of our customers are due to their hard work and care for each other.

On behalf of the entire Penneo Board of Directors and our leadership team, we would like to extend our heartfelt thanks to all customers, employees, shareholders, and partners for the progress we achieved.

We look forward to the continued journey in 2024.

Christian Sagild
Chair of the Board of Directors

Christian Stendevad
Chief Executive Officer




AMBITIO
In Penneo we have ambitio
we have the courage to set
to proactively cha
quo - always aiming
You see us live the v
we succeed in big p
being part of EUTL o
on the NASDAQ main
You see us live this v
we continuously im
product and create

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 Revenue Retention (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 and how effective we are in terms of gaining, developing and keeping customers.

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 2023, Penneo increased ARR by 34% in CAGR from 37M DKK to 89M DKK.

Low ARR churn rate

By providing a strong product fit to our customers, Penneo has consistently maintained a low ARR churn rate of 4% for 2022 and 2023.

Significant ARR uplift from existing customers

In absolute terms, Penneo achieved an uplift from existing customers of 9.5M DKK in 2021 and 9.1M DKK in 2022. In 2023, this figure increased to 11.4M DKK demonstrating the company's ability to sell more to existing customers. Over the last year, uplift has been driven by three factors; (i) existing customers increasing their usage of Penneo Sign and upgrading their subscription, (ii) existing Penneo Sign customers subscribing to Penneo KYC, and (iii) a net positive effect from an annual adjustment of our pricing reflecting the general increase in inflation rate.

New customers onboarded

Over the years, Penneo has been able to expand its customer base significantly. In 2022 for example, we onboarded 404 new customers and in 2023, a record number of 584 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 2023, 83% of the revenue was subscription-based compared to 80% at the end of 2022.

ARR churn
Refers to the decrease in ARR in a given time span 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. Downgrades are included in ARR uplift.

Net Revenue Retention (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.

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 costs associated with acquiring a new customer, whereas Direct CAC includes only direct costs.

In Penneo, we include compensation costs to employees in sales and marketing who are involved in the sales process and also direct advertising expenses. In other words, we use Direct CAC, as 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.

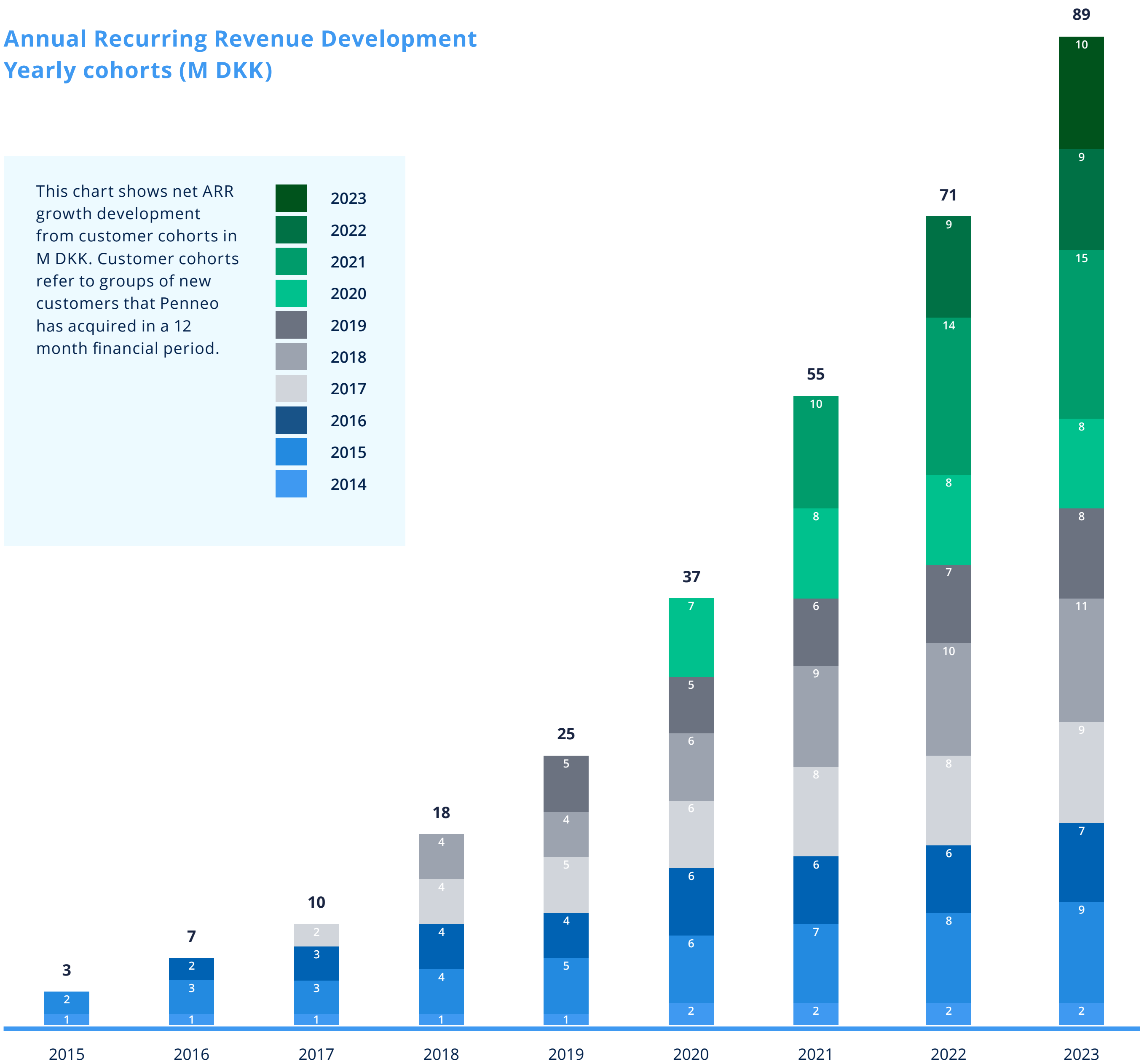
ARR growth from financial year cohorts

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.

A cohort analysis based on all financial years since the establishment of Penneo, shows a yearly growth of 20% in net ARR the first five years (including both churn of customers and ARPA development of retained customers). 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. 83% of the revenue, by the end of 2023, was subscription based compared to 80% by the end of 2022. Subscription-based ARR had the highest growth rate, but transaction-based ARR also grew since Penneo's older customer cohorts continue to develop positively.

Annual Recurring Revenue Development Yearly cohorts (M DKK)



Overview of ARR development

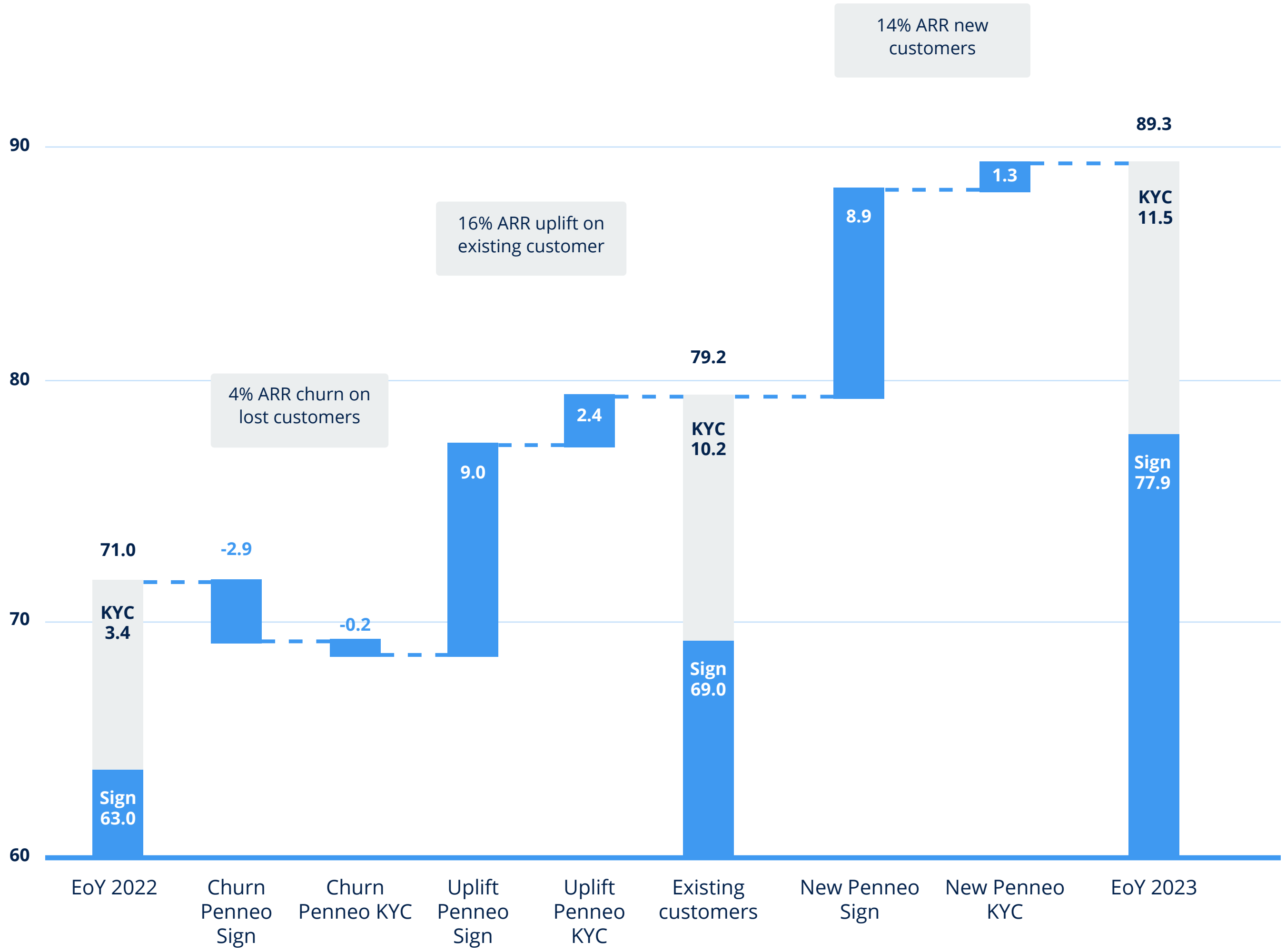
In 2023, Penneo increased its ARR with 18.4M DKK which increased total ARR for the full year of 2023 to 89.3M DKK. During 2023, this performance was driven by a total ARR uplift of 11.4M DKK from existing Sign and KYC customers before adjusting for 3.1M DKK in ARR lost due to churn, which corresponds to a 4% year-on-year churn rate. Meanwhile, ARR from new customers contributed with 10.1M DKK of which Penneo Sign accounted for 8.9M DKK and Penneo KYC for 1.3M DKK.

At the end of 2023, ARR from foreign markets amounted to 26.7M DKK compared to 19.6M DKK at the end of 2022, which corresponds to 36% year-on-year growth. A growing share of Penneo's total ARR now comes from Penneo KYC that accounted for 11.5M DKK in 2023 compared to 8.0M DKK of total ARR in 2022.

At the end of 2023, Penneo's ARR results were negatively influenced by fluctuations in currency exchange rates when comparing the NOK to the DKK, resulting in a currency loss of 0.6M DKK. Consequently, In a fixed currency scenario, Penneo would have achieved a slightly higher total ARR of 89.9M DKK (27% YoY growth) compared to the reported result of 89.3M DKK (26% YoY growth).

During 2023, Penneo secured a record number of 584 new customers compared to 404 in 2022. Belgium, Penneo's newest market, was particularly successful onboarding 184 new customers in 2023.

Annual Recurring Revenue Development
In the period (M DKK)



The annual development represents the development from 2022 to 2023 and is measured on the last day of both periods.

ARR development in Q4-2023

Q4-2023 was the best ever quarter in Penneo's history in terms of ARR uplift and new business ARR.

ARR decrease due to churn
In Q4-2023, ARR lost due to customer churn amounted to 1.4M DKK compared to 0.8M DKK in Q4-2022. Moreover, the Average Revenue Per Account (ARPA) for customers who churned in Q4-2023 remained in the lower end.

ARR uplift
In Q4-2023, Penneo's existing customer base contributed 4.5M DKK to our ARR growth up from 4.4M DKK in Q4-2022. However, when comparing Q4-2023 with Q4-2022, it is important to note that the ARR uplift achieved in Q4-2022 was influenced by a significant expansion of our agreement with Bankdata.

ARR new business
In Q4-2023, Penneo achieved an ARR new business growth of 3.8M DKK, compared to 2.3M DKK in Q4-2022. This increase is primarily due to an enhanced ability to acquire new customers, driven especially by the success we are currently observing in Belgium. Furthermore, approximately 70% of new business ARR came from foreign markets in Q4-2023.

Reported numbers	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
ARR newbiz	3.8	2.1	2.3	2.0	2.3	1.1	2.9	1.9	2.7	1.4	3.2	2.5
ARR uplift	4.5	1.7	3.4	2.0	4.4	1.0	2.4	1.6	2.7	1.8	3.6	1.4
ARR churn	(1.4)	(0.6)	(0.6)	(0.6)	(0.8)	(0.7)	(0.3)	(0.4)	(0.2)	(0.6)	(0.1)	0.0
Total ARR growth	**6.8**	**3.3**	**5.0**	**3.3**	**6.0**	**1.5**	**5.0**	**3.1**	**5.2**	**2.6**	**6.7**	**3.9**
ARR EoQ	**89.3**	**82.5**	**79.2**	**74.2**	**71.0**	**65.0**	**63.5**	**58.5**	**55.5**	**50.2**	**47.6**	**40.9**

SaaS metrics

In Q4-2023, Penneo significantly improved its ability to acquire new customers. Compared to 125 new customers in Q4-2022, 218 new customers were welcomed in Q4-2023 which corresponds to a growth of 74%. Especially noteworthy is the onboarding of 83 new customers in Belgium in Q4-2023 compared to 28 in Q4-2022, which underlines the strong growth momentum we have in this market.

Average ARR in the initial year for new customers over a trailing 12-month period reached 17.4T DKK in Q4-2023, showing a decrease from 20.4T DKK in Q4-2022.

At the end of Q4-2023, ARPA was 31.0T DKK compared to 26.6T DKK at the end of Q4-2022 which corresponds to a growth of 17%. This indicates a higher revenue generation per account and demonstrates Penneo's continued strong ability to create uplift from existing customers.

On average, Customer Acquisition Cost (CAC) was 26.5T DKK in 2023. This corresponds to a 18% decrease compared to 2022 where CAC was 32.4T DKK on average. This was especially driven by the high influx of new customers in Q4-2023 generated without a proportional increase in sales costs. In 2023, the Net Revenue Retention (NRR) amounted to 112%* 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. Compared to 2022, NRR stays the same.

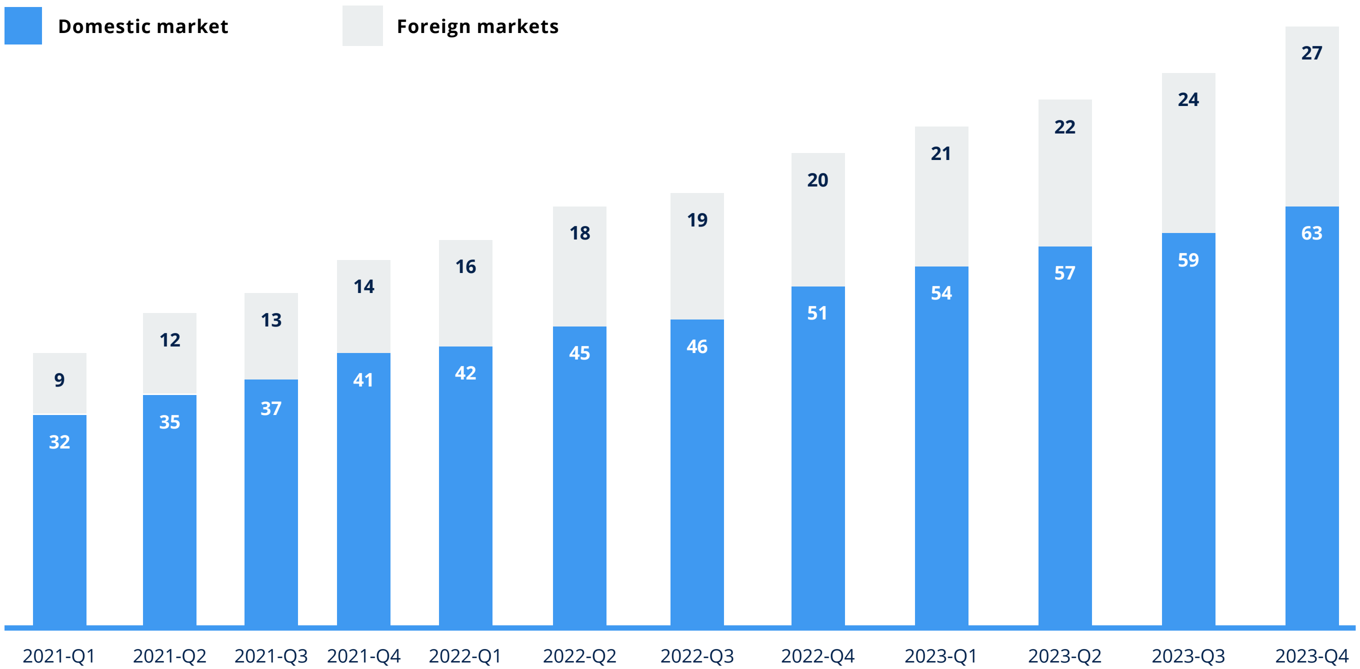
** The Net Revenue Retention is calculated using these figures: (79.2/71.0*100=112%)*

	Q4-2023	Q3-2023	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021	Q2-2021	Q1-2021
New customers	218	113	142	111	125	78	103	98	123	87	171	149
Average ARR in the first year for new customers	17,363	18,527	16,016	17,839	18,619	14,686	28,131	19,432	21,939	16,366	18,845	17,027
Customer Acqusition Costs (CAC)	(18,628)	(31,864)	(26,639)	(36,574)	(32,633)	(35,833)	(31,952)	(29,871)	(32,229)	(35,640)	(21,523)	(22,511)
Net Revenue Retention (NRR)	112%	114%	113%	113%	113%	112%	114%	120%	124%	124%	130%	123%
Average Revenue per account (ARPA)	31,038	30,115	29,914	28,315	26,608	25,288	25,092	23,751	23,137	21,960	21,444	19,988

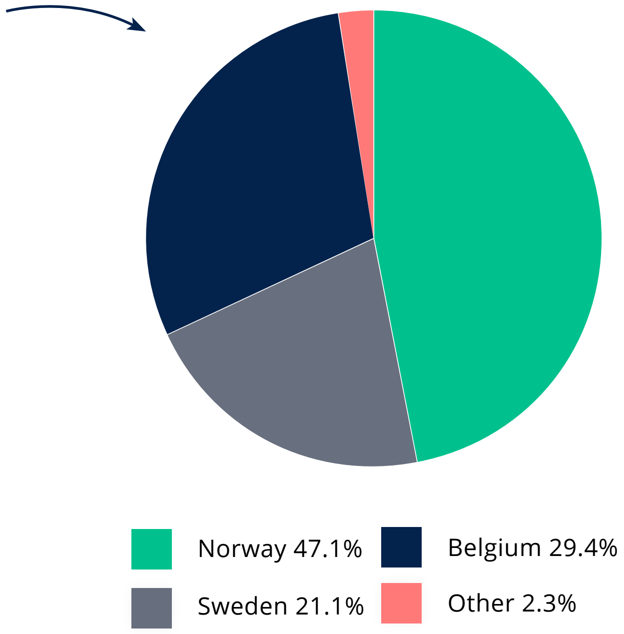
Domestic and foreign ARR base split

Penneo's growth strategy is centered around 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 2023, the share of total ARR from the Danish market increased by 22.3% to 62.6M DKK up from 51.2M DKK in 2022. This was driven by a continued effort to strengthen the company's domestic market position further as well as growing demand for Penneo KYC. Meanwhile, the share of ARR from foreign markets increased from 19.6M DKK in 2022 to 26.7M DKK in 2023 which corresponds to year-on-year growth rate of 36%. This is primarily due to the traction we have gained in the Belgian market where ARR grew from 2.9M DKK end-of 2022 to 7.9M DKK end-of 2023 corresponding to a growth of 171%. In general, more than 60% of our new business ARR in 2023 came from foreign markets. Looking into ARR from foreign markets in 2023, Norway remained Penneo's largest market accounting for 47.1% of the company's foreign ARR. Belgium, however, surpassed Sweden as Penneo's second largest foreign market with a foreign ARR share of 29.4% whereas Sweden accounted for 21.1%.



Foreign markets break-down (2023-Q4)



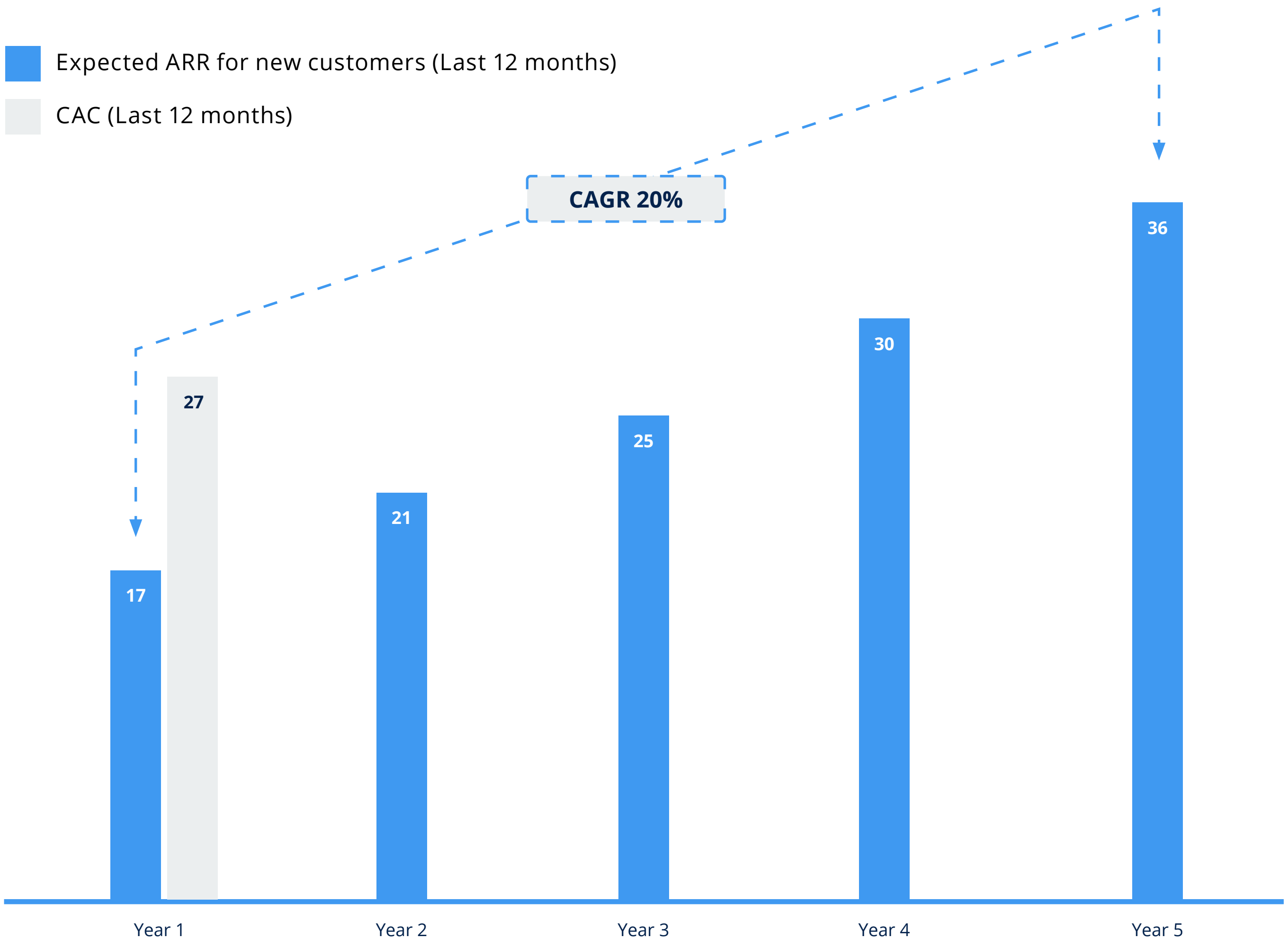
Projected ARR contribution

A cohort analysis based on all financial years since the establishment of Penneo in 2014, shows a yearly growth of 20% 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 17.4T DKK in year one to 36.1T 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 Revenue Per Account (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 10 years.

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

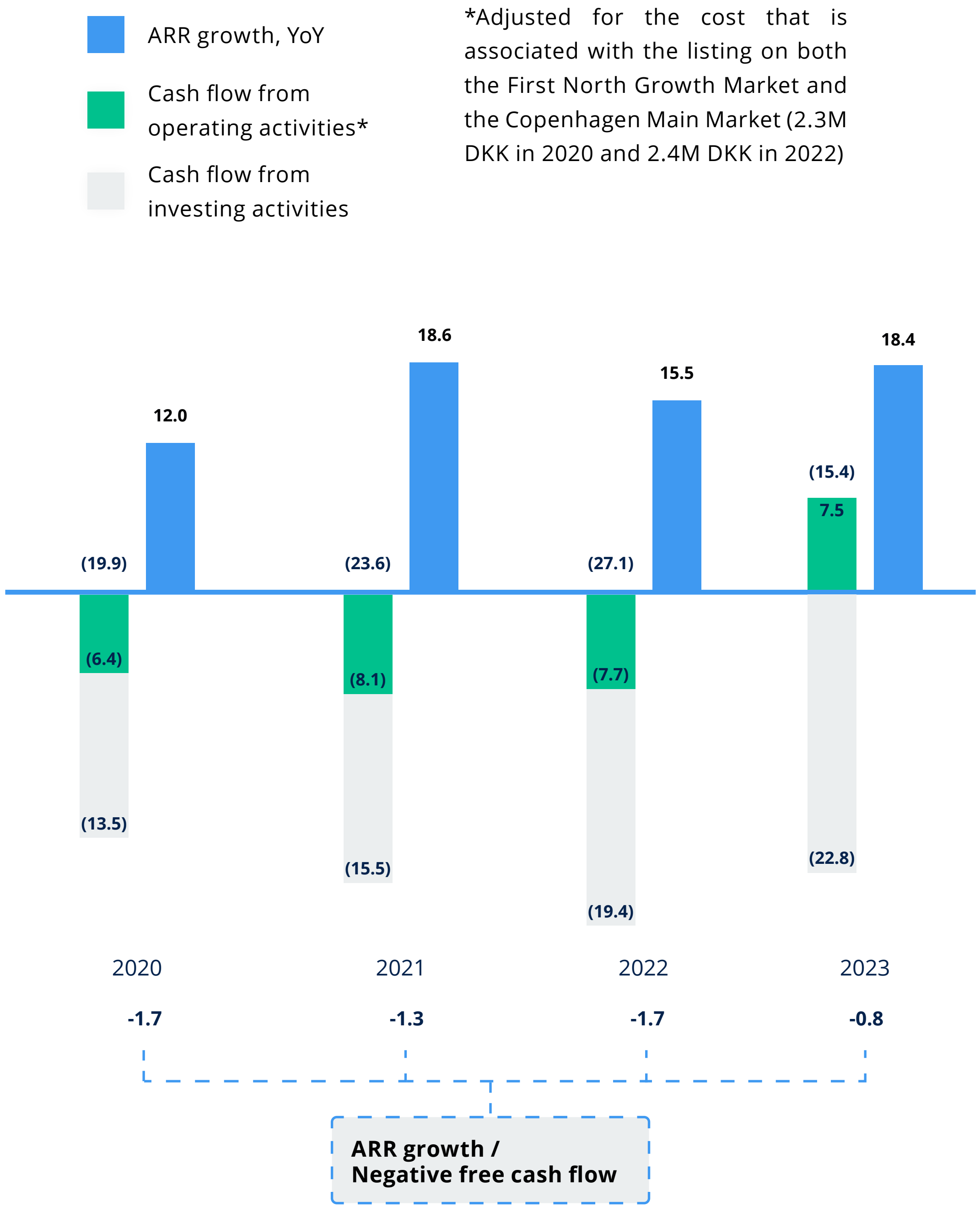


ARR growth compared to negative free cash flow

In 2023, Penneo realized an ARR growth of 18.4M DKK and a free cash flow of negative 15.4M DKK. This is equivalent to a cash to acquired ARR ratio of 0.8 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.

A combination of a strong sales performance in Q4-2023 and improved management of our working capital (including accounts payable and accounts receivable) impacted our cash flow from operating activities positively in 2023 to an extent that it now contributes positively to cover the expenses we have in terms of product development.

Furthermore, in 2023 this trend was amplified by the fact that we have simultaneously only increased the total number of employees by 9%, since our focus has been on leveraging the full potential of our current investments and existing employees.



Employee development

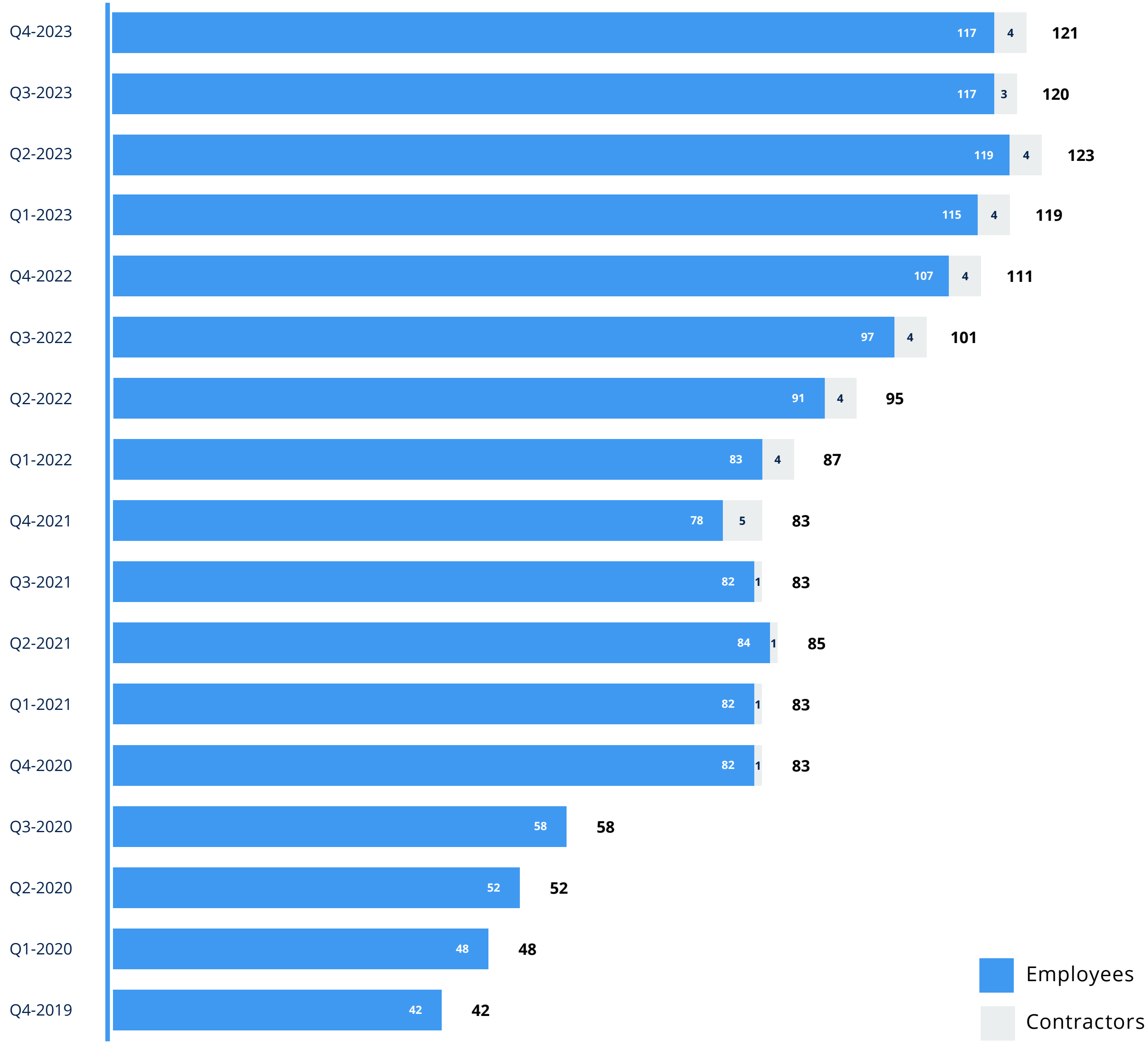
Penneo is committed to investing in building a robust foundation that supports the ongoing expansion of the company. The majority of these investments focus on hiring new personnel, with a mindful strategy to ensure that each new addition contributes significant value.

Over the last year, the number of employees has grown by 9% from 111 end of Q4-2022 to 121 end of Q4-2023.

New hires have mainly been done within product development and have been aimed at accelerating the roll out of Penneo's KYC solution in new markets including e.g. integration with local data providers such as national company registries and eID's as well as localization of the solution. The remaining new employees have primarily been hired in sales and support functions.

While we may choose to recruit additional new employees, our current priority is to fully utilize and optimize the capabilities of our current talent. This strategy is in line with our broader objective of practising careful resource management.

Penneo's workforce is diverse with +20 nationalities and a gender representation of 36% women and 64% men.



Penneo's workforce is diverse with +20 nationalities and a gender representation of 34% women and 66% men.

Outlook 2024

ARR guidance
Penneo expects continued growth in ARR and guides ARR at the level of 105-112M DKK at the end of 2024 corresponding to an ARR growth rate of 18%-25%.

EBITDA guidance
Penneo expects an EBITDA at a level of 5-10M DKK at the end of 2024.

Penneos guidance for 2024 is based on several assumptions outlined below and it is based on currency exchange rates per end of 2023.

Continued market conditions

In 2024, we expect a continuation of the market conditions that we observed throughout 2023. This relates to an expected continued high demand for our products due to increasing AML legislation and inspections, as well as further digitalisation in the markets we operate. However, we also expect that the cautious buying behavior will continue and has become the new normal.

Unchanged strategic priorities
Penneo remains confident in its current growth strategy, despite uncertain market conditions and increased competition. We will continue to invest in our Penneo platform, maturing our organisation and promoting operational excellence supporting the continued geographic expansion of Penneo Sign and Penneo KYC.

In 2024, we intend to leverage the momentum we have seen in Belgium during 2023. In addition, we intend to enter Germany. However, we have only assumed a relatively small share of new revenue from Germany in our 2024 guidance, as it will take time to gain traction and adapt our solutions to local rules and legislation.

We expect to invest available cash, while continuously ensuring we have a clear path towards a cash-positive position. At the end of 2024, we expect to reach a position where our ARR exceeds our overall cost base, positioning us to achieve at least a cash-neutral status yearly by 2025, aligned with current projections.

Continued improvement of demand generation capabilities
During 2023 we have improved our demand generation and sales capabilities resulting in a larger number of new customers added compared to previous years. We expect this trend to continue in 2024, but we might see a lower percentage of customer growth compared to 2023, outweighed by an increase in the average deal size. In addition, we expect to see a larger percentage of revenue from our KYC solution in 2024, as we mature the product further, and increasingly promote and sell our two solutions together. Finally, we are investing in further localisation of our product and go-to-market efforts across all of our existing markets.

Low churn and continued uplift
In 2024, we expect a customer churn rate below the 5% benchmark we have set as our company goal based on historical performance. We also expect a continued uplift from our customer base, based on increased usage of the Penneo platform (Sign and KYC) and revenue from cross-selling (Penneo KYC to Sign customers and vice versa). However, we do not anticipate a net positive impact on ARR uplift from our annual pricing adjustment, given that the overall inflation rate has returned to a low level. This is a change compared to 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 is affected by risk and uncertainties. Therefore, the company's actual results may differ from the expectations expressed in the management report.

Any consequences of the outcome of the extraordinary general meeting, to be held on 29 February 2024, have not been factored into the guidance for 2024.

Guidance methodology

ARR guidance

For 2024, our projection of Annual Recurring Revenue (ARR) is based on a new approach since we have transitioned to a Revenue Operation Model. As part of this model, Penneo's sales, marketing, product development and customer success teams have begun working more closely together to identify opportunities to drive ARR growth. This includes setting concrete objectives and defining supporting projects that are needed to accomplish them. While our historical performance remains a foundational aspect of our forecast, it is now enhanced with this structured methodology.

This 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.

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

EBITDA guidance

In 2024, Penneo is set to reach a significant milestone with the first yearly positive EBITDA result since 2019. This is in line with our plans and strategic intention to reach profitability and reinvest a significant part of our liquidity in initiatives that are able to drive growth in both the short and long term. This includes Penneo's ongoing product development, where substantial investments are planned in the coming years.

Having said this, our investment approach will be calibrated on an ongoing basis to make sure that our growth investments are aligned with our revenue growth and available cash reserves.

Penneo's EBITDA expectations continue to be closely correlated with the projections for ARR. This includes maintaining a strategic approach where, based on historical data, the costs of acquiring new customers are expected to be outweighed by the subscription revenue generated from these customers over time.

However, our growth investments will be carried out within the limits of our cash flow. This strategy includes a dynamic approach to hiring and cost management, closely aligned with the development of our ARR. We monitor our ARR on a monthly basis, adjusting our costs accordingly to ensure that changes in expected ARR do not directly impact our EBITDA.

This flexible approach allows us to respond to fluctuations in ARR, scaling our operations up or down as required and in accordance with our cash flow and long-term business strategy.

Thus, while 2024 marks a pivotal year for Penneo with a positive EBITDA forecast, our focus remains steadfast on sustainable growth and prudent financial management, guided by our long-term vision and strategic objectives.

Our strategy

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

Step 1

In existing markets, our focus is to target the broader auditing and accounting industry and other AML regulated B2B industries. Furthermore, through the auditors, Penneo is exposed to the auditors' clients locally and globally, creating a basis for further expansion to other industries and customer segments.

Step 2

Outside existing markets, our approach is to attract auditing and accounting companies by capitalising on the product market fit and strong relations and referral opportunities we have with larger auditing and accounting customers

This effort is supported by three primary investment streams:

Upsell Penneo KYC product to auditor and accounting customers

Penetrate AML regulated B2B 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 European leader in signing and know-your-customer workflow software for the auditing and accounting industry.

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 increasing digitalisation and regulatory demands.

We provide a scalable software platform that enables Anti-Money-Laundering regulated B2B companies to optimise and automate critical business workflows throughout the client lifecycle, from customer onboarding to document signing and continual risk assessment. Growing digitisation in Europe and the network effects provided by the large audit and accounting customers are powerful enablers for Penneo to become the preferred solution for AML-regulated business-to-business companies throughout Europe.

Our key differentiators

Why leading AML-regulated B2B companies choose Penneo

Created to connect
Penneo seamlessly integrates with existing core applications and tools used by auditors and accountants today.

Designed for workflows
Work that doesn't flow, doesn't work - which is why Penneo is designed to support the workflows of AML-regulated B2B businesses.

Built on trust
Penneo places trust and security at the heart of our products and our way of working. Because without trust, there is no business.

Driven to simplify
Penneo combines digital signing and KYC in a single platform, streamlining previously disconnected processes.

Trusted by the best
The world's most trusted and respected auditing companies, trust Penneo.

Our view on trust

Why we exist

Trust is a foundational principle that holds all business relationships together because it plays a pivotal role in establishing and maintaining positive connections and collaborations.

In today's digital world, however, trust no longer relies on face-to-face interactions and personal relationships. In this context, establishing trust is far more complex due to the absence of physical interactions and the prevalence of digital fraud.

Penneo's platform for signing and KYC workflows is trusted by the world's most respected auditing companies and complies with the highest privacy and security standards. In this way, it delivers positive experiences, consistency, transparency, and reliability over time.

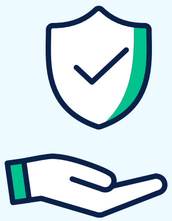
As the world continues to transform digitally, Penneo exists to make sure our trust remains intact.

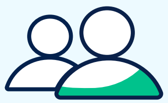
Because without trust, there is no business.

Our history

Penneo was founded in 2014 by 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.





2,800+ 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 2,800 customers across many industries with automating recurring administrative tasks. We are headquartered in Copenhagen and currently employ more than 120 people.

Our markets

Today Penneo has a strong presence in Denmark, Norway, Sweden, and 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 digitalised in Europe and have by far the highest adoption of eIDs. Despite a strong foothold among auditors and accountants, Penneo still has considerable potential to penetrate our existing markets further with our combined platform offering by focusing on other business-to-business AML-regulated industries with similar complex client lifecycle needs as the accountant and auditing industry.

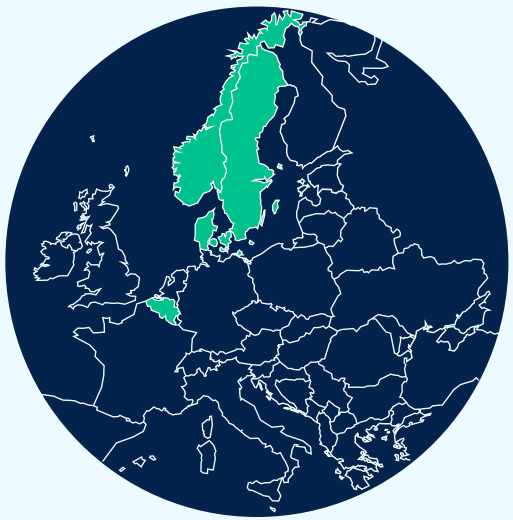
In line with the broader digitalisation of Europe, including the adoption of national eIDs, Penneo is also well positioned to gain market share outside of our existing markets.

Denmark

Norway

Sweden

Belgium



Analyst coverage

Penneo A/S is followed by the analysts listed below. 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 below or distribution imply its endorsement of or concurrence with such information, conclusions or recommendations.

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ESG strategy

In 2023, Penneo continued tracking its ESG progress and set new targets

For every new employee that Penneo hires, the company plants a tree in collaboration with the Danish company Klimatræ (Climate Tree). The collaboration with Klimatræ began in 2022 and initially 100 trees were planted. Following this, Penneo has planted 2-8 trees on a monthly basis following the number of new hires.

ESG highlights

In 2023, Penneo's digital sign has helped save approximately...

77 million sheets of paper

353 tons of paper

1,270 tons of wood

2,998 tons of CO_2

31 million liters of water

207 tons 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 2023. 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 CO2 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

2024 goal < 0.2

0.1

2023 indirect CO2 emissions (scope 2) measured in tons per FTE

2024 goal < 5

4.8

2023 energy consumption in GJ per FTE

2024 goal < 3

2.1

2023 water consumption in M3 per FTE

Social

2024 goal 8.7

7.8

2023 employee engagement score

2024 goal 38%/62%

36%

2023: 36% female/64% male diversity for all staff

2024 goal 38%/62%

35%

2023: 35% female/65% male diversity for all managers

Governance

2024 goal 25%/75%

20%

2023: 20% female/80% male BoD gender diversity

2024 goal > 95

100%

Attendance at BoD meetings

ESG statement

Environment	Total 2024	Unit	Target 2024	2023	2022
CO_2e, scope 1 (direct emissions)	0[a]	Tons per FTE	< 0.1	0.0	0.0
CO_2e, scope 2 (indirect emissions)	14.35	Tons per FTE	< 0.2	0.1	0.2
Energy consumption	500.54	GJ per FTE	< 5	4.8	5.3[b]
Renewable energy share	N/A	%	> 30	20	19
Water consumption	215.61	M3 per FTE	< 3	2.1	3.2
Documents sent through Penneo	6,110,115	No. of signed documents	> 5,000,000	6,110,115	4,286,616

Social	Unit	Target 2024	2023	2022
Average full-time employees incl. contractors	FTE		104	85
Gender diversity all staff	f/m %	38/62	36/64	33/67
Gender diversity all managers	f/m %	38/62	35/65	29/71
Sickness absence	%	< 3	0.3	1.3
Employee satisfaction	Engagement	8.7	7.8	8.4
Customer satisfaction (measured as churn)	%	< 5	4	3

Governance	Unit	Target 2024	2023	2022
Gender diversity - Board of Directors (BoD)	f/m	20/80	20/80	25/75
Attendance at the BoD meetings	%	> 95	100	100

[a] Due to the nature of Penneo's business, we do not have any direct CO_2 emissions.
[b] In 2023, the number was revised due to a miscalculation made in 2022.

Our business

Cultivating new and existing markets

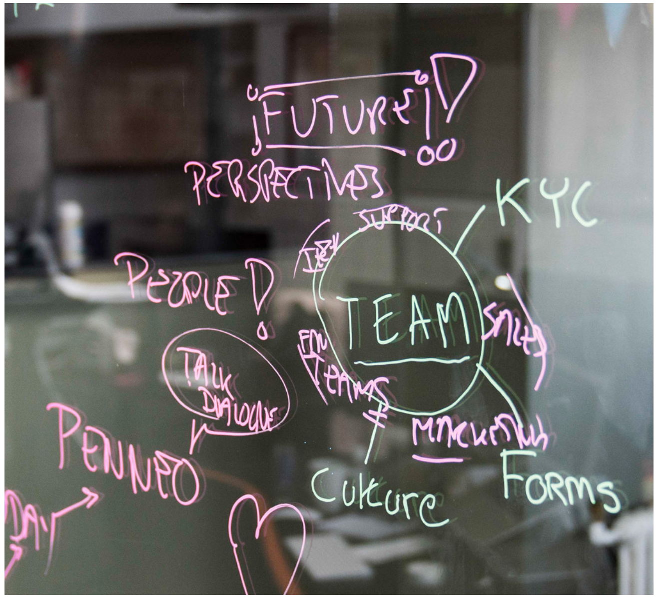
Over the last years, Penneo has successfully improved its market position in Denmark, Sweden, and Norway, and also secured a growing number of auditing and accounting customers in Belgium. In this way, we have managed to attract new customers and create revenue uplift from our existing customer base.

To continue on this path, Penneo has adopted a growth strategy that outlines how we plan to create more revenue by entering new geographical markets and simultaneously expand further in the ones where we are already present.

In our existing markets (Nordics and Belgium), 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.

Meanwhile, in new markets, 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 strengthen our position in existing and newer markets, Penneo is increasing investments in technology and commercial operations. This includes sales and marketing and solution adaptation. In new markets our priority is the local auditing and accounting industry as this allows us to secure a strong market position in our core industry segment and capitalize on network effects 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 e.g. lawyers, leasing companies, real estate and property administration companies.

3. Upsell Penneo KYC to auditing and accounting industry

Penneo KYC is a new growth lever and plays a key role in consolidating our market position. During 2023, we have made progress upselling KYC to existing Sign customers, but also in using the product to secure new business. To exploit this further, we are investing in sales and marketing and product development. Integrations, for example, is a key focus area.

Supporting Belgium's digital leap forward in auditing and accounting

A strong product-market fit in a digitally mature market combined with the right integration partners and a strong team has been the recipe for success for Penneo in Belgium.

Belgium is famous for its waffles, beer, chocolate not to mention its rich history and cultural diversity. In the dynamic landscape of digitalization sweeping across Europe, however, Belgium also stands out.

According to the most recent Digital Economy and Society Index (DESI) survey that is published by the EU, for example, Belgium is struggling in terms of connectivity and broadband, but the country ranks well (sixth place) when it comes to the the integration of digital technology by its companies only surpassed by a small group of other primarily Nordic countries.

Most notable is the number of companies in Belgium using the cloud and selling online, which is well above the EU average, but the country also performs well in terms of how many people use digital government services. 74% of Belgians, for example, have already interacted with their administration online, compared to 65% on average in Europe.

Belgium's auditing and accounting industry has also embraced digitalization recognizing the transformative potential it holds. Consequently, automated auditing processes, data analytics, and recently also AI is currently being implemented or considered to enhance financial examinations and streamline workflows.

Penneo entered the Belgian market in 2020 and has since then played an active part of the digital transformation of the auditing and accounting sector with a growing team and an increasingly stronger market presence. In fact, Penneo acquired a total of 184 new customers in Belgium in 2023 and contributed an ARR of 7.9M DKK during the year.

"We began in 2020 initially by localizing Penneo Sign to the Belgian market and even more importantly providing an integration to Itsme, which is the most widespread eID. More than 80% of all Belgians aged between 16 and 74 have an account and it just makes it super easy and safe to log in, create new accounts, and confirm transactions," explains Werner Temmerman, who heads up Penneo's activities in Belgium.

Initially the business in Belgium was remotely handled from Penneo's Copenhagen office, but in 2022 a small showroom was set up in Ghent that evolved into an office in 2023. Additional team members then joined Werner who now leads a team of five people.

According to Werner, the presence of and integration to Itsme, a well-functioning national eID, was an important prerequisite for the success Penneo has so far seen in Belgium, but it was not the only one.

"We have also developed a solid partnership and integration with Silverfin, a cloud platform for accounting companies that is widely used in Belgium. This has made document transfer between the two platforms a seamless process, in which documents can be sent from Silverfin to Penneo in just a few clicks. This worked as an important door opener in our sales outreach," says Werner and continues:

"Customers were able to streamline their entire signature collection process and also provide their clients with a far better signing experience instead of doing it the old-fashioned, frustrating and time-consuming way. This was, and still is today, a big step forward for many accountants, because it makes their day-to-day life so much easier and efficient."

According to Werner, by managing their document workflows digitally, audit and accounting companies save between 1–2 hours of manual work per customer, cut down costs on paper, ink, and postage while increasing productivity. This enables auditors and accountants to spend more time on advising clients and finding solutions tailored to their needs.

Today, Penneo has also developed integrations to other key software platforms that are used by accountants in Belgium. This includes for example AdminPulse, Anlisa, Instaclause and most recently M-Files. And looking ahead, Werner Temmerman, believes Belgium has lots of room for additional growth.

"The timing is right because we are seeing a shift toward digital solutions that are able to streamline workflows. Cloud-based accounting software, and automated bookkeeping have become commonplace, enabling companies to manage their finances more effectively. This shift enhances accuracy and also empowers accountants to focus more on their advisory roles."

Penneo's Belgian team gathered at their office located in Ghent.

Joining Germany in its effort to get back on the digital track

Penneo is moving into the German market at a time when the country is introducing reforms to help it catch up in digitalization.

Germany is Europe's largest economy, world famous for its engineering and industrial innovation. Yet, for many years it has been lagging behind in digital transformation, facing challenges such as unstable internet coverage, old technology in classrooms, and reliance on paper-based processes in government offices.

Today, for example, the European Union's Digital Economy and Society Index ranks Germany only 13th among the 27 member countries. Meanwhile, Germany is also facing an unprecedented era of techno-geopolitical competition in fields such as AI and quantum computing, which is now mostly developed in other parts of the world including the US and China.

"Germany has been falling behind, but the country's leaders are painfully aware and in 2022 they presented an ambitious masterplan that outlines how they want to turn things around," says André Clement, CCO in Penneo, who has headed up an effort to evaluate market opportunities and barriers for Penneo in Germany.

One of the findings is that Germany's decentralized political system has been stalling much-needed progress in digitalization due to the division of power enshrined in the country's constitution.

"Germany's 16 states to a large extent shape their own policies in areas such as health, culture and education. This division of power was a deliberate part of the post second world war constitution aimed at preventing concentration of power. The problem is that this system was designed when digitalisation was non-existent and has prevented the country from going full steam ahead with digitalization," explains André and continues:

"Over the last decades, as the internet became an everyday part of our lives, a lack of investment, bureaucratic obstacles, missing government coordination and general skepticism in data privacy, or "Datenschutz" as it is referred to in Germany, have seriously hampered digital transformation."

In response to these shortcomings, the German government in August 2022 unveiled a three-year digital masterplan to address these issues and propel the country into the digital age. This new strategy emphasizes the need for a "digital awakening" to enhance Germany's self-reliance in technology and outlines 18 major initiatives aimed at making the country fit for the digital era.

One key aspect, for example, is the focus on achieving "digital sovereignty" through increased investment in software and microchip production. Additionally, the government aims to speed up the rollout of fast internet, improve mobile coverage, digitize health records, and streamline administrative processes by enabling online services for tasks such as vehicle registration and ID applications.

"This is not Germany's first attempt at a digital strategy, but previous initiatives didn't quite hit the mark. This time, however, the government seems determined to do things differently by setting specific goals to be achieved within three years," says André underlining that this is one of the main reasons why Penneo believes the time is now to enter the German market.

"The political ambition and effort that is currently being made for Germany to enhance its digital capabilities is strong and we want to be an active part of this journey in the years ahead. We know that increased adoption of digital signatures plays a key role in digital transformation and we have solutions and valuable experience from the Nordic countries and Belgium to offer."

Another area, where Penneo sees interesting market opportunities in Germany, is greater adoption of technology aimed at tackling issues related to financial crimes such as money laundering.

Particularly in the auditing and accounting industry that has been a key focus vertical since the company was founded. Utilizing advanced technologies, such as the Penneo KYC software can help in countering money laundering by providing robust surveillance, monitoring, and analysis capabilities. These technologies allow companies in the auditing and accounting sector, but also other so-called Designated Non-Financial Businesses and Professions (DNFBPs) to onboard and monitor their clients in compliance with local and European Anti-Money Laundering (AML) regulations. This provides professionals such as lawyers, auditors, and tax advisors peace of mind when performing their work.

Germany: Why the timing is now

Germany is still a market with barriers for Penneo, but winds of change are blowing. A combination of a political push to digitize and modernize its administration, regulatory development and improved conditions to utilize eID solutions is paving the way forward.

Continued geographic expansion of Penneo's business in Europe is a cornerstone of the company's growth plans and over the last year this led to the recent market entry in Belgium that has successfully established a new source of revenue along with a growing customer base.

Apart from Belgium, however, Penneo's home base is still to a wide extent in the Nordics due to the high level of digitalization and eID adoption in these countries. Therefore, Penneo has been looking into different new target markets in Europe to evaluate their attractiveness and prioritize them to maximize the substantial investment it requires to step into a new market.

"After evaluating different countries, we concluded that Germany is the best, next market option for us due to its size and commercial potential. To some, this may come as a surprise since digital maturity is still relatively low compared with other countries in Europe, but we believe this is set to change in the years ahead," says CEO in Penneo, Christian Stendevad.

In Germany, digital signatures are not widely used today. One of the main reasons is the lack of use cases for the general population and businesses since this means many people are not familiar with how they can provide secure and legally binding authentication of documents. Furthermore, conventional paper-based signatures still hold a strong legal significance in Germany. And this for good reason since wet ink signatures are still by law required for some legal documents, e.g. termination of employment contracts and reference letters.

"Despite these challenges, we still see a large potential. Germany is a big market and the use of digital signatures is gaining traction, especially in the auditing and accounting industry which is our core focus vertical. Furthermore, efforts are being made by the central government to promote the use of digital signatures and we also see a demand and interest for our KYC offering. Entering the market now, means we can build a position as a first mover, make our voice heard, and grow as the market grows," explains Christian Stendevad.

Digital signatures are closely linked to eIDs as they serve as a means to authenticate the identity of individuals in the digital realm. This need is particularly critical in the field of digital financial services, which face unique challenges in verifying the identities of new customers and authorizing transactions.

German legislators laid the groundwork for a public eID solution many years ago by making it possible for citizens to use their physical identity cards to electronically prove the holder's identity in transactions with the highest level of assurance. Usage of the electronic ID function, however, is not widespread among Germans. Similarly, private sector eID solutions have so far struggled to establish themselves successfully in Germany.

"Again, there are barriers, but we are also seeing a clear trend that conditions for utilizing eID solutions in online payments and the opening of payment accounts have improved. The implementation of the eIDAS Regulation in 2016, and subsequent amendments to the Anti Money Laundering Act, as well as the Act on Identity Cards and Electronic Identification in 2017, have contributed to these improvements," says Christian.

Other factors include the obligation outlined in the Online Access Act to ensure digital access to all relevant public services by 2022, as well as the requirements for strong customer authentication and authorization of electronic payment transactions under the second Payment Services Directive, which have been in effect since September 2019. This has created fresh momentum for establishing eID solutions in online payments, driven by new private sector offerings and other factors.

Helping Germany take an automated approach to AML compliance

The market for automated solutions to achieve AML compliance is growing in Germany. Just like other countries in the EU, financial institutions and businesses in Germany face increasingly stringent regulatory demands and scrutiny in the fight against money laundering.

Compliance with these regulations necessitates robust AML processes and controls, which can be enhanced and streamlined through automation as opposed to the manual, resource heavy and time consuming processes that are being used today.

Moreover, the rising complexity and sophistication of financial crimes require more sophisticated detection methods, and automated solutions can provide real-time monitoring, risk scoring, and data collection capabilities that traditional manual processes often struggle to match.

As a result, German companies are increasingly turning to automated AML solutions to enhance their compliance efforts, minimize risks, and maintain trust and integrity in the financial system.

Automated solutions such as the KYC digital customer onboarding software that Penneo provides, represent an alternative to the manual and time-consuming processes that many organizations in Germany use to handle customer identity verification, risk clarification, and suitability assessment.

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: 01.01.2023 - 31.12.2023

Board of Directors

Christian Sagild (Chair)
Morten Kenneth Elk
Rikke Stampe Skov
Steffen Heegaard
Jakob Neua Nørgaard

Executive Board

CEO Christian Stendevad

Auditor

Deloitte Statsautoriseret
Revisionspartnerselskab

Executive bios and Board of Directors

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.

Other key positions: Board member at Frimap ApS

Christian Stendevad privately owns 21,554 shares in Penneo A/S.
Christian Stendevad privately holds 1,047,680 warrants in Penneo A/S.

Christian Sagild
Chair of the Board
Chair 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 846,682 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, member of the Board of Representatives at Forenet Kred-it.

Independent of Company

Rikke Stampe Skov privately owns 1,615 shares in Penneo A/S.
Rikke Stampe Skov privately holds 27,613 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 Busi-ness 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, Chair of the Board of Directors at Flowering ApS, Chair of the Board of Directors at Janica A/S, Board member at HC Andersen Capital.

Independent of Company

Steffen Heegaard privately owns 60,918 shares in Penneo A/S.
Steffen Heegaard privately holds 23,108 warrants in Penneo A/S.

Morten Kenneth Elk
Board member
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.

Other key positions: Chairman of the Board of Directors at Copyright Agent A/S, Chairman of the Board of Directors at My True Value ApS, Board member at Estaldo ApS

Independent of Company

Morten Kenneth Elk privately owns 1,883 shares in Penneo A/S and 283,167 shares via M. ELK HOLDING A/S
Morten Kenneth Elk privately holds 8,108 warrants in Penneo A/S.

Jakob Neua Nørgaard
Board member
Board member since 29.03.2023
Profession: CEO & Co-founder Estaldo ApS

Educational background:
Autodidact

Jakob Neua Nørgaard is a co-founder of Penneo A/S and co-founder of Justworks. He is also the co-founder of Estaldo ApS where he is currently CEO. He is very familiar with Penneo's technology platform and the company's product offering and customer segments in general. Furthermore, he possesses deep regulatory insight in eIDAS, electronic signatures, and the field related to KYC/AML. He also has extensive experience with the commercial development of new software solutions and technology platforms.

Independent of Company

Jakob Neua Nørgaard privately owns 598,355 shares in Penneo A/S via Neua Holding ApS
Jakob Neua Nørgaard privately holds 8,108 warrants in Penneo A/S

Board composition

As of 31 December 2023, the Board of Directors consists of five 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 Q4-2023, the Board of Directors conducted a self-evaluation to ensure that it serves Penneo's overall purpose and promotes its culture and values. The Chair 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 established a formal Audit Committee. Following the recommendations on Corporate Governance, this committee is composed such that the chair of the board of directors is not chair of the audit committee. Rikke Skov is currently Chair of Penneo's Audit committee, while Christian Sagild is a member of the committee. The Audit Comittee has held four meetings during 2023.

Penneo's Corporate Governance Statement is available on the company's website
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 personal 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 has in 2023 been certified in accordance with the ISO 27001 standard.

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.

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 has in 2023 been certified in accordance with the ISO 27701 standard.

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 SaaS company originally established to help companies with digital signatures. Penneo was founded by a group of Danish entrepreneurs 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 transforms the way B2B companies in anti-money laundering regulated industries can meet growing compliance demands. With Penneo's signing and KYC workflow platform, customers can optimize and automate critical business workflows throughout their client lifecycle, from customer onboarding to document signing and ongoing risk assessment.

This empowers them to spend less time on quality assurance, compliance and control freeing up time for more value adding business tasks.

With an open Application Programming Interface (API), integrating existing applications to Penneo is easy, and we are already trusted by 2900 companies - including the world's leading auditing and accounting organizations.

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

2024 Financial calendar

ANNUAL GENERAL MEETING	Q1 REPORT	H1 REPORT	Q3 REPORT
April 10, 2024	May 23, 2024	August 28, 2024	November 20, 2024

Financial review

CFO statement

In April 2022, Penneo raised 59M DKK as part of its listing on Nasdaq Copenhagen. The original plan was to reach a position with positive liquidity from our operations in 2024. This was reached already in the financial year 2023, where we achieved 7.5M DKK in positive cash flow from operating activities, and therefore I would like to outline what led us to achieve this positive milestone and also lay out our expectations for the coming years.

ARR growth and negative free cash flow in 2023

In 2023, we anticipated a ratio between Annual Recurring Revenue (ARR) growth and negative free cash flow of approximately 1.3 to 1.4 for the entire financial year, but successfully achieved 0.8. The primary reason for this was an improved management of our net working capital, a milestone we initially projected to reach in 2024. The improved management of net working capital was due to invoicing in early December 2023 and the high rate of prompt payments we received before end-year. This lowered the net amount on accounts receivable to a level that was lower than the total invoiced amount for December, including receivables billed prior to Q4-2023. Furthermore, we have also improved management of vendor payments which has positively influenced our accounts payable. Viewed in combination this has improved the operating liquidity that is available to us. Considering that we achieved our best ever Q4 with a total ARR growth of 6.8M DKK, this is a result we are very pleased with.

Free cash flow expectation for 2024

Free cash flow consists of two main components: Cash flow from investing activities and cash flow from operating activities.

Cash flow from investing activities is predominantly made up of product development expenses. These costs are not included in the profit and loss statement and in 2023 they remained at the same level (on average 5.7M DKK) on a quarterly basis. Looking forward, we anticipate the same level of quarterly investment in 2024.

Regarding our cash flow from operating activities, we anticipate significant seasonal variations during 2024. We expect that cash flow from operating activities will be negative in Q1-2024 and Q3-2024. This is due the seasonal dip that we typically observe in recognized revenue during these quarters. In addition we expect to pay back employee taxes postponed from August 2023 to February 2024 and this will also impact Q1-2024 negatively by 2.4M DKK. The cash flow in Q2-2024 is expected to be slightly negative or roughly neutral and in Q4-2024 (similar to Q4-2023), we predict a positive cash flow from operations driven by the peak season in terms of when we invoice our customers. However, in Q4-2024, we do not expect to receive a tax credit facility based on the income year 2023, which will result in a reduced cash flow of 5.5M DKK when compared year-over-year. Despite this we still expect a strong positive cash flow in Q4-2024.

Cash position going forward

At the end of 2023, Penneo's cash position was 42.2M DKK. As we move forward, our approach is to invest the cash that is available and continuously ensure that we have a clear path to a cash positive position given the cash available. For 2024, we expect a decrease in our cash reserves, resulting in a negative cash flow for the year. This is mainly due to our investments in product development. By the end of 2024, we expect to reach a position where our ARR exceeds our overall cost base. In other words, for the financial year 2025, we foresee that our operational income will cover these product development costs, which should bring our overall cash flow to either a neutral or a positive state. It's important to note that we have seasonality in our cash flow which is why one isolated quarter might be negative and another positive. In general, this is why, when we refer to cash flow, we refer to a period of 12 months.

Key figures

DKK	2023	2022
Revenue	88,449,388	72,057,638
Cost of sales	(12,363,208)	(12,522,305)
Gross profit	**76,086,180**	**59,535,333**
	86%	*83%*
Other external expenses	(20,940,285)	(17,823,211)
Staff costs	(63,842,842)	(52,839,080)
EBITDA*	**(8,696,947)**	**(11,126,958)**

DKK	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2022-Q4	2022-Q3	2022-Q2	2022-Q1
Revenue	32,567,558	15,904,086	21,934,250	18,043,494	25,388,533	14,748,751	17,565,608	14,354,746
Cost of sales	(2,975,526)	(3,374,083)	(3,116,138)	(2,897,461)	(3,563,534)	(2,834,338)	(3,187,849)	(2,936,584)
Gross profit	**29,592,032**	**12,530,003**	**18,818,112**	**15,146,033**	**21,824,999**	**11,914,413**	**14,377,759**	**11,418,162**
	91%	*79%*	*86%*	*84%*	*86%*	*81%*	*82%*	*80%*
Other external expenses	(6,102,025)	(4,654,858)	(5,571,369)	(4,612,033)	(4,419,983)	(4,820,340)	(4,556,908)	(4,025,980)
Staff costs	(14,469,437)	(15,321,261)	(16,882,535)	(17,169,609)	(14,185,712)	(11,764,446)	(13,489,501)	(13,399,421)
EBITDA*	**9,020,570**	**(7,446,116)**	**(3,635,792)**	**(6,635,609)**	**3,219,304**	**(4,670,373)**	**(3,668,650)**	**(6,007,239)**

*EBITDA does not include income and costs categorised as “Other income” and “Other operating expenses” on page 57.

Key figures

M DKK	2023	2022	2021	2020	2019
Financial performance					
Annual recurring revenue[a]	89.3	71.0	55.5	37.0	25.0
Revenue	88.4	72.1	54.3	35.5	27.6
Gross profit	76.1	59.5	44.6	28.5	22.2
Operating profit	(23.1)	(23.5)	(22.7)	(16.2)	(2.2)
Net financials	(1.6)	(2.3)	(1.4)	(1.0)	(0.5)
Net profit/(loss)	(24.7)	(20.3)	(18.6)	(12.8)	(2.7)
Purchase of property, plant and equipment	0.0	0.1	0.7	0.6	0.2
Purchase of intangible assests	22.6	19.1	14.8	23.9	3.4
Trade receivables	15.8	20.0	11.8	8.7	3.5
Free cash flow	(15.3)	(29.4)	(23.6)	(22.2)	(5.7)
Equity	94.1	105.5	57.0	57.6	9.0
Total assets	140.7	152.0	104.5	95.9	39.4
Financial ratios					
ARR growth	26%	28%	50%	48%	39%
Revenue growth	23%	33%	53%	29%	21%
Gross margin	86%	83%	82%	80%	81%
Operating margin	(26%)	(33%)	(42%)	(46%)	(8%)
Solvency ratio	67%	69%	55%	60%	23%
Asset turnover	0.6	0.6	0.5	0.5	0.9
Trade receivables turnover ratio	5.0	4.5	5.4	6.1	5.8
ARR growth vs FCF[b]	(0.8)	(1.9)	(1.3)	(1.8)	(0.8)
Adjusted ARR growth vs FCF[c]	(0.8)	(1.7)	(1.3)	(1.7)	(0.8)

[a] Annual recurring revenue is a non-IFRS Accounting Standard financial measurement.
[b] The growth rate represents the cost of increasing Annual Recurring Revenue by 1 DKK.
[c] 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

Recognized revenue increased by 23% in 2023 compared to 2022. Revenue from the Belgian market increased by 183% compared to 2022 due to Penneo's continued increased focus on internationalization.
The Danish market grew by 19% in 2023 compared to 2022.

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

1. 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.

2. Revenue is recognized when outlined performance obligations are met. Please refer to note 1. Accounting policies for further explanation.

Cost of sales

Cost of sales has decreased by 1% in 2023 compared to 2022. The decrease is caused by an optimized server cost structure, as well as spending less money on the Danish e-IDs combined.
As a result of the increase in revenue and decrease in cost of sales the gross profit margin has increased from 83% in 2022 to 86% in 2023.

Other external expenses

Other external expenses have increased by 17% in 2023 compared to 2022. This is a result of the investments we have made to improve the way Penneo operates and to support the company's growth and internationalization. It includes for example marketing costs, software costs and the cost of consultants working for Penneo such as consultants responsible for scheduling meetings with potential new customers.

Staff costs

Staff costs have increased by 21% in 2023 compared to 2022. The increase is driven primarily by full time equivalents which has increased from 85 in 2022 to 104 in 2023. Furthermore, Penneo has also invested in recruiting specialists and resources devoted to management to strengthen and professionalize its organization further.

Intangible assets

Intangible assets have increased by 20% in 2023 compared to 2022 which is caused by the growing and continuous investment into development projects.

Trade receivables

In 2023, there was a 21% decrease in trade receivables compared to the previous year. This decline is attributed to enhanced attention towards working capital management and improved efficiency in managing debtors. Additionally, December 2023 marked the highest invoicing month ever for Penneo, showing a 32% increase from December 2022.

Income tax receivables

Income tax receivables consist of tax credit related to development projects from the income year of 2022. Penneo does not expect to apply for tax credit for the income year of 2023.

Other payables (current)

Other payables have increased by 30% in 2023 compared to 2022. The increase is primarily due to a postponement of employee taxes for August which are due in February 2024.

Cash flow from operating activities

Net cash flow from operating activities resulted in an inflow of 7.5M DKK in 2023 compared to an outflow of 10.0M DKK in 2022. 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. In 2023 Penneo has enhanced attention towards working capital management and improved efficiency in managing debtors which is why the working capital has resulted in an inflow of 7.4M DKK in 2023 compared to an outflow of 7.8M DKK in 2022.

Cash flow from investing activities

Net cash flow from investing activities resulted in an outflow of 22.8M DKK in 2023 compared to an outflow of 19.4M DKK in 2022. 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 4.4M DKK in 2023 compared to an inflow of 57.2M DKK in 2022. The decrease is caused by the net 59M DKK capital raise in March 2022. In 2023 the net cash flow from financing activities primarily consisted of exercised warrants and payments related to financial leasing.

DKK	2023	2022
Cash flow from operating activities	7,507,822	(10,043,589)
Cash flow from investing activities	(22,846,116)	(19,403,043)
Free Cash Flow	**(15,338,293)**	**(29,446,632)**
Cash and cash equivalents beginning of period	**53,161,291**	**25,415,797**
Free Cash Flow (FCF)	(15,338,293)	(29,446,631)
Cash Flow from financing activities	4,400,138	57,192,126
Cash position end of period	**42,223,137**	**53,161,291**

DKK	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2022-Q4	2022-Q3	2022-Q2	2022-Q1
Cash flow from operating activities	11,381,871	(585,314)	(4,236,847)	948,112	795,552	(2,054,739)	(3,542,478)	(5,241,924)
Cash flow from investing activities	(5,997,383)	(5,838,698)	(5,640,207)	(5,369,828)	(5,037,090)	(5,198,482)	(4,481,480)	(4,685,991)
Free Cash Flow (FCF)	**5,384,489**	**(6,424,012)**	**(9,877,054)**	**(4,421,716)**	**(4,241,537)**	**(7,253,221)**	**(8,023,958)**	**(9,927,915)**
Adjusted*	0	0	0	0	0	0	2,365,758	0
Adjusted free cash flow	**5,384,489**	**(6,424,012)**	**(9,877,054)**	**(4,421,716)**	**(4,241,537)**	**(7,253,221)**	**(5,658,200)**	**(9,927,915)**

DKK	2023-Q4	2023-Q3	2023-Q2	2023-Q1	2022-Q4	2022-Q3	2022-Q2	2022-Q1
Cash and cash equivalents beginning of quarter	34,873,492	40,995,085	51,034,048	53,161,291	58,336,779	65,524,735	73,378,894	25,415,797
Free Cash Flow (FCF)	5,384,489	(6,424,012)	(9,877,054)	(4,421,716)	(4,241,537)	(7,253,221)	(8,023,958)	(9,927,915)
Cash Flow from financing activities	1,965,156	302,419	(161,909)	2,294,473	(933,951)	65,265	169,799	57,891,012
Cash position end on quarter	**42,223,137**	**34,873,492**	**40,995,085**	**51,034,048**	**53,161,291**	**58,336,779**	**65,524,735**	**73,378,894**

*Adjusted for the cost that is associated with the listing on both the First North and the Copenhagen Main Market (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 2023 – 31 December 2023 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 2023 and of the results of Penneo's activities and cash flows for the financial year 1 January 2023 – 31 December 2023. 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 10 April 2023.

In our opinion, the annual report of Penneo A/S for the financial year 1 January to 31 December 2023, with the file name *Penneo-Annual-Report-2023*, has been prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 21 February 2024

Executive Board

CEO, Christian Stendevad

Board of Directors

Christian Sagild

Rikke Stampe Skov

Morten Kenneth Elk

Steffen Heegaard

Jakob Neua Nørgaard

Independent Auditor's Report

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 2023 – 31 December 2023, 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 IFRS Accounting 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 2023, and of the results of its operations and cash flows for the financial year 1 January 2023 – 31 December 2023 in accordance with IFRS Accounting 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 5 years up to and including the financial year 2023.

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 2023 – 31 December 2023.

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 by relevant law and regulations.

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 by relevant law and regulations. 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 IFRS Accounting 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 misstatementresulting 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 andrelated 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 2023 – 31 December 2023 with the file name Penneo-Annual-Report-2023 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 2023 – 31 December 2023 with the file name *Penneo-Annual-Report-2023* is prepared, in all material respects, in compliance with the ESEF Regulation.

Copenhagen, 21 February 2024
Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 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

Profit/Loss	Note	2023 DKK	2022 DKK
Revenue	5	88,449,388	72,057,638
Cost of sales		(12,363,208)	(12,522,305)
Gross profit		**76,086,180**	**59,535,333**
Other external expenses		(20,940,285)	(17,823,211)
Staff costs	6	(82,906,123)	(67,850,914)
Capitalized staff costs		19,063,281	15,011,834
Other income		44,785	44,785
Other operating expenses		0	(2,365,758)
Depreciation, amortisation, impairment	8	(14,446,523)	(10,012,975)
Operating profit/(loss)		**(23,098,685)**	**(23,460,907)**
Financial income	9	483,033	122,528
Financial expenses	10	(2,118,410)	(2,420,728)
Profit/(loss) before tax		**(24,734,062)**	**(25,759,107)**
Tax for the year	11	0	5,500,000
Profit/(loss) for the year		**(24,734,062)**	**(20,259,107)**
Total comprehensive income for the year		**(24,734,062)**	**(20,259,107)**
Earnings per share, basic (EPS)	18	(0.75)	(0.65)
Earnings per share, diluted (DEPS)	18	(0.75)	(0.65)

Statement of financial position

Assets	Note	31.12.2023 DKK	31.12.2022 DKK
Intangible assets	12	68,387,457	57,012,359
Property, plant and equipment	13	804,988	1,094,886
Right-of-use assets	14	9,719,849	11,602,470
Deposits	15	1,677,045	1,439,174
Total non-current assets		**80,589,339**	**71,148,888**
Trade receivables	16	15,837,505	19,980,670
Income tax receivables	11	0	5,500,000
Other receivables		1,734	1,585
Prepayments		2,097,320	2,198,270
Cash		42,223,136	53,161,291
Total current assets		**60,159,696**	**80,841,817**
Total assets		**140,749,034**	**151,990,705**

Statement of financial position

Liabilities	Note	31.12.2023 DKK	31.12.2022 DKK
Share capital	18	681,825	642,933
Reserve for development expenditure		53,397,890	43,224,973
Retained earnings		20,835,341	44,232,570
Treasury shares		3,431	4,477
Other capital reserves	19	19,170,233	17,396,193
Total equity		**94,088,720**	**105,501,145**
Interest bearing liabilities	20	12,972,425	10,699,587
Provisions	21	466,114	454,302
Lease liabilities	14	7,481,513	9,626,100
Other payables		2,548,217	2,442,713
Contract liabilities	5	313,496	358,281
Total non-current liabilites		**23,781,764**	**23,580,983**
Contract liabilities	5	5,332,142	5,104,931
Lease liabilites	14	3,142,095	2,835,660
Trade payables		2,898,440	2,691,826
Other payables		11,189,098	8,606,762
Interest bearing liabilities	20	316,775	3,669,397
Total current liabilities		**22,878,550**	**22,908,576**
Total liabilities		**46,660,314**	**46,489,559**
Total equity and liabilites		**140,749,034**	**151,990,705**

Statement of changes in equity

2023	Share capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Treasury shares DKK	Other capital reserve DKK	Total DKK
Equity beginning of 2023	642,933	43,224,973	44,232,570	4,477	17,396,193	105,501,145
Net profit/(loss) for the period			(24,734,062)			(24,734,062)
Excercise of warrants	38,892		10,227,591		(1,585,337)	8,681,146
Transaction costs			(44,800)			(44,800)
Transfer to reserves		10,172,917	(10,172,917)			0
Transfer of shares as a part of Employee Share Scheme			1,326,959	(1,046)	(1,325,914)	0
Share-based payments					4,685,291	4,685,291
Equity end of 2023	**681,825**	**53,397,890**	**20,835,341**	**3,431**	**19,170,233**	**94,088,720**

2022	Share capital DKK	Reserve for development expenditure DKK	Retained earnings DKK	Treasury shares DKK	Other capital reserve DKK	Total DKK
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)	2,344,175
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 transfered 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
Share-based payments					8,443,200	8,443,200
Equity end of 2022	**642,933**	**43,224,973**	**44,232,570**	**4,477**	**17,396,193**	**105,501,145**

Cash flow statement

	Note	2023 DKK	2022 DKK
Cash flows from operating activities		**7,507,822**	**(10,043,589)**
Operating profit/loss		(23,098,685)	(23,460,907)
Amortisation, depreciation and imparment losses		14,446,523	10,012,975
Share-based payment expense		4,685,291	8,443,200
Other income		(44,785)	(44,785)
Changes in working capital	17	7,365,631	(7,775,213)
Income taxes received		5,500,000	4,756,084
Financial income received		483,033	122,528
Financial expenses paid		(1,829,185)	(2,097,471)
Cash flows from investing activities		**(22,846,116)**	**(19,403,043)**
Acquisition etc, of intangible assets		(22,563,114)	(19,149,425)
Acquisition etc, of property, plant and equipment		(45,131)	(103,386)
Deposits		(237,871)	(150,232)
Cash flows from financing activities		**4,400,138**	**57,192,126**
Repayment of borrowings		(1,079,785)	(328,668)
Payment of principal portion of lease		(3,156,423)	(2,752,596)
Transaction costs from capital increase		(44,800)	(3,659,841)
Cash increase from capital		8,681,146	63,933,231
Cash and cash equivalents beginning 1 January		**53,161,291**	**25,415,797**
Net cash flow		(10,938,155)	27,745,494
Cash and cash equivalents 31 of December		**42,223,137**	**53,161,291**

Notes

1. Accounting policies

Penneo's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") 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 IFRS Accounting Standards ("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-2023 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 Accounting Standards explicitly requires 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 transaction or the exchange rate in the latest financial statements is recognised in the income statement under financial income or financial expenses.

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, other consultancy services as well as platform overuse 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 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 opeating 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 2-10 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.

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

Reserve for development expenditure is a reserve mandatory by law related to development projects. The reserve is increasing upon additions to the development projects and decreasing upon depreciation or impairment of the development projects. The reserve 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 reserve 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 reserve is used for shares issued as consideration in a business combination refer to note 25.

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

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 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 (IFRS Accounting Standards) issued by the IASB and IFRS Accounting Standards endorsed by the European Union effective on or after 1 January 2023. Management assessed that application of these has not had a material impact on the financial statements for 2023.

Furthermore, Management has assessed the impact of new or amended accounting standards and interpretations (IFRS Accounting Standards) 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 components. 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 2023, the carrying amount of capitalised development costs was DKK 55,532k (2022: DKK 43,497k).

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 ten 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

	2023 **DKK**	2022 **DKK**
Subscription	71,568,212	54,707,740
Signature packages	15,237,939	15,512,159
One-time fee	1,643,237	1,837,739
Total	**88,449,388**	**72,057,638**

	2023 **DKK**	2022 **DKK**
Denmark	62,791,149	52,633,272
Sweden	5,352,831	4,767,952
Norway	12,204,659	11,474,263
Belgium	7,612,545	2,693,868
Other countries	488,203	488,284
Total	**88,449,388**	**72,057,638**

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.

Contract balances (liability)	2023 **DKK**	2022 **DKK**
Contract balances at 1 January	5,463,212	4,619,523
Additions	4,198,377	3,954,261
Performance obligations satisfied	(4,015,951)	(3,110,572)
Contract balances at 31 December	**5,645,638**	**5,463,212**

Management expects that around 75% of the transaction price allocated to the unsatisfied contracts as of the year ended 2023 will be recognised as revenue during the next reporting period. The remaining 25% will be recognised in the upcoming financial years.

6. Staff costs

	2023 DKK	2022 DKK
Salaries	(67,174,141)	(51,988,101)
Share-based payments	(4,660,218)	(8,418,127)
Pension contributions	(683,523)	0
Other social security costs	(5,232,349)	(3,635,471)
Other staff costs	(5,155,892)	(3,809,216)
Total	**(82,906,123)**	**(67,850,914)**

In 2023, Penneo has capitalized an amount corresponding to 19.1M DKK of staff costs as a part of development projects (2022: 15.0M DKK)

Average numbers of FTE during the year	104	85

2023	Board of Directors	Executive management	Key management personnel	Total
Remuneration	(1,276,305)	(3,001,363)	(5,531,040)	(9,808,708)
Share-based payments	(1,280,033)	(2,006,047)	(294,386)	(3,580,467)
Pension contributions	0	0	(54,334)	(54,334)
Total	**(2,556,338)**	**(5,007,410)**	**(5,879,760)**	**(13,443,509)**

2022	Board of Directors	Executive management	Key management personnel	Total
Remuneration	(939,167)	(2,861,448)	(2,990,789)	(6,791,404)
Share-based payments	(2,303,447)	(5,103,213)	(214,178)	(7,620,837)
Total	**(3,242,613)**	**(7,964,661)**	**(3,204,967)**	**(14,412,241)**

Employment contracts for members of Executive mangement and 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. Share-based payments

Costs of share-based payments are recognised as staff costs with a corresponding effect in equity. In 2023 Penneo has capitalized an amount corresponding to 186K DKK of the share-based payments as a part of development projects (2022: 119K DKK).

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.

	2023 **DKK**	2022 **DKK**
Cost of share-based payments	(4,660,218)	(8,418,126)
Cost of lender warrants	(25,072)	(25,072)
Total	**(4,685,290)**	**(8,443,198)**

Employee shares

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 and 79,438 shares were earned corresponding 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.

In December 2023, 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 pretax salary until they leave. Every employee was offered to subscribe for shares within a maximum of 20% of the pre-tax salary before deduction.
18 employees accepted the offer corresponding to the issue of 89,898 shares equal to 0.26% of the share capital. The share price was DKK 6.91 per share based on the average share price during November 30th to December 6th 2023.

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 could 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 were 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 could 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 Chair 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.

At 31 March 2023, 553,491 warrants were granted to the Board of Directors, Key management personnel as well as key employees. The warrants are vested over 3 years starting from between 31 March 2024 and 30 June 2024. Continuous employment during the vesting period is a condition for the vesting. Warrants that have not been exercised no later than 6 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 31 March 2023, 227,122 warrants were granted to the Chair of the board, Christian Sagild. 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.

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 2022	19.96	689,544	2,365,305	523,428	25,000	3,603,277
Transferred 2022	4.35		(848,302)	848,302		0
Granted 2022	12.15	220,660	350,000	310,000		880,660
Exercised 2022	4.35		(182,413)	(356,099)		(538,512)
Forfeited 2022	19.06			(77,222)		(77,222)
Outstanding at 31 December 2022	**20.38**	**910,204**	**1,684,590**	**1,248,409**	**25,000**	**3,868,203**
Granted 2023	8.91	286,582	409,031	85,000		780,613
Exercised 2023	4.46	(283,167)	(755,650)	(905,798)		(1,944,615)
Forfeited 2023	11.04			(64,884)		(64,884)
Outstanding at 31 December 2023	**28.94**	**913,619**	**1,337,971**	**362,727**	**25,000**	**2,639,317**

The average weighted share price on exercised warrants in 2023 was DKK 8.66.
As of 31-12-2023, 1,303,548 of the outstanding warrants have been vested and are able to be exercised. None of those warrants have a lower exercise price than the closing share price as of 31-12-2023 which amounted to 7.36 DKK.

Specification of outstanding warrants:

Warrants outstanding	Weighted average exercise price **DKK**	Vesting period	Exercise period	**2023**	**2022**
Warrants granted 28 May 2020	4.86	Fully vested as of 28 May 2020	From August 2021 to November 2023	0	1,965,888
Warrants granted 13 October 2020	32.93	From October 2020 to November 2023	From August 2021 to November 2023	0	7,500
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	220,660
Warrants granted 1 July 2022	10.24	From August 2022 to July 2025	From August 2022 to July 2030	91,667	127,778
Warrants granted 1 July 2022	10.24	From November 2022 to October 2025	From November 2022 to October 2030	35,000	35,000
Warrants granted 1 July 2022	10.24	From December 2022 to November 2025	From December 2022 to November 2030	50,000	50,000
Warrants granted 1 July 2022	10.24	From January 2023 to December 2025	From January 2023 to December 2030	400,000	400,000
Warrants granted 31 March 2023	8.91	From March 2024 to March 2026	From March 2024 to March 2029	518,491	0
Warrants granted 31 March 2023	8.91	From June 2024 to June 2026	From June 2024 to March 2029	35,000	0
Warrants granted 31 March 2023	8.91	From April 2023 to March 2026	From April 2023 to March 2031	227,122	0
Outstanding at 31 december				**2,639,317**	**3,868,203**

	2023	**2022**
Average remaining life of outstanding warrants at 31 December (years)	5.9	3.8
Exercise price for outstanding warrants at 31 December (DKK)	8.91 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 **2023**	Warrant programs **2022**	Warrant programs **2021**	Lender warrants **2021**
Average share price (DKK)	8.91	10.24-17.85	53.79-58.94	23.20
Expected volatility rate (% p,a,)	18.05	15.75-16.49	25	25
InterRisk-free interest rate (% p,a,)	2.75	0.5	0	0
Expected duration of warrants (in years)	6-8	8	8	5
Exercise price (DKK)	8.91	10.24-17.85	53.79-58.94	23.20
Fair value all warrants, after dilusion (DKK'000)	1,826	1,762	16,300	129

From 2022 and onwards 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

	2023 **DKK**	2022 **DKK**
Amortisation of intangible assets	(11,188,016)	(7,185,359)
Depreciation of property, plant and equipment	(335,029)	(235,693)
Depreciation of right-of-use assets	(2,923,478)	(2,591,924)
Total	**(14,446,523)**	**(10,012,975)**

9. Financial income

	2023 **DKK**	2022 **DKK**
Other financial income	343,638	0
Exchange rate adjustments	139,395	122,528
Total	**483,033**	**122,528**

10. Financial expenses

	2023 **DKK**	2022 **DKK**
Interest expenses	(1,451,976)	(1,667,262)
Exchange rate adjustments	(244,153)	(346,740)
Other financial expenses	(422,281)	(406,727)
Total	**(2,118,410)**	**(2,420,728)**

11. Tax for the year

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

	2023 **DKK**	2022 **DKK**
Current tax for the year income	0	5,500,000
Changes in deferred tax	0	0
Adjustment concerning previous years	0	0
Total	**0**	**5,500,000**

	2023 **DKK**	2022 **DKK**
Tax calculated as 22% of profit/loss before tax	(5,441,494)	(5,667,004)
Non-capitalised tax assets	6,232,154	1,165,207
108-130% development costs	0	(1,792,313)
Non-deductible expenses	(790,660)	794,110
Effective tax	**0**	**(5,500,000)**
Effective tax rate for the year	**0%**	**21%**

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

	2023 DKK	2022 DKK
Deferred tax (asset)	0	0
Deferred tax (liability)	0	0
Total	**0**	**0**

Deferred tax concerns	2023 DKK	2022 DKK
Intangible assets	11,745,000	9,243,000
Property, plan and equipment	35,000	41,000
Right-of-use assets	1,980,000	2,446,000
Lease liabilites	(2,337,000)	(2,742,000)
Tax loss carried forward	(11,423,000)	(8,988,000)
Total	**0**	**0**

Due to uncertainty of utilisation of the tax loss carry-forward, Penneo has not recognised any deferred tax assets. Deferred tax assets not recognized has a total value of 20.7M DKK as of 31-12-2023 (2022: DKK 14.9M DKK). Total tax loss carried forward amounts to DKK 32.1M DKK in 2023 (2022: 23.9M DKK).

12. Intangible assets

2023 DKK	Acquired intellectual property rights	Completed development projects	Development projects in progress	Goodwill	Total
Cost as at 1 January	6,600,000	40,209,510	21,630,680	9,500,000	77,940,190
Additions			22,563,114		22,563,114
Transfer		21,630,679	(21,630,679)		0
Cost as at 31 December	**6,600,000**	**61,840,189**	**22,563,115**	**9,500,000**	**100,503,304**
Amortisation and impairment as at 1 January	(1,485,000)	(18,342,831)		(1,100,000)	(20,927,831)
Amortisations during the year	(660,000)	(10,528,017)			(11,188,017)
Amortisations and impairment as at 31 December	**(2,145,000)**	**(28,870,848)**		**(1,100,000)**	**(32,115,848)**
Carrying amount as at 31 December	**4,455,000**	**32,969,342**	**22,563,115**	**8,400,000**	**68,387,456**

2022 DKK	Acquired intellectual property rights	Completed development projects	Development projects in progress	Goodwill	Total
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
Cost as at 31 December	**6,600,000**	**40,209,510**	**21,630,680**	**9,500,000**	**77,940,190**
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)
Amortisations and impairment as at 31 December	**(1,485,000)**	**(18,342,831)**		**(1,100,000)**	**(20,927,831)**
Carrying amount as at 31 December	**5,115,000**	**21,866,679**	**21,630,680**	**8,400,000**	**57,012,359**

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 future revenue streams from the assets are sufficient to cover the value of recognized developed software at the reporting date.

In 2023, Penneo expensed DKK 8.9M DKK (2022: DKK 8.0M DKK) 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:

	2023 **DKK** **Penneo KYC**	2022 **DKK** **Penneo KYC**
Goodwill	8,400,000	8,400,000
Acquired intellectual property rights[a]	4,455,000	5,115,000
Development projects in progress	10,109,772	5,899,422
Completed development projects[b]	7,495,034	3,750,471
Total	**30,459,806**	**23,164,893**

[a] Expected remaining lifetime of Acquired intellectual property rights are 7 years, (2022: 8 years)

[b] Expected remaining lifetime of Completed development projects are 4 years, (2022: 4 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 2023 and 2022, the impairment test of goodwill showed no impairment.

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

	2023 **Penneo KYC**	2022 **Penneo KYC**
WACC	11.19%	15.81%
Growth rate in terminal period	1.00%	2.00%
Budget period (years)	10	10
CAGR	27%	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 1% 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 27% 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

2023	Other fixtures **DKK**	Leasehold improvements **DKK**	**Total** **DKK**
Cost as at 1 January	509,237	1,290,640	1,799,877
Additions		45,131	45,131
Cost as at 31 December	**509,237**	**1,335,771**	**1,845,008**
Depreciation as at 1 January	(16,975)	(688,016)	(704,991)
Depreciation during the year	(101,847)	(233,181)	(335,028)
Depreciation as at 31 December	**(118,822)**	**(921,197)**	**(1,040,019)**
Carrying amount as at 31 December	**390,415**	**414,573**	**804,988**

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

14. Leases

2023	Properties DKK
Cost as at 1 January	19,138,054
Additions	1,037,903
Adjustments and revaluations	2,955
Cost as at 31 December	**20,178,912**
Depreciation as at 1 January	(7,535,585)
Depreciation during the year	(2,923,478)
Depreciation as at 31 December	**(10,459,063)**
Carrying amount as at 31 December	**9,719,849**

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

Carrying amounts of lease liabilities and movements during the period:

	2023 **DKK**	2022 **DKK**
At 1 January	12,461,760	13,560,555
Additions	1,037,903	221,842
Acrual of interest	277,413	311,743
Payments	(3,156,423)	(2,752,596)
Adjustments	2,955	1,120,216
At 31 December	**10,623,608**	**12,461,760**
Non-current	**7,481,513**	**9,626,100**
Current	**3,142,095**	**2,835,660**

The following amounts have been recognized in the income statement:

	2023 **DKK**	2022 **DKK**
Depreciation expense of right-of-use assets	2,923,478	2,591,924
Interest expense on lease liabilities	277,413	311,743
Total amount recognised in the income statement	**3,200,891**	**2,903,667**

Penneo had total cash outflow for leases of DKK 3.2M DKK (2022: DKK 2.8M DKK). Penneo leases offices and lease terms are negotiated on an individual basis and contain different terms and conditions. In addition Penneo have short term and low value leases which according to IFRS Accounting Standard 16 have not been recognised as a part of leases. The total recognised cost in the income statement amounted to 293K DKK in 2023 (2022: 237K DKK).
Refer to note 22 for a table of the maturity profile of Penneo's lease liabilities.

15. Deposits

	2023 **DKK**	2022 **DKK**
Cost as at 1 January	1,439,174	1,288,942
Additions	237,871	150,232
Cost as at 31 December	**1,677,045**	**1,439,174**

16. Trade receivables

	31.12.2023 **DKK**	31.12.2022 **DKK**	01.01.2022 **DKK**
Trade receivables	16,626,028	21,653,655	13,370,333
Write-downs	(788,523)	(1,672,985)	(1,539,512)
Total	**15,837,505**	**19,980,670**	**11,830,821**

The carrying amounts are equivalent to the fair value of the assets. In 2023 an income of 0.9M DKK was recognized as a result of Expected credit loss. In 133K DKK was recognized as an expense.

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:

DKK	**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 2023 (Trade receivables)	8,269,989	5,962,850	1,154,943	1,238,245	(788,523)	15,837,505
31 December 2022 (Trade receivables)	13,026,399	4,670,121	1,061,224	2,895,911	(1,672,985)	19,980,670
01 January 2022 (Trade receivables)	9,100,665	1,646,099	1,084,057	1,539,512	(1,539,512)	11,830,821

17. Working capital changes

	2023 **DKK**	2022 **DKK**
Change in receivables and prepayments	4,243,966	(8,288,108)
Change in trade payables and other payables	3,121,665	512,895
Total	**7,365,631**	**(7,775,213)**

18. Share capital and earnings per share

As at 31 December 2023, the share capital consisted of 34,091,262 (2022: 32,146,647) 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
As at 1 January 2022	**542,579**	**27,128,931**
Capital increase	100,354	5,017,716
As at 31 December 2022	**642,933**	**32,146,647**
Capital increase	38,892	1,944,615
Share capital as at 31 December 2023	**681,825**	**34,091,262**

Treasury shares	**Number**	**Nominal value**	**% of share capital, year-end**
Holding at 1 January 2022	**358,841**	**7,177**	**1.1%**
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%)
Holding at 31 December 2022	**223,841**	**4,477**	**0.7%**
Transfer of shares as a part of Employee Share Scheme	(52,276)	(1,046)	(0.2%)
Holding at 31 December 2023	**171,565**	**3,431**	**0.5%**

Earnings per share

The calculation of earnings per share is based on the following:	**2023**	**2022**
Profit/(loss) for the period	(24,734,062)	(20,259,107)
Average numbers of ordinary shares for calculation of earnings per share:	**33,053,687**	**31,054,573**
Earnings per share, basic (EPS)	(0.75)	(0.65)
Earnings per share, diluted (DEPS)*	(0.75)	(0.65)

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

19. Other capital reserves

Other capital reserve 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 reserve is used for the potential shares issued as consideration in a business combination (earn out), see note 25.
The reserve is decreasing upon exercise of warrants and issuance of shares as consideration for the business combination.

20. Interest-bearing liabilities

Non-current borrowings	**31.12.2023 DKK**	**31.12.2022 DKK**
Debt to credit institutions	12,972,425	10,699,587
Lease liabilities	7,481,513	9,626,100
Total	**20,453,938**	**20,325,687**

Current borrowings		
Debt to credit institutions	316,775	3,669,397
Lease liabilities	3,142,095	2,835,660
Total	**3,458,870**	**6,505,057**

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

2023	Vækstfonden (i)	Vækstfonden (ii)	Vækstfonden (iii)	Total
Non-current borrowings (DKK)		3,420,682	9,551,743	12,972,425
Current borowings (DKK)	316,775			316,775
Total	**316,775**	**3,420,682**	**9,551,743**	**13,289,199**

2022	Vækstfonden (i)	Vækstfonden (ii)	Vækstfonden (iii)	Total
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
Total	**664,855**	**3,704,129**	**10,000,000**	**14,368,984**

	Vækstfonden (i)	Vækstfonden (ii)	Vækstfonden (iii)
Last scheduled repayment	July 2024	April 2027	October 2028
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 2 October, 2028.

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 400,000 DKK 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 15,000,000 DKK in accordance with the latest audited report.

Further, Vækstfonden (ii) is entitled to a one-time exit bonus of 800,000 DKK, 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

2023	Decommissioning **DKK**
As at 1 January	**454,302**
Unwinding of discount and changes in the discount rate	11,812
As at 31 December	**466,114**

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

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.

Penneo operates with bank accounts in NOK and EUR currencies, as well as DKK, to reduce costs and lower risks in the short term. Penneo avoids the small effects of fluctuations, as both incoming and outgoing payments are made directly in the respective currencies.

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 2023, Penneo's cash and cash equivalents amounted to 42.2M DKK (2022: 53.2M DKK). The cash reserves, including the current credit facility, which was increased from 5.0M DKK end of 2023 to 10.0M DKK at the beginning of 2024, and the expected cash flow for 2024 and 2025, 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:

Year ended 31 December 2023	On demand DKK	Less than 6 months DKK	6 to 12 months DKK	1 to 5 years DKK	> 5 years DKK	Total DKK
Interest-bearing loans		808,813	717,747	15,400,841		16,927,401
Lease liabilities		1,701,184	1,674,859	7,683,726		11,059,769
Trade and other paybles	782,505	7,850,338		2,548,217		11,181,060
	782,505	**10,360,335**	**2,392,607**	**25,632,784**	**0**	**39,168,230**

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

Financial instruments:

Financial assets measured at amortised cost	2023 DKK	2022 DKK
Deposits	1,677,045	1,439,174
Trade receivables	15,837,505	19,980,670
Other recelvables	1,734	1,585
Current Cash	42,223,136	53,161,291
Total	**59,739,420**	**74,582,721**

Financial liabilities measured at amortised cost		
Interest bearing loan	13,289,199	14,368,984
Lease liabilities	10,623,608	12,461,760
Trade payables	2,898,440	2,691,826
Other payables	8,282,620	9,381,918
Total	**35,093,868**	**38,904,488**

Interest rate risk

Interest rate risk arises in relation to interest-bearing assets and liabilities. Penneo's interest-bearing debt to Vækstfonden of 13.3M DKK as per 31 December 2023 (2022: 14.4M DKK) 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 2023 would lead to a yearly increase in interest expenses of 133K DKK. A corresponding decrease in market interest rates would have the opposite impact.

Penneo's bank deposit at Danske Bank of DKK 42.2M DKK as per 31 December 2023 (2022: 53.2M DKK) 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 2023 would lead to a yearly increase in interest expenses of 422K DKK. 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

2023	Interest bearing liabilities	Lease liabilities	**Total DKK**
Liabilities at 1 January	14,368,984	12,461,760	26,830,745
Loans raised		1,037,903	1,037,903
Repayments	(1,079,785)	(3,156,423)	(4,236,208)
Adjustments		2,955	2,955
Other		277,413	277,413
Liabilities at 31 December	**13,289,200**	**10,623,608**	**23,912,808**

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

24. Guarantees, contingent liabilities and collateral

Contingent liabilities

As security for debt to credit insitutions of 13.3M DKK, a company charge of 15.0M DKK has been provided comprising trade recievables, intangible assets and property, plant and equipment. The total carrying amount of the comprised assets is 85.0M DKK (2021: 78.1M DKK).

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 3.0M DKK 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

	2023 **DKK**	2022 **DKK**
Statutory audit	433,000	545,500
Other assurance agreements	69,000	45,000
Tax and VAT advisory services	7,000	0
Other services	20,000	23,000
Total fee to the auditor	**529,000**	**613,500**

27. Related parties

Shareholders	Registered office	Basis of influence
Viking Venture 29 AS	Norway	8.95%
Biostrat Biotech Consulting ApS	Denmark	6.83%
ARBEJDSMARKEDETS TILLAEGSPENSION	Denmark	6.40%
Flora IT ApS	Denmark	6.30%
Clausen Online ApS	Denmark	5.92%

* 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 were no other related parties identified.

DKK

Impero A/S	2023
Services provided by Impero A/S	60,000

Estaldo ApS	2023
Services provided by Penneo A/S	91,854

There were no unsettled balances with related parties at the end of the year.

In Penneo A/S there were no transactions with the Board of Directors or Executive Management besides remuneration. For information on remuneration of the Board of Directors and Executive Management please refer to 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 occured.

Learn more on www.penneo.com