

Moodagent A/S

Havnegade 27

1058 København K

Business Registration No 29421773

Annual report 2020

(15th financial year)

The Annual General Meeting adopted the annual report on 15 July 2021

Chairman of the General Meeting

Name: Mickey Lund

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Company details

Company

Moodagent A/S
Havnegade 27
DK-1058 København K

Business Registration No.: 29 42 17 73
Registered in: Copenhagen

Date of incorporation: 10.03.2006
Financial year: 01.01.2020 - 31.12.2020

Board of Directors

Nick Jensen, Chairman
Anders Kunze Bønding
Michael Ritto

Executive Board

Peter Berg Steffensen
Mickey Lund
Mikael Altschul Henderson

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
Postboks 1600
0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and Executive Board have today considered and approved the annual report for the financial year 01.01.2020 – 31.12.2020.

The annual report is presented in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, liabilities and financial position as at 31.12.2020 and of the results of the the Company's activities and cash flows for the financial year 01.01.2020 – 31.12.2020.

We believe that the management's 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.

Copenhagen, 15 July 2021

Executive Board

Peter Berg Steffensen

Mickey Lund

Mikael Altschul Henderson

Board of Directors

Nick Jensen
Chairman

Anders Kunze Bønding

Michael Ritto

Independent auditor's report

To the shareholders of Moodagent A/S

Opinion

We have audited the financial statements of Moodagent A/S ("The Company") for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2020, and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Company in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to matters in the financial statements

1. The Company incurred a net loss of DKK 44,869k for the year ended 31 December 2020 and reports equity of DKK 288K for the year then ended. As stated in note 1,
 - a. the Company has received additional equity capital from its current and new shareholders as well as bridge financing from its shareholders in 2020 and such funding has continued up to date in 2021,
 - b. the Company secured long-term covid19 syndication loans in 2020,
 - c. the Company has debt to its majority shareholder of DKK 32,140k, which is planned to be converted to equity, and
 - d. the Company is in dialogue with its current shareholders as well as other potential new investors about additional funding in 2021 as part of its planned global roll-out.

On this basis, Management has assessed and concluded that the Company is a going-concern for the period at least until 31 December 2021. Our opinion has not been modified with respect to this matter.

2. At 31 December 2020, the Company has recognized development projects with a carrying value of DKK 72,833k, deferred tax asset of DKK 14,808k and prepaid expenses from non-refundable royalty payments of DKK 14,713k, which all include significant accounting estimates and where the values are dependent on the Company's future ability to generate revenue and profits. We refer to note 1 in the financial statements which discusses background for Management determining that it is appropriate to recognize these assets on the balance sheet at 31 December 2020. Our opinion has not been modified with respect to this matter.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and 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.

Statement on the management commentary

Management is responsible for the management's commentary.

Our opinion on the financial statements does not cover the management's commentary, 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's commentary and, in doing so, consider whether the management's commentary 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's commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management's commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management's commentary.

Copenhagen, 15 July 2021

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33 96 35 56

Kim Takata Mücke
State Authorised Public Accountant
Identification No (MNE) mne10944

Management's commentary

Primary activities

The Company's primary activity is to develop and sell music services.

Development in activities and finances

The financial result of the Company's fiscal year is a loss of DKK 44,869k. The result is in line with expectations and considered satisfactory given the continued development of the music streaming services.

During 2020, the Company has received further funding from existing and new investors.

Outlook

The Company will continue developing the music streaming service in 2021 just as the Company will expand its activities by launching the music services in several countries.

The continued development as well as increased marketing spend related to the launch and deployment of the music services in several countries is expected to be funded through future capital increases from both existing shareholders and new external investors. In this connection, the Company has hired a financial advisor to assist the Company getting access to funding from global investors. Existing shareholders have provided the Company with intermediary funding so far in 2021 just as the Company has obtained a Covid-19 syndication loan from Vækstfonden. The Company has access to further intermediary funding from its current shareholders, whereby Management has concluded that it is appropriate to prepare the financial statements for 2020 on a going concern basis.

Events after the balance sheet date

In 2021, the Company has received additional capital, in the form of convertible notes, from its majority shareholder, which is planned to be converted to equity in the near future.

The Company has intensified its roll out into new markets which will have a impact primarily in the 2nd half of 2021.

Management follows the development of the current Covid-19 health situation closely and the impact on the business and employees. Up until today, the Company have not experienced any material impact on business or financial performance from the Covid-19 outbreak, however, Management acknowledges increased uncertainty, which may affect our activity level and future plans as the Covid-19 situation develops.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Uncertainty in recognition and measurement

Refer to note 1.

Income statement

	Notes	2020 DKK` 000	2019 DKK` 000
Revenue	2	960	2,111
Cost of sales		(3,660)	(1,722)
Other external expenses		(21,732)	(14,104)
Gross loss		(24,432)	(13,715)
Staff costs	3	(19,966)	(5,420)
Depreciation and amortisation	4	(12,080)	(6,110)
Operating loss (EBIT)		(56,478)	(25,245)
Other financial income	5	1	87
Other financial expenses	6	(3,630)	(1,483)
Loss before tax		(60,107)	(26,641)
Tax on loss for the year	7	15,238	5,701
Loss for the year		(44,869)	(20,940)

Statement of comprehensive income

	<u>Notes</u>	<u>2020</u> <u>DKK`000</u>	<u>2019</u> <u>DKK`000</u>
Loss for the year		<u>(44,869)</u>	<u>(20,940)</u>
Other comprehensive income/loss			
Other comprehensive income/loss for the year		<u>0</u>	<u>0</u>
Other comprehensive income/loss for the year, net of tax		<u>(44,869)</u>	<u>(20,940)</u>
Total comprehensive loss for the year		<u>(44,869)</u>	<u>(20,940)</u>
Attributable to shareholders of the Company		<u>(44,869)</u>	<u>(20,940)</u>

Balance sheet

	<u>Notes</u>	<u>31.12.20</u> <u>DKK`000</u>	<u>31.12.19</u> <u>DKK`000</u>
Development projects		72,833	40,692
Patents		2,749	1,700
Intangible assets	8	75,582	42,392
Other fixtures and fittings, tools and equipment		8	11
Leasehold improvements		0	15
Property, plant and equipment	9	8	26
Office leaseholds		18,409	4,455
Right-of-use assets	10	18,409	4,455
Investments in subsidiaries	11	114	47
Deposits		362	924
Fixed assets investments		476	971
Fixed assets		94,475	47,844
Trade receivables	12	411	365
Receivables from group enterprises	12, 20	0	0
Deferred tax	13	14,808	5,070
Income tax receivables	7	5,500	5,500
Other receivables	12	6,414	2,368
Prepayments	14	14,898	1,710
Receivables		42,031	15,013
Cash	15	28	0
Current assets		42,059	15,013
Assets		136,534	62,857

Balance sheet

	Notes	31.12.20 DKK`000	31.12.19 DKK`000
Share capital	16	9,919	9,663
Reserve for development projects		56,810	31,370
Accumulated losses		(66,441)	(15,776)
Equity		288	25,257
Lease liabilities	17	15,955	3,396
Other loans	18	20,310	0
Other payables	20	3,211	1,734
Non-current liabilities		39,476	5,130
Lease liabilities	17	3,034	1,166
Bank loans	19	8,177	9,002
Trade payables		26,130	7,922
Payables to owners	22	32,140	5,592
Other payables	20	27,289	8,788
Current liabilities		96,770	32,470
Liabilities		136,246	32,470
Equity and liabilities		136,534	62,857

Statement of changes in equity

2020

	Share capital	Share premium	Reserve for development projects	Acc. losses	Total
	DKK` 000	DKK` 000	DKK` 000	DKK` 000	DKK` 000
Balance at 1 January	9,663	0	31,370	(15,776)	25,257
Capital increase	256	19,644	0	0	19,900
Capitalized development costs for the year	0	0	29,530	(29,530)	0
Amortisation for the year	0	0	(4,090)	4,090	0
Net loss for the year	0	0	0	(44,869)	(44,869)
Share premium transfer	0	(19,644)	0	19,644	0
Balance at 31 December	9,919	0	56,810	(66,441)	288

2019

	Share capital	Share premium	Reserve for development projects	Acc. losses	Total
	DKK` 000	DKK` 000	DKK` 000	DKK` 000	DKK` 000
Balance at 1 January	6,748	0	14,456	(611)	20,593
Capital increase	2,915	22,689	0	0	25,604
Capitalized development costs for the year	0	0	20,449	(20,449)	0
Amortisation for the year	0	0	(3,535)	3,535	0
Net loss for the year	0	0	0	(20,940)	(20,940)
Share premium transfer	0	(22,689)	0	22,689	0
Balance at 31 December	9,663	0	31,370	(15,776)	25,257

Cash flow statement

	Notes	2020 DKK`000	2019 DKK`000
Operating loss (EBIT)		(56,478)	(25,245)
Depreciation and amortisation		9,785	6,110
Change in working capital and other adjustments	19	23,421	13,305
Interest receipts		1	87
Interest payments		(332)	(1,483)
Income tax credit refunded		5,500	2,826
Cash flow to operating activities		(20,618)	(4,400)
Investments in intangible assets		(42,957)	(27,724)
Investments in tangible assets		0	0
Investments in long-term financial assets		(495)	(21)
Cash flow to investing activities		(42,462)	(27,745)
Repayment, lease liabilities		(2,515)	(920)
Other loans		20,310	0
Short-term bank loans		(825)	3,811
Capital increase in cash		19,900	23,604
Financing from owners		26,548	5,592
Cash flow from financing activities		63,108	32,087
Cash flows for the year		28	(58)
Cash at 1 January		0	58
Cash at 31 December		28	0

Overview of notes

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Notes

1. Significant accounting estimates, assumptions and uncertainties

As part of the preparation of the financial statements, Management makes a number of accounting estimates, judgements and assumptions as a basis for recognising and measuring the Company's assets as well as judgements made in applying the Company's accounting policies. The estimates, judgements and assumptions made are based on historical experience and other relevant factors. The actual results may deviate from such estimates.

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 25 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.

Going concern

In 2020, the Company has focused on the finalization of the development of its music streaming services and the supporting technology. During 2020, the cash needs were funded by the current and new shareholders, bridge financing from current shareholders and the obtaining of long-term Covid-19 syndication loans from Vækstfonden.

Finetuning and further development of technology and services will continue also in 2021. Launch and marketing of the music services in multiple countries are expected to accelerate from 2nd half of 2021. Both the continued development activities and the expected launch and marketing activities will also involve hiring of additional staff during 2021. Even though revenue are expected to be generated from especially 2nd half of 2021, the Company will still have a high cash burn and additional funding will be needed throughout 2021. The majority shareholder has continued to provide funding, in the form of convertible notes, in 2021 with totally approximately DKK 55 million for the period until 30 June 2021. In addition, the Company and the majority shareholder are in continuous dialogue with potential new investors and cooperation partners, among other things with the aim to secure long-term funding until the Company expects to become cash flow positive from its operations within 2 years.

Based on the funding already provided up to 30 June 2021 and the expected further funding in 2nd half 2021, Management concludes that it is appropriate to prepare the financial statements applying the going-concern principle.

Notes

1. Significant accounting estimates, assumptions and uncertainties (continued)

Development projects

Development projects relates to the development of technology for music and film recognition and recommendation of songs and films. The app called "Moodagent" recommends, finds and discovers music. The app is aimed at consumers who want to discover music in a very, compared to the market, differentiated music streaming service. The app is ready for mass deployment in 2021, but is continuously being further refined and developed on the basis of customer needs.

Completed development projects are measured at cost price less amortisation at the balance sheet date, whereas development projects in progress are measured at cost. Both completed and in progress development projects are tested for impairment on an annual basis.

Since the launch and roll-out of the services are still in its early stages, any assessment of market potential, number of users, revenue stream, future staff costs, marketing costs and system/software maintenance costs will inherently be subject to significant uncertainty. At 31 December 2020, Management has determined the fairness of the carrying value of development projects based on the market capitalisation of the Company being applied in discussions with potential new investors and on basis of updated business plans which implies that the Company will become profitable within 2 years. On this basis, Management has concluded that the recoverable amount exceeds the carrying value of of capitalized development costs.

Deferred tax

Deferred tax assets are recognised for unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The assessment is based on an expectation that the launch and roll-out of the Company's music services will result in the Company being profitable within 2 years which supports that the Company's tax loss carry-forwards will be utilized against taxable income within the next 4-5 years. The tax losses can be carried forward indefinitely and have no expiry date. At this stage where the Company has not yet been profitable, the assessment of whether and when the Company becomes profitable, and the speed of the expected earnings trend, is an estimation subject to significant uncertainty.

Royalty costs

The Company has entered royalty agreements. Under these agreements, the Company pays an agreed percentage for the use of music rights and other intellectual properties. In 2020, the Company has made minimum non-refundable royalty prepayments for the period up 31 December 2021 for an amount of totally DKK 15,713k. Based on the forecasted revenue in 2021 – following the launch of the Company's services in multiple countries in especially 2nd half 2021, the Company has estimated that DKK 14,713k represents prepaid expenses and DKK 1,000k was expensed in 2020. Considering that historically the Company has been a development company and thereby only generating limited revenue, the expectation of a considerable increase in revenue in 2021 is an estimation subject to significant uncertainty.

Notes

	2020	2019
	DKK`000	DKK`000
2. Revenue		
Denmark	200	164
Europe	81	375
Rest of the world	679	1,572
	960	2,111
3. Staff costs		
Wages and salaries	52,690	27,446
Pensions	1,775	509
Other social security costs	558	276
Other staff costs	455	53
	28,284	28,284
Capitalized as development projects	(35,512)	(22,864)
	19,966	5,420
Average number of employees	146	71
Remuneration to management		
Executive Board	2,790	2,702
Board of Directors	0	0
	2,790	2,702

Warrant program

Certain executive officers in the Company have been granted warrants with the right to subscribe shares in the Company by cash payment. The warrants vest over a three year period and can be exercised 70 months from granting of the warrants or earlier conditional upon certain events taking place in the future. The fair value of the warrants at grant date have been estimated to be close to DKK 0 since strike prices have been equal to or close to the price per share applied when the Company has obtained equity capital from current and new shareholders. Further, being a development company without historical earnings, the potential future market value of the Company is subject to so significant uncertainty that any future market value of the Company cannot be determined with reasonable reliability, hence no expense has been recognized in these financial statements from the warrants issued and granted.

Notes

3. Staff costs (continued)

Warrants outstanding at 31 December 2020

	Number of warrants DKK	Strike price per warrant DKK
Granted at 17.11.2018	540,000	3,00
Granted at 17.11.2018	31,890	3,33
Granted at 17.11.2018	213,750	5,56
Granted at 29.03.2019	6,000	7,41
Granted at 26.06.2019	47,500	7,41
Granted at 01.01.2020	100,000	7,41
	939,140	

	2020	2020	2020	2019	2019	2019
	Number of	Hereof	Weighted	Number of	Hereof	Weighted
	warrants	vested	Average	warrants	vested	Average
	DKK	DKK	Strike	DKK	DKK	Strike
	DKK	DKK	price	DKK	DKK	price
Outstanding at beginning of year	849,140	735,236	3,82	797,890	715,901	3,72
Granted during the year	100,000	95,738	0	53,500	17,835	7,41
Exercised during the year	-	-	-	-	-	-
Expired during the year	-10,000	-6,666	5,56	-2,250	1,500	5,56
Outstanding at the end of the year	939,140	824,308	4,31	849,140	735,236	3,82

Outstanding warrants include warrants granted to the executive board with a total of 491,390 warrants as of 31 December 2020 (2019: 491.390). No warrants have been granted to the board of directors.

	2020	2019
	DKK`000	DKK`000
4. Depreciation and amortisation		
Amortisation of intangible assets	9,767	5,000
Depreciation of other fixtures and fittings, tools and equipment	4	62
Depreciation of leasehold improvements	15	20
Depreciation of right-of-use assets	2,294	1,028
	12,080	6,110
5. Other financial income		
Interest income from group enterprises	0	12
Exchange gains	1	75
	1	87
6. Other financial expenses		
Interest expenses	1,589	646
Interest expenses to owners	1,250	590
Exchange losses	158	0
Interest, lease liabilities	633	247
	3,630	1,483

Notes

	2020	2019
	DKK`000	DKK`000
7. Tax for the year		
Tax credit for the year	5,500	5,500
Changes in net deferred tax assets	9,738	201
Adjustments concerning previous years	0	0
	15,238	5,701
Loss before tax	(60,107)	(26,641)
Tax at a rate of 22%	(13,224)	(5,861)
Tax-based value of non-deductible income and expenses	(2,014)	229
Adjustments concerning previous years	0	(69)
	15,238	5,701
Effective tax rate	25%	21%

Current tax is related to reimbursement of the tax value of tax losses from development costs according to the Danish tax credit system, subject to approval from the Danish tax authorities. Reimbursement related to 2019 was approved by the Danish tax authorities during 2019 and refund was received in autumn 2019. Refund for 2020 is calculated to be DKK 5,500k, which amount has been recognised as a tax receivable on the balance sheet as of 31 December 2021, and will expectedly be received in November 2021.

Notes

8. Intangible assets

	Development projects 2020 DKK` 000	Patents 2020 DKK` 000
Cost at 1 January	75,392	1,700
Additions	41,908	1,049
Cost at 31 December	117,300	2,749
Amortisation at 1 January	(34,700)	0
Amortisation for the year	(9,767)	0
Amortisation at 31 December	44,467	0
Carrying amount at 31 December	72,833	2,749
	2019 DKK` 000	2019 DKK` 000
Cost at 1 January	49,175	193
Additions	26,217	1,507
Cost at 31 December	75,392	1,700
Amortisation at 1 January	(29,700)	0
Amortisation for the year	(5,000)	0
Amortisation at 31 December	(34,700)	0
Carrying amount at 31 December	40,692	1,700

Please refer to note 1 for a description of Management's impairment assessment of intangible assets.

Notes

9. Property, plant and equipment

	Other fixtures and fittings, tools, and equipment 2020 DKK` 000	Leasehold improve- ments 2020 DKK` 000
Cost at 1 January	99	36
Additions	0	0
Cost at 31 December	99	36
Depreciation at 1 January	(88)	(21)
Depreciation for the year	(3)	(15)
Depreciation at 31 December	(91)	(36)
Carrying amount at 31 December	8	0
	2019 DKK` 000	2019 DKK` 000
Cost at 1 January	99	36
Additions	0	0
Cost at 31 December	99	36
Depreciation at 1 January	(26)	(1)
Depreciation for the year	(62)	(20)
Depreciation at 31 December	(88)	(21)
Carrying amount at 31 December	11	15

Notes

10. Right-of-use assets

	Office leaseholds 2020 DKK` 000
Cost at 1 January	5,483
Additions	16,250
Cost at 31 December	21,733
Depreciation at 1 January	(1,028)
Depreciation for the year	(2,294)
Depreciation at 31 December	(3,322)
Carrying amount at 31 December	18,409

11. Investments in subsidiaries

	31.12.20 DKK` 000	31.12.19 DKK` 000
Cost at 1 January	47	38
Additions	67	9
Cost at 31 December	114	47

	Registered in	Corporate form	Equity interest %
Subsidiaries			
Syntonetic ApS	Denmark	ApS	100
Moodagent Australia	Australia	Pty Limited	100
Moodagent India	India	Limited	90
Moodagent Production	Denmark	ApS	100
Moodagent Sverige AB	Sweden	AB	100
Moodagent Poland	Poland	Limited	100
Moodagent Deutschland	Deutschland	Limited	100

Notes

12. Receivables

	31.12.20	31.12.19
	DKK`000	DKK`000
Trade receivables	775	690
Receivables from subsidiaries	6,028	1,017
Other receivables	6,414	2,368
Allowance for expected credit losses	(6,392)	(1,342)
	6,825	2,733

Allowance for expected credit losses:

	2020	2019
	DKK`000	DKK`000
Balance beginning of year	1,342	291
Change in allowance during the year	5,483	1,051
Realised losses during the year	0	0
Balance end of year	6,392	1,342

Allowance for expected credit losses is based on an individual assessment of receivables.

The allowance as of 31 December 2020 includes allowance for intercompany receivables of DKK 6,028k (2019: DKK 1,017k) and an allowance of DKK 364k related to doubtful trade receivables (2019: DKK 325k).

Notes

12. Receivables (continued)

Trade receivables

31 December 2020

	Days past due				2020
	Not due	<180 days	180-360	>360 days	
Expected credit loss rate*	0%	0%	19%	100%	
Trade receivables (gross)	0	78	289	408	775
Allowance for expected credit losses	0	0	0	364	364
Trade receivables (net)	0	78	289	44	411

*The expected credit loss rate is the average expected credit loss rate.

31 December 2019

	Days past due				2019
	Not due	<180 days	180-360	>360 days	
Expected credit loss rate*	0%	0%	19%	100%	
Trade receivables (gross)	0	116	307	267	690
Allowance for expected credit losses	0	0	58	267	325
Trade receivables (net)	0	116	249	0	365

*The expected credit loss rate is the average expected credit loss rate.

Notes

13. Deferred tax	31.12.20	31.12.19
	DKK` 000	DKK` 000
Intangible assets	16,646	9,345
Tangible assets	(12)	(14)
Right-of-use-assets/Lease liabilities	(115)	(24)
Tax loss carryforwards	(31,327)	(14,377)
Deferred tax (asset)/liability	<u>(14,808)</u>	<u>(5,070)</u>
Deferred tax assets, recognized	<u>14,808</u>	<u>5,070</u>
	<u>14,808</u>	<u>5,070</u>

Please refer to note 1 for a description of Management's assessment of the appropriateness of capitalizing the deferred tax asset.

14. Prepayments

Prepayments comprise prepaid royalt payments. In 2020, the Company has made minimum non-refundable royalty prepayments for the period up 31 December 2021 for an amount of totally DKK 15,713k less write-down for payments not to cover royalties for expected revenue in 2020, where prepaid royalty payments equal DKK 14,713k as of 31 December 2020.

15. Cash	31.12.20	31.12.19
	DKK` 000	DKK` 000
Bank deposits	<u>28</u>	<u>0</u>
	<u>28</u>	<u>0</u>

The Company's cash consists of deposits in well-reputed banks and recognized amounts are considered equal to fair value.

Notes

16. Share capital

The share capital equals DKK 9,919k divided into shares of DKK 1 each or multiples herof. No shares carry any special rights.

	2020	2019
	DKK`000	DKK`000
1 January	9,663	6,748
Capital increase in cash	90	507
Capital increase from debt conversion	166	2,408
31 December	9,919	9,663

In cash flow statement both capital increase in cash and form conversion of debt have been have been presented as capital increase in cash as the legal debt conversions are a result of the majority shareholders providing bridge financing on an ongoing basis with the aim of converting the bridge financing to equity capital in intervals.

Warrant program – not related to employees

In 2019, certain business partners were granted a total of 518,727 warrants with the right to subscribe shares of nominally DKK 1.00 each in the Company by cash payment at a subscription price of DKK 7,41 per share. The warrants vest over a two-year period starting from September 2019 and can be exercised within the next 10 years. Further, the warrants holders are entitled to require that the number of warrants shall be increased in case of capital increases subsequent to the granting of the original warrants so that the warrants holdings are not diluted after such capital increases against cash considerations in an amount of up to 35 million US\$. The subscription price for such new warrants remain the same as for the original warrants. The fair value of the warrants at grant date have been estimated to be close to DKK 0, hence no expense has been recognized in these financial statements related to any costs paid by the Company to the business partners for the supply of services or use of rights.

Warrants outstanding at 31 December 2020 – not related to employees

	Number of	Strike
	warrants	price per
	DKK	warrant
	DKK	DKK
Granted at 26.06.2019	100,000	7,41
Granted at 29.08.2019	507,527	7,41
Granted at 08.09.2019	11,200	7,41
	618,727	

Notes

16. Share capital (continued)

	2020	2020	2020	2019	2019	2019
	Number of	Hereof	Weighted	Number of	Hereof	Weighted
	warrants	vested	Average	warrants	vested	Average
	DKK	DKK	Strike	DKK	DKK	Strike
			price			price
			DKK			DKK
Outstanding at beginning of year	618,727	259,364	7,41	-	-	-
Granted during the year	0	259,364	7,41	618,727	259,364	7,41
Exercised during the year	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-
Outstanding at the end of the year	618,727	518,727	7,41	618,727	259,364	7,41

17. Lease liabilities

Maturity analysis for lease liabilities

	Less than	Between	More than	Total
	1 year	1-5 years	5 years	
	DKK`000	DKK`000	DKK`000	DKK`000
Office leaseholds	3,034	13,982	1,973	18,989
Lease liabilities at 31 December 2020	3,034	13,982	1,973	18,989

18. Other loans

	31.12.20	31.12.19
	DKK`000	DKK`000
Covid19 syndicated loan, Vækstfonden, including added interest	20,310	0
	20,310	0

In 2020, the Company has obtained two covid19 syndication loans from Vækstfonden of DKK 9.9 million and 10.1 million respectively. Interest rate is determined based on CIBOR 3 months plus of a fixed premium of 5% p.a. Interest is added until first payment. For the loan with a principal of DKK 9.9 million, first payment falls due on 1 October 2023 based on an annuity of the principal and added interest until the loan matures on 1 October 2026. For the loan with a principal of DKK 10.1 million, first payment falls due on 1 January 2024 and the loan matures on 1 January 2027.

The Company is entitled to partly or in full repay the loans before maturity.

Notes

18. Other loans (continued)

The loans will be due for full and final repayment in case the majority shareholder of the Company sells its shares in the Company at a price predefined in the loan agreements with Vækstfonden. In addition, a qualified sale will trigger a bonus to Vækstfonden which can amount up to DKK 20 million.

19. Bank loans

	31.12.20	31.12.19
	DKK`000	DKK`000
Bank loans	8,177	9,002
	<u>8,177</u>	<u>9,002</u>

The Company's bank loans consist of short-term credit facilities with a maximum overdraft facility of DKK 8.5 million.

20. Other payables

	31.12.20	31.12.19
	DKK`000	DKK`000
Wages and salaries, payroll taxes etc.	23,935	5,899
Other liabilities	524	934
Holiday obligation	6,041	3,689
	<u>30,500</u>	<u>8,788</u>

Presented as follows:

	31.12.20	31.12.19
	DKK`000	DKK`000
Non-current	3,211	1,734
Current	27,289	8,788
	<u>30,500</u>	<u>10,522</u>

The carrying amount of the above mentioned other payables are assumed to equal their fair values. Holiday pay obligations for payment of wages and salaries during holiday periods corresponds to the employees' rights vested at the balance sheet date to be used in subsequent financial years.

Notes

	2020	2019
	DKK` 000	DKK` 000
21. Change in working capital		
Change in receivables	(17,280)	(2,390)
Change in payables	83,186	15,695
Total working capital changes	20,906	13,305

22. Related parties

Name	Registered office	Basis of control (31 Dec. 2020)
Songco ApS	Copenhagen, Denmark	80,15 %
SMS HoldCo ApS	Vedbæk, Denmark	19,18 %
Greystone Special Situations Fund K/S (parent company of Songco ApS)	Copenhagen, Denmark	Ultimate parent

Other related parties with significant influence comprise the Company's Executive Board, Board of Directors and their related parties. Furthermore, related parties are companies in which the above persons have significant interest. All transactions with related parties are made on arm's length terms.

There were no transactions with members of Executive Board, other than remuneration, which is disclosed in note 3.

Greystone Capital Partners A/S has during the year charged professional services to the Company with an amount of DKK 900k (2019: DKK 900k).

As of the balance sheet date, the Company owes DKK 31,295k to Songco ApS including added interest (2019: DKK 5,578k), which falls due on demand. In addition, the Company has debts to other owners of DKK 845k as of 31 December 2020.

During 2020, Songco ApS has provided loans to the Company of totally DKK 12,600k, which subsequently during the year has been converted to equity. Other owners have provided loans of DKK 1,300k, which also subsequently has been converted to equity.

Notes

22. Related parties (continued)

Interest recognized for 2020 for the loans provided by Songco ApS and other owners amounts to totally DKK 1,250k (2019: DKK 590k).

The Company funds the establishment of subsidiaries through bridge financing. Receivables from group enterprises are related to funding of the subsidiaries' ordinary business activities and amount to totally DKK 6,028k (2019: 1,017k) before impairment write-down of DKK 6,028k (2019: DKK 325k). Payables to subsidiaries amount to DKK 0k (2019: DKK 14k). Interest received during the year from subsidiaries amounts to DKK 0k (2019: DKK 12k).

23. Contingent liabilities

Joint taxation

The Company participates in a joint taxation arrangement in which Songco ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable for income taxes etc. for the jointly taxed entities, and obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. Corporate income tax payable for the Danish jointly taxed companies amounted to DKK 0k at 31 December 2020 (2019: DKK 0k).

24. Assets charged and collateral

The Company has pledged the development projects, property, plant and equipment etc as security for bank debt with an amount of up to DKK 2 million.

Notes

25. Financial risks

	31.12.20	31.12.19
	DKK ` 000	DKK ` 000
Trade receivables	411	365
Receivables from group enterprises	0	0
Other receivables	6,414	2,368
Cash	<u>28</u>	<u>0</u>
Loans and receivables	<u>6,853</u>	<u>2,733</u>
Bank loans	8,177	9,002
Trade payables	26,123	7,922
Payables to owners	32,140	5,592
Other payables	31,040	10,522
Other loans	<u>20,310</u>	<u>0</u>
Financial liabilities measured at amortised costs	<u>117,790</u>	<u>33,038</u>

The carrying amounts of the above mentioned accounts are assumed to equal their fair values. For other loans reference is made to note 18 which include description of a potential bonus payment to the lender. This bonus payment has not been considered in determining that carrying value approximates the fair value of other loans.

Policy for management of financial risks

The Company's objective at all times is to limit the Company's financial risks.

Together with Greystone Special Situations Fund K/S, through Songco ApS, the Company manages the financial risks and coordinates funding activities, capital resources, cash management and management of interest rate and currency risks based on financial risk policies agreed with the Board of Directors and its majority shareholder.

Interest rate risks

The Company's bank loans, covid19 syndication loans and loan from Greystone Special Situations Fund K/S are all on floating interest rate terms. The Company does not hedge the interest rate exposure, as this is not considered to be financially viable.

A likely increase/decrease in the interest rate on net interest bearing liabilities would not significantly affect the net profit/loss or equity.

Notes

25. Financial risks (continued)

Liquidity risks

In cooperation with its majority shareholder, Management is continuously involved in funding activities and closely monitors its cash resources and drawing facilities against its expected short-term needs. As explained in note 1, the majority shareholder and Management is in continuous dialogue with both the current shareholders and potential new shareholders to obtain further funding both in the form of borrowings or equity.

The Company attempts to maximise flexibility and minimise risks. At 31 December 2020, the Company has credit facilities of DKK 8.5 million, of which DKK 8.1 million has been utilized as of 31 December 2020.

Capital structure

The Company manages its capital structure with a primary view to ensure that the Company at anytime has sufficient cash and cash resources available to carry-out its planned activities and to provide comfort to financial lenders, trade creditors and the shareholders of the Company that the Company at anytime during 2021 can be viewed as a going-concern.

Credit risk

The Company is exposed to credit risk from trading partners and customers. The exposure is limited to the Company's total outstanding receivables and is not considered significant due to Company in 2020 still being in the development phase with limited sales activity.

In 2020 as well as in 2019, the Company did not incur any credit losses. At 31 December 2020, the credit risk is assessed to be limited, and at 31 December 2020, the Company has made an allowance of DKK 364k for potential credit losses. Further the Company has recognized an allowance for credit loss of DKK 6,028k related to receivables from subsidiaries, since these in all material respects represent funding of the subsidiaries' start-up activities, and as such the subsidiaries would not be able to repay the receivables at 31 December 2020. Over time the subsidiaries are expected to be able to repay the receivables through the future earnings from the individual subsidiaries.

Foreign exchange rate risk

Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Up to end of 2020, the foreign exchange exposure has been limited, though with a slight increase in exposure in 2020 compared to 2019 from the establishment of foreign subsidiaries in 2020.

The exchange rate exposure relating to investments in foreign subsidiaries is not hedged as the risk is considered limited.

Notes

26. Events after the balance sheet date

In 2021, the Company has received additional capital, in the form of convertible notes, from its majority shareholder.

The Company has intensified its roll out into new markets, which will have a impact primarily in the 2nd half of 2021.

Management follows the development of the current Covid-19 health situation closely and the impact on the business and employees. Up until today, the Company have not experienced any material impact on business or financial performance from the Covid-19 outbreak, however, Management acknowledges increased uncertainty, which may affect our activity level and future plans as the Covid-19 situation develops.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Notes

27. Accounting policies

The financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class B enterprises according to the Danish Financial Statements Act.

Basis of accounting

Moodagent A/S presents the financial statements in DKK, which is considered the functional currency of the Company's activities.

The accounting policies described below have been applied consistently throughout the financial year.

New financial reporting standards and interpretations in 2020

The Company has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on 1 January 2020. There have been no changes to the accounting principles in 2020.

Consolidation

Due to the immaterial size and activity of the Company's three subsidiaries, no consolidated financial statements have been prepared for Moodagent A/S for 2020. Impact on the result before tax and equity, had consolidated financial statements been prepared would be less than 1%. Reference is made to disclosures regarding the Company's subsidiaries in note 11.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Notes

27. Accounting policies (continued)

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 Moodagent's cash and cash equivalents at the beginning and end of the financial year.

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

Cash flows from investing activities comprise payments in connection with the acquisition or disposals of intangible assets, property, plant and equipment as well as financial assets.

Cash flows from financing activities comprise payments arising from changes in the size or composition of the Company's share capital as well as the raising of loans.

Income statement

Revenue

License income is recognised in the income statement, when license is delivered to and is ready for use by the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration.

Cost of sales

Cost of sales comprises direct costs to achieve the revenue for the year.

Other external expenses

Other external expenses include expenses relating to the Company's ordinary activities, including it-cost, marketing and corporate costs, etc. This item also includes allowances for expected credit losses.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Company's staff, less staff costs capitalized as part of the cost of development projects.

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relate to intangible assets and property, plant and equipment.

Notes

27. Accounting policies (continued)

Other financial income and expenses

Other financial income and expenses are recognised in the income statement with the amount that relates to the financial year. Other financial income and expenses comprise interest income and expenses and exchange gains and losses, as well as tax relief/surcharge under the Danish Tax Prepayment Scheme etc.

Tax for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised in other comprehensive income or equity by the portion attributable to items recognized in other comprehensive income or equity.

The Company participates in a joint taxation arrangement. Income taxes are allocated between the jointly taxed companies in accordance with the full allocation method.

Balance sheet

Intangible assets

Development projects cover the development of software and system platform to support the Company's future operating business model. Development projects shown on the balance sheet is measured at cost less amortization and any impairment losses. Development costs are capitalized when the costs can be reliably determined and there is adequate certainty that the future earnings or the net selling price exceeds the carrying value of capitalized development costs. Capitalizable development costs include direct staff costs and other direct costs relating to the development projects. Completed development projects are generally amortised on a straight-line basis over 5 years.

Development costs that do not meet the criteria for capitalization are expensed in the income statement as incurred.

Acquired patents are measured at cost less accumulated amortisation and impairment losses. Patents are amortised over the life of the patents.

Intangible assets are written down to the lower of recoverable amount and carrying amount based on an annual impairment assessment.

Notes

27. Accounting policies (continued)

Property, plant and equipment

Other fixtures and fittings, tools and equipment and leasehold improvements are measured at cost less accumulated depreciation and any impairment losses.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	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.

Right-of-use assets and lease liability

Leases are recognized as right-of-use assets with the corresponding liability at the time the asset is available for use by the Company. Assets and liabilities arising from a lease are measured on a present value basis.

Lease liabilities is comprised of expected fixed payments throughout the expected lease period (including options to extend the lease when exercise is reasonably certain), less any lease incentives and with the addition of expected restoration costs. The lease payments are discounted using the contract's internal discount rate or the Company's incremental borrowing rate.

The cost of right-of-use assets is comprised of the calculated lease liabilities, payments made prior to entering the lease, initial direct costs, and expected restoration costs. Right-of-use assets and lease liabilities are re-measured when a factual or contractual change is executed or if a significant event or change affects the expected use of the assets. The impact is discounted to a present value basis.

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses. When changing the value of right-of-use assets through remeasurement or when changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Right-of-use assets are depreciated on a straight-line basis of 5-6 years, corresponding to the expected length of the contract or the expected useful lives of the assets, whichever is the shorter.

Notes

27. Accounting policies (continued)

Right-of-use assets and lease liability (continued)

Lease costs for low value assets and short-term leases are included as operational costs throughout the period based on a straight-line basis.

Investments in subsidiaries

Investments in group enterprises are measured at cost. Investments are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less allowance for expected credit losses.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets. Net deferred tax assets are only recognized to the extent that it is considered probable that the deferred tax assets will be realized within a foreseeable future. This depends on a number of factors including whether there will be sufficient taxable profits available in future periods, against which the tax losses carryforwards can be utilized.

Income tax

Current tax receivable or payable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Cash

Cash comprises cash in bank deposits.

Other financial liabilities

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

Notes

27. New accounting standards issued, but not yet effective

The IASB has not issued any new standards og interpretations of significant importance for Moodagent A/S' financial statements that must be implemented by the Company for financial years beginning on or after 1 January 2021.

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