Inpay Holding A/S

Half-year Report 2023

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inpay

Contents

Management's review

CEO-LETTER FOR THE HALF-YEAR REPORT 2023

Solidifying growth: investing in people, processes, and technology to execute our strategy

EXECUTIVE SUMMARY

We have made significant progress in the first half year of 2023, despite challenging market conditions. Achieving revenues of DKK 214 million, marking 28% growth from the same period last year, underlines our successful strategy implementation and growth trajectory.

We remain dedicated to the transformation set forward in our strategy and we have made good progress in the first half of 2023. We are committed to building on this foundation to create further growth for the rest of the year and beyond.

Delivering on our strategy

A core pillar of our strategy is to continue our growth within iGaming while at the same time strengthening our position by diversifying within our existing customer segments as well as gaining further traction with Financial Institutions, Payments Partnerships, Corporates, and Non-governmental Organisations (NGOs).

We are continuing to develop our operating model and prioritise high quality customer service while making our organisation more effective. This involves strengthening our go-to-market-model by reducing time to market and the impact of the ongoing sales efforts.

Our product development team is broadening our service offerings across customer segments and expanding our geographic reach by building a physical presence in key markets.

We are focused on maintaining high standards within compliance and managing risks, ensuring that we can continue to operate within a strict regulatory framework. This is a process that spans the whole organisation and requires on-going and diligent training, follow-up and execution.

We continue to make investments in our people, processes and technology to maintain our high level of differentiating capabilities.

Highlights in 2023 so far

We have reached several important milestones as part of our key initiatives during this period. The following being of significant importance.

Firstly, the development of a data warehouse platform in just four months demonstrates our commitment and ability to execute efficiently. The platform centralises our reporting and gives us clear data insights that enables us to serve our customers even better and conduct operational optimization across the business. The rapid completion of such a complex project requires good cooperation across business units, and I am genuinely proud of this achievement in such a short period.

Secondly, our enhanced, automated real-time transaction screening and monitoring capabilities enable us to track adherence to strict compliance requirements, detect suspicious activities, and analyse transaction patterns more effectively. This supports our founding pillar of putting meticulous risk management, transparency, and robust regulatory processes at the very heart of everything we do.

The work with our core enablers continues with the execution of the ongoing tech refresh, elevating our core technology engine to a more advanced V2. This takes our technological capabilities and scalability to a new level, enhancing the value and services we provide our customers. We are committed to improving our technology to remain at the forefront of cross-border payments by connecting businesses and communities to opportunities. This allows us to further build on our highly efficient transaction engine. It is delivering a completion rate of more than 99% of payments for our customers, even in the face of fast-changing environments and highly demanding sectors.

Our strategy for sustainable growth and professionalisation also means expanding our presence in financial centres around the world. We are growing our London office, which we view as essential to further solidifying our standing in the European financial landscape. Additionally, we have recently established presence in Dubai and Singapore. Through this expansion, we will be closer to our customers and partners, which will better enable us to understand and serve their needs. We want to be genuine partners for our customers; to look beyond financial transactions and build trusted, long-term relationships.

Organisational development: attracting talented individuals
Our employees are the core of the company. Continuing to attract the right talent is a crucial part of our growth and failing to do so will impact our ambitious plans. Therefore, we are committed to attracting, hiring, and retaining the best individuals.

In the first half of 2023, we welcomed over 50 new colleagues to the team, and we are now more than 200 employees. The high number of qualified applications we have received for each position is a testament to our market position and employer brand.

We have significantly invested in developmental programs tailored for both our employees and leadership teams. The recent 74% score in our regular Organizational Health Index survey – up from 72% at the end of last year – is a clear indication of the strong company culture as well as the development we foster. I am particularly impressed with the progress we have witnessed in the scores on accountability and leadership, which are areas that we have put particular emphasis on since the last survey.

Challenging markets and intensified competition
The first half year of 2023 has not been without challenges. Currency headwinds in some of our key markets presented hurdles, impacting both revenue and profits. Nonetheless, our growth trajectory remains solid across the fundamental metrics.

In the short term we have addressed these challenges with price adjustments, primarily implemented through tiered pricing for our largest customers, while at the same time focusing on creating additional value. In the long term, we will continue to diversify and optimise our business model. An important part of this is tailoring our products to address requirements from each customer segment individually while maintaining an underlying unified core service offering.

By becoming increasingly industry- and geography-agnostic in our customer segments, we aim to leverage emerging opportunities. As part of this strategy, we have focused on reducing time-to-revenue and fine-tuning our onboarding processes for new customers. We see the intensified competition as a reflection of an evolving and attractive market. While this remains a challenge in the short term, it reaffirms our belief in the potential of the market in which we operate.

Market outlook: strong growth potential
Our markets continue to develop positively. The global cross-border payment landscape is being disrupted, and an increasing number of money transfers are moving from traditional banks and systems like SWIFT towards PSPs like Inpay. The global share of cross-border payments carried out by banks has recently gone from 97% to 96% percent, confirming a vast outstanding opportunity in the current market with a secular shift towards Account-to-Account transfers supporting our business model. This shift is further emphasized by an underlying market expansion of 6-10% – and even higher in specific verticals. The potential for further market penetration reinforces our commitment to continuing our growth trajectory.

Our roadmap for the second half of 2023 is clear: continue investing in technology and people, while further strengthening our business and operating model to adapt to challenges and opportunities. In the past six months, we have strengthened our go-to-market strategy through cross-organisational collaboration. We are confident that this go-to-market model will substantially enhance both sales performance and long-term customer relationships. With a clear strategy in place and an exceptional team to execute it, Inpay is poised to not only navigate the market but to play a significant role in shaping its future.

Thomas Jul Pfeiffer
Chief Executive Officer

CFO-LETTER: FINANCIAL REVIEW

A first half year of highlights & important steps in realising our strategy

Inpay's growth in 2023 reflects the underlying strength of our business amidst currency headwinds and increased competition. We continue to invest in our core enablers.

Highlights

The first half of 2023 has been a remarkable period of growth for Inpay. We have repeatedly set new benchmarks on monthly performance, surpassing one million transactions for the first time, and exceeding five million Euros in net revenues. Reaching these milestones provides a moment to both celebrate and reflect on the underlying strength of our business, and I fully expect this positive momentum to continue in the second half of the year.

A key enabler of our success has been the continuous investment in our technology to improve business efficiency. The investments we have made so far in 2023 include the establishment of a new data warehouse platform which allows us to consolidate our data in real time and significantly enhance our reporting capabilities and business intelligence. We now have unprecedented levels of access to our data, providing clarity and delivering better insights across the business.

It is also with immense pride that I can announce that Inpay has received an Electronic Money Institution (EMI) licence from the Danish Financial Supervisory Authority (FSA). This means that Inpay has become the first Scandinavian fintech to combine licenses as an Electronic Money Institution (EMI), a Payment Service Provider (PSP), and a Third-Party Provider (TPP). The new licence will enable us to issue electronic money and facilitate digital payments and money disbursements, along with other payment services, and marks another major step in realising our strategy.

Financial review

We have delivered a solid set of financials for the half year, with EBITDA of DKK 40 million representing a margin of 18%. While this is lower than the same period last year (DKK 55 million, 33%), the reduced margin is due to the investments we have made in our core enablers to drive further growth. We have faced currency headwinds and increased competition in some of our key markets which has inhibited the top line performance. However, our direct operating margins have improved and operational cashflows are at a similar level to last year, meaning that we have significantly increased our cash conversion and free cash flows.

"We continue to self-finance our growth, a feat which is increasingly rare in the fintech sector."

We have continued to invest in our people, platform, and products. This has increased our operating expenses to DKK 174 million, compared to DKK 112 million in the same period last year, through higher staff costs as we expand our capabilities with greater competencies and additional headcount to support the business. We will continue to strengthen our organisation to secure sustainable growth, while taking actions to keep our margins healthy.

As of June 30, 2023, the balance sheet totalled DKK 561 million, compared with DKK 478 million at same period last year. Total equity amounted to DKK 56 million, compared to DKK 53 million, and Cash reserves held of DKK 413 million, compared with DKK 344 million.

Operating and Financial Risks

As a payment service provider, Inpay is inherently exposed to several risks common to the financial services industry, including fraud, AML/CTF compliance risks and risks related to operational stability and security (IT). In addition, as we facilitate cross-border payments, counterparty, and FX risks are inherent in the business model. A wide range of controls and procedures are implemented to mitigate these risks. We consider our work with Governance, Risk, and Compliance (GRC) as a continuous process and are thus planning to further strengthen our GRC setup going forwards.

Research and Development
Inpay is continuously developing its different lines of business with new products and solutions, and these investments are planned to continue in H2 2023, including but not limited to investments into technical innovation, Group Risk Compliance and staff.

External Environment
As a highly digitalized organisation, Inpay has a limited impact on its external environment in terms of sustainability. However, being a member of the global financial community, we have a fiduciary duty to fight financial crime. Financial crime has a destructive and devastating effect on the global community; therefore, Inpay has made it a priority to contribute to the safeguarding of the global financial system. Accordingly, our company has taken and continues to take all reasonable and appropriate measures to prevent persons engaged in money laundering, fraud, or other financial crime, including the financing of terrorists, or terrorist operations from utilizing our products and services.

Intellectual capital resources
The continued success of Inpay, being a fintech organisation, relies heavily on the skills of our employees. Primarily these are closely linked to highly skilled staff within especially the areas of IT development, compliance, and regulatory areas. Proprietary and inhouse built operating systems play a key role in our product offering.

Unusual and subsequent events
The financial position at 30 June 2023 and the results of the activities and cash flows for the financial year for 2023 have not been affected by any unusual events.

In October 2023 Inpay Holding A/S acquired the shares in Robot Go Pty. Ltd. from the parent company Inpay HoldCo ApS at market terms. Management expects the transaction to contribute positively to the company's operations going forward.

Strong outlook
For the full financial year of 2023, we are expecting revenues in the range of DKK 430-460 million, which is slightly down from the projections in our annual report, but still highly satisfactory and the overall business outlook remains strong.

Investments in our business will continue, but we will also monitor currency developments and market conditions to keep our profit margins satisfactory. As the world of global cross-border payments continues to evolve, Inpay is well positioned to sustain its growth momentum.

Søren Strøm
Chief Financial Officer

Key figures

1 January – 30 June
TDKK

	Group		
Profit/loss	**2023**	**2022**	**2021**
Revenue	213,607	167,209	134,622
Gross profit/loss	124,402	111,141	84,241
EBITDA	39,939	55,078	35,491
Net profit/loss	30,554	40,705	28,304
Balance sheet			
Balance sheet total	561,110	477,898	494,376
Equity	56,440	53,192	135,144
Ratios			
Gross margin	58.2%	66.5%	62.6%
Profit margin	18.0%	32.0%	25.5%
Return on assets	6.8%	11.2%	7.0%
Solvency ratio	10.1%	11.1%	27.3%
Return on equity	55.7%	43.2%	24.2%

Cases

NGO CASE STUDY: PARTNERSHIP WITH DANISH RED CROSS

Providing financial infrastructure to help people in need

NGOs like the Red Cross in Denmark often face challenges when sending funds to people in need of humanitarian aid, especially in countries where traditional international money transfers struggle to reach. Inpay was founded to resolve challenges like these after our founder experienced difficulties sending money to Myanmar after the 2008 cyclone. This experience led to the vision of building financial infrastructure reaching every corner of the world. In 2023 Inpay and The Red Cross in Denmark entered a partnership that allows funds for humanitarian aid arrive faster and more cost efficient to people in dire need in countries around the world. For Inpay, this marks an important milestone that not only aligns with our foundational mission, but also lays the groundwork for expanding our business within the NGO sector.

Where payments and compliance create possibilities
Transferring money across borders, especially to countries with a challenging financial infrastructure, can often be slow, unreliable, and associated with high costs. This is a challenge the Red Cross in Denmark encounters when working to deliver funds for humanitarian aid to conflict zones around the globe. Sometimes, it can take weeks to move money to the right people and the journey can be quite expensive, especially when aiming to support people in countries in Africa, Asia, or other places where international bank transfers are difficult or impossible to access. Through an extensive network of local banks covering most of the world, Inpay strengthens the financial infrastructure, fostering financial inclusion and connecting people and companies across the world. The network enables an industry-leading completion rate of rapid transfers and allows for payouts of the transferred amount in local currency, thus avoiding high currency exchange fees. For 16 years, Inpay has built payment corridors to move money at speed and overcome complex challenges when transferring money across borders.

Helping the Red Cross in Denmark help more people
For the Red Cross in Denmark, the central mission is to reach and assist as many individuals as possible. It is crucial to deliver aid swiftly, to the right individuals, and in a cost-effective manner. Challenges with money transfers have been particularly pronounced in many regions where they operate. Often countries with the highest need for humanitarian aid are those where it is most difficult to get funds to the people who need them.

Inpay embarked on a partnership with the Red Cross in Denmark to solve this challenge together and reach more countries for emergency aid internationally, with a strong focus on Myanmar which had been increasingly challenging. The partnership not only makes it easier and faster to transfer aid to countries such as Myanmar, Bangladesh and Kenya, it also benefits those in need as it means that the Red Cross in Denmark can save several million DKK annually. As a result, they can now channel more money directly into the NGO's vital humanitarian work.

Inpay and the Red Cross in Denmark plan to further expand the partnership to countries like Iraq, Senegal, Ethiopia, Nigeria, and Mali. These are countries where the Red Cross in Denmark is on the ground conducting critical work and will benefit from the partnership with Inpay.

Compliance means securing money transfer completion
Along with the rest of the NGO sector, the Red Cross in Denmark has two main challenges when transferring money to countries where traditional bank transfers are difficult or even impossible. Ensuring full compliance with all rules and regulations and making sure the money transfers are completed promptly. Compliance is paramount for NGOs to reassure donors of the intended use of their contributions and to combat money laundering. Completion rates and speed of transfers are crucial for the people in need and the timely aid distribution.

Inpay is well positioned to address these two exact issues. Inpay enables secure cross-border payments with high transparency, tracing transactions from donor to the end project. With compliance at heart and the ability to move money to the right place securely, accurately and transparently, Inpay completes an industry-leading 99% of payments for customers across all sectors. The high completion rate is carried by the expertise and capabilities at Inpay that lie within payments that are complex and require stringent compliance standards.

For security and compliance reasons, NGOs undergo an application and onboarding process when they become customers at Inpay similar to all other customers. This ensures that NGOs meet stringent requirements from regulatory financial authorities around the world. When completing the onboarding process at Inpay, their need for money transfers can start with speed and high completion rate – even to regions where it is difficult for typical money transfers. The advanced technology capabilities at Inpay provide comprehensive tracking of every transaction and offer full transparency, meaning Inpay is best where money transfers are complex and difficult.

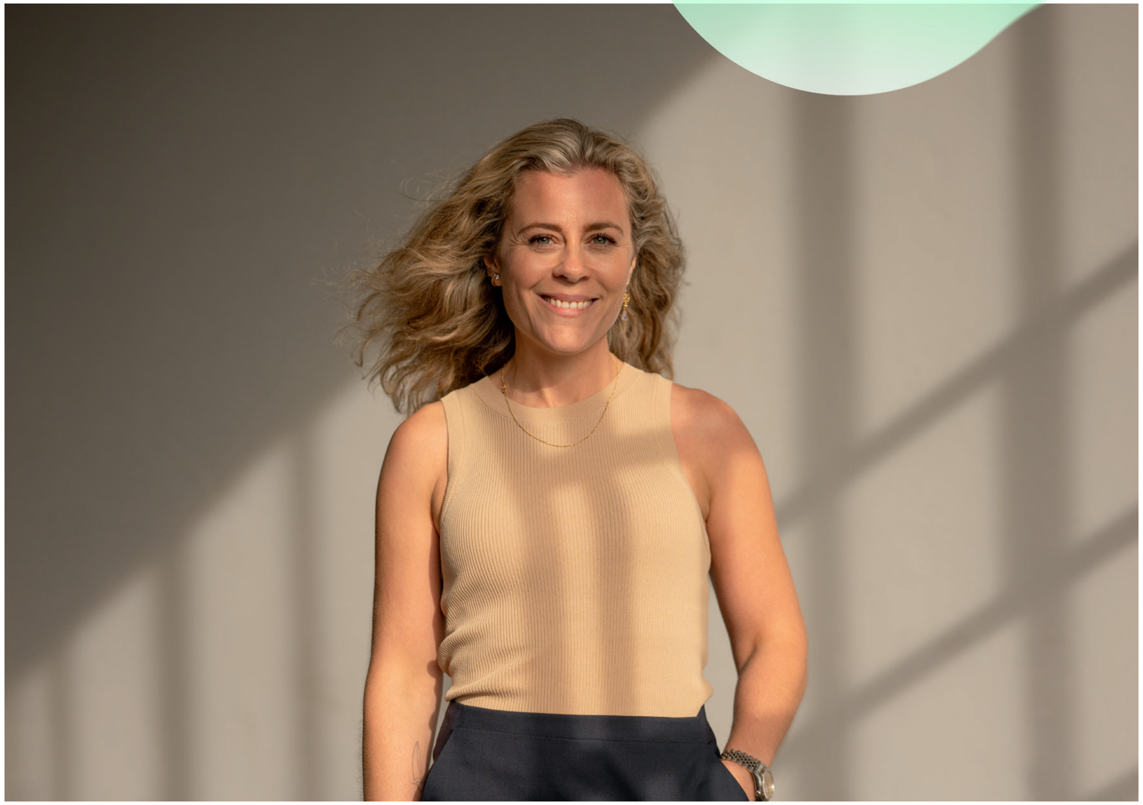
Growing need for international humanitarian money transfers

Many NGOs face issues transferring money to those in need, as they operate in countries where it is difficult to deliver financial aid. As of 2022, global humanitarian aid grew 27% to $46.9 billion, underlining the increasing need for support in crisis-ridden areas. This significant financial commitment from the international community reflects a recognition of the imperative to address humanitarian crises worldwide.

The growing amount of aid presents market opportunities where Inpay can leverage and develop its payment corridors to provide financial infrastructure. This will give more NGOs access to cost affordable, compliant, and fast money transfers to the people where the funds are needed. The partnership with the Red Cross in Denmark is a good example of how Inpay's purpose-driven business model works in practice. Inpay provides the payment solutions, which make it easier for NGOs to perform their critical work - in a smart, fast, safe, and affordable way.

Corporate social responsibility should be business-driven

NGOs and charitable organizations are equally important to Inpay as clients from other sectors, contributing to Inpay's business in the same way. Inpay's payments infrastructure allows NGOs to complete international money transfers faster, safer, and more cost-effectively than when using traditional banks. The cost-efficiency means there are more resources available for those in need – people in crisis. By partnering with NGOs and assisting in the delivery of funds, Inpay contributes to the vital work NGOs do to make the world a better place.



Sarah Louise Teschl, Head of NGO Sales

The demand for businesses to go beyond mere profitability and take responsibility for progress is a focus area of the public debate. At Inpay, we maintain that a company's core business model is the strongest and most stable engine for change. We must acknowledge that ESG work, no matter how well-intentioned and important, if not directly integrated into the business, is vulnerable to the whims of an ever-changing media and regulatory climate.

The partnership between the Red Cross in Denmark and Inpay is rooted in two partners who complement each other's needs and making the partnership good business for both, while at the same time making the world a better place.

DANISH
RED
CROSS

FINANCIAL INSTITUTION CASE STUDY: BANKS IN THE MIDDLE EAST

Partnering with banks to transform the global payments system

In an era of technological innovation and increasing demand for fast, effective and affordable payment solutions, financial institutions must adapt to remain competitive. At Inpay, we are challenging conventions with expertise in solving complex problems; offering alternatives to traditional cross-border payments like SWIFT.

The services we offer enable financial institutions to carry out international transactions with the speed, security, compliance, and transparency never previously seen in this market. Our collaborations with financial institutions reflect our commitment to driving innovation in the financial sector, exemplified by our multiple partnerships with banks and financial institutions across the Middle East. At Inpay, we have proven expertise in handling complex payments corridors. We offer financial institutions our payment solutions to enhance their existing infrastructure, enabling them to better serve their customers with the most complex cross-border transfers.

A rapidly evolving financial landscape

In recent years, financial institutions have faced competition from emerging technologies. While conventional transfer methods are slow and expensive in some payment corridors, new technologies are emerging to offer faster and affordable payments across markets and are gradually gaining prominence in the sector. Inpay provides banks and financial institutions with speed and pricing equivalent to that of these emerging technologies, creating a competitive edge. This advantage is founded on the trust that financial institutions have built over time, a quality that many newer fintech companies are yet to establish.

Our partnerships with financial institutions typically begin when a bank is seeking to expand its services by providing fast and secure cross-border payments to address the increasing demands of their customers. Across the Middle East there is high demand for efficient remittance services, with many expats who have traditionally used exchange offices or SWIFT to send money back to their home countries. At Inpay, we help financial institutions to bridge this gap and offer a solution that can process all European payments within 60 seconds. With our solution, banks and other financial institutions can maintain competitiveness in the rapidly evolving financial landscape. Leveraging our technology enables financial institutions to provide their customers with fast, secure, transparent and affordable money transfers.

Building long-term partnerships with Financial Institutions

A key part of Inpay's growth strategy is to diversify our customer base and increase our market share within financial institutions. Our approach to these customers goes beyond simply providing technology; it's about understanding the unique needs of each institution and creating customised solutions that enhance the value of the products they provide to their customers.

This partnership focussed approach is grounded in fostering strong relationships with our clients. We see ourselves as genuine partners, who look beyond transactions, to build trusted, long-term relationships. Each new customer is assigned a dedicated onboarding manager, who facilitates a seamless transition during the onboarding process. As a company relying on technology, we also take pride in building personal relationships with our customers and engaging with them directly to ensure we meet their needs.

Faster and cheaper than SWIFT

The technology we provide empowers financial institutions to expand their services into multiple markets and handle a range of currencies. Where we offer pay-outs, it can be up to 80% cheaper than using the traditional SWIFT network. Through a simple API connection, customers have access to the entire global Inpay network. Our Money In and Money Out services are available via a single integration and contract signing, reducing the customers' costs and accelerating their cross-border expansion.

When onboarding a financial institution, the process starts with an application phase. During this initial stage, Inpay conducts a comprehensive screening process, which includes rigorous "Know Your Customer" (KYC) checks. After successfully completing the screening, an agreement is signed which allows our technical onboarding team to integrate the bank with our network. Then the first transactions are sent in a test environment, ensuring everything functions smoothly before transitioning into a live environment; laying the groundwork for a successful, long-term partnership. Our cooperation with large financial institutions is also testament to Inpay's strong focus on compliance, that allows our partners to trust us when managing their most complex cross-border payments, while also adhering to all the necessary rules and regulations.

Transforming the global payments system

As the financial landscape continues to evolve, traditional banks must adapt to keep pace with rapid technological advancements and changing consumer preferences. For financial institutions, partnering with Inpay gives them the opportunity to navigate the complexities of the modern financial world with confidence, competitiveness, and innovation – we are helping to bring the financial industry into the future.

Inpay offers fast and affordable cross-border payments, whilst navigating complex corridors that often challenges financial institutions. Thanks to our extensive network, created through established bilateral partnerships, clients trust us to move payments securely, accurately and transparently; resulting in a 99% completion rate.

Mark van Daalen, SVP, Head of Financial Institutions

Financial statement

Income statement

1 January – 30 June
TDKK

	Note	Group 2023	Group 2022
Revenue	2	213,607	167,209
Direct expenses		-26,647	-22,781
Other external expenses		-62,558	-33,287
Gross profit		**124,402**	**111,141**
Staff expenses	3, 4	-84,463	-56,063
Earnings Before Interest Taxes Depreciation and Amortization		**39,939**	**55,078**
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	5	-1,546	-1,645
Profit/loss before financial income and expenses		**38,393**	**53,433**
Financial income	6	5,450	1,954
Financial expenses	7	-2,147	-3,201
Profit/loss before tax		**41,696**	**52,186**
Tax on profit/loss for the year	8	-11,142	-11,481
Net profit/loss for the year		**30,554**	**40,705**

Balance sheet

Assets 30 June
TDKK

	Note	Group 2023	Group 2022
Completed development projects		5,093	9,646
Intangible assets	9	**5,093**	**9,646**
Other fixtures and fittings, tools and equipment		396	846
Leasehold improvements		2,110	1,750
Property, plant and equipment	10	**2,506**	**2,596**
Fixed assets		**7,599**	**12,242**
Trade receivables		8,279	2,260
Receivables from group enterprises		103,295	98,230
Other receivables		23,526	17,836
Prepayments	11	4,532	3,293
Receivables		**139,632**	**121,619**
Cash at bank and in hand	12	**413,879**	**344,037**
Current assets		**553,511**	**465,656**
Assets		**561,110**	**477,898**

Liabilities and equity 30 June
TDKK

	Note	Group 2023	Group 2022
Share capital		1,000	0
Reserve for development costs		3,973	0
Reserve for hedging transactions		-44	0
Retained earnings		51,511	53,192
Equity		**56,440**	**53,192**
Provision for deferred tax	13	406	1,178
Provisions		**406**	**1,178**
Prepayments received from customers		361,328	247,738
Trade payables		4,184	2,035
Payables to group enterprises		80,766	110,303
Corporation tax		1,071	11,930
Other payables		56,915	51,522
Short-term debt		**504,264**	**423,528**
Debt		**504,264**	**423,528**
Liabilities and equity		**561,110**	**477,898**
Uncertainty relating to recognition and measurement	1		
Contingent assets, liabilities and other financial obligations	16		
Related parties	17		
Subsequent events	18		
Accounting Policies	19		

Statement of changes in equity

Group 1 January – 30 June
TDKK

	Share capital	Reserve for development costs	Reserve for hedging transactions	Retained earnings	Total
Equity at 1 January	1,000	4,859	-54	50,071	55,876
Exchange adjustments	0	0	10	0	10
Extraordinary dividend paid	0	0	0	-30,000	-30,000
Development costs for the period	0	-886	0	886	0
Net profit/loss for the year	0	0	0	30,554	30,554
Equity at 30 June	**1,000**	**3,973**	**-44**	**51,511**	**56,440**

Cash flow statement

1 January – 30 June
TDKK

		Group	
	Note	**2023**	**2022**
Result of the year		30,554	40,705
Adjustments	14	9,395	14,473
Change in working capital	15	3,751	-89,393
Cash flow from operations before financial items		**43,700**	**-34,215**
Financial income		2,990	1,603
Financial expenses		-2,145	-2,669
Cash flows from ordinary activities		**44,545**	**-35,311**
Corporation tax paid		-19,797	0
Cash flows from operating activities		**24,748**	**-35,311**
Purchase of property, plant and equipment		-291	-1,032
Cash flows from investing activities		**-291**	**-1,032**
Repayment of loans from credit institutions		0	-1,251
Repayment of payables to group enterprises		-11,508	-20,470
Dividend paid		-30,000	0
Cash flows from financing activities		**-41,508**	**-21,721**
Change in cash and cash equivalents		**-17,051**	**-58,064**
Cash and cash equivalents at 1 January		428,472	402,252
Exchange adjustment of current asset investment		2.458	-151
Cash and cash equivalents at 30 June		**413,879**	**344,037**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		413,879	344,037
Cash and cash equivalents at 30 June		**413,879**	**344,037**

Notes to the Financial Statements

TDKK

1. Uncertainty relating to recognition and measurement

The subsidiaries Inpay Services ApS, Clouditorium ApS and Eurogiro A/S has utilized the possibility for increased tax deduction on R&D expenses pursuant to Ligningsloven § 8B, section 4. The Tax Authorities has challenged the application of the rules. The group is under the opinion that the expenses incurred qualifies to the use of the rules and, as such, expects to be able to convince the Tax Authorities of this. Total tax value of the increased tax deduction amounts to TDKK 6,015. Due to the ongoing discussions with the Tax Authorities, there is an uncertainty related to the measurement of the tax value of the increased tax deduction.

	Group	
	2023	**2022**
2. Revenue		
Business segments		
Cross border payments	186,956	145,756
Other	26,651	21,453
	213,607	**167,209**
3. Staff Expenses		
Wages and salaries	77,393	53,459
Pensions	2,130	215
Other social security expenses	3,860	1,532
Other staff expenses	1,080	857
	84,463	**56,063**
Including remuneration to the Executive Board and Board of Directors	2,026	1,999
Average number of employees	**146**	**114**

	Group	
	2023	**2022**
4. Special items		
Accrual for additional lønsumsafgift for 2021 and 2022.	2,000	0
	2,000	**0**
5. Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment		
Depreciation of property, plant and equipment	410	509
Amortisation of intangible assets	1,136	1,136
	1,546	**1,645**

TDKK

	Group	
	2023	**2022**
6. Financial income		
Interest received from group enterprises	2,525	1,534
Other financial income	465	69
Exchange adjustments	2,460	351
	5,450	**1,954**
7. Financial expenses		
Interest paid to group enterprises	2,142	2,699
Other financial expenses	3	0
Exchange loss	2	502
	2,147	**3,201**
8. Income tax expense		
Current tax for the year	12,286	11,481
Deferred tax for the year	-1,144	0
	11,142	**11,481**

9. Intangible fixed assets - Group

	Completed development projects
Cost at 1 January	43,324
Cost at 30 June	43,324
Impairment losses and amortisation at 1 January	37,095
Amortisation for the year	1,136
Impairment losses and amortisation at 30 June	38,231
Carrying amount at 30 June	**5,093**

Intangible assets consist primarily of capitalized software development, including the technology for the PostalPay App. The offering and technology behind the PostalPay App is still in an early phase after being launched in the second half of 2021. It is the Group´s expectation to capitalize on the rights during 2023 and beyond.

10. Property, plant and equipment - Group

	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	2,177	3,180
Additions for the period	30	261
Cost at 30 June	2,207	3,441
Impairment losses and depreciation at 1 January	1,619	1,113
Depreciation for the year	192	218
Impairment losses and depreciation at 30 June	1,811	1,331
Carrying amount at 30 June	**396**	**2,110**

TDKK

11. Prepayments

Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

12. Cash at bank and in hand

The Group's total cash at bank and in hand amounts to DKK 413,879k (2022: DKK 344,037k). DKK 11,068k (2022: DKK 19,651k) of this amount are the Group's own bank deposits, and the remaining DKK 402,811k (2022: DKK 324,386k) relates to separate customer accounts with external banks and balances with third parties.

Customer accounts are separated from the Group's own funds by placement in escrow accounts with creditinstitutions.

	Group	
	2023	**2022**
13. Provision for deferred tax		
Deferred tax liabilities at 1 January	1,550	1,178
Amounts recognised in the income statement for the year	-1,144	0
Deferred tax liabilities at 30 June	**406**	**1,178**
14. Cash flow statement - Adjustments		
Financial income	-5,450	-1,954
Financial expenses	2,147	3,201
Depreciation, amortisation and impairment losses, including losses and gains on sales	1,546	1,645
Tax on profit/loss for the year	11,142	11,481
Exchange adjustments	10	100
	9,395	**14,473**
15. Cash flow statement - Change in working capital		
Change in receivables	-9,253	-11,470
Change in trade payables, etc	13,004	-77,923
	3,751	**-89,393**
16. Contingent assets, liabilities and other financial obligations		
Rental and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	5,356	13,859
	5,356	**13,859**

Other contingent liabilities

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Inpay TopCo ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.
Other than that, there are no security and contingent liabilities at 30 June 2023.

TDKK

17. Related parties and disclosure of consolidated financial statements

Controlling interest	Basis
Inpay TopCo ApS	Ultimate Parent Company
Inpay HoldCo ApS	Parent Company

Transactions
The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act.

Consolidated Financial Statements
The Company is included in the Group Annual Report of the Parent Company of the largest and smallest group:

Name	Place of registered office
Inpay TopCo ApS	Copenhagen

18. Subsequent events

In October 2023 Inpay Holding A/S acquired the shares in Robot Go Pty. Ltd. from the parent company Inpay HoldCo ApS at market terms. Management expects the transaction to contribute positively to the company's operations going forward.

19. Accounting policies

The Interim Financial Statements of Inpay Holding A/S for the period 1 January - 30 June 2023 have been prepared in accordance with the recognition and measurement provisions of the Danish Financial Statements Act applying to large-sized enterprises of reporting class C, whereas not all disclosure requirements have been complied with.

The Interim Financial Statements comprise only the consolidated figures. Figures for the Parent Company are not presented.

The Interim Financial Statements for the period 1 January - 30 June 2023 are presented in TDKK.

Recognition and measurement
Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the period are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

Basis of consolidation
The Consolidated Financial Statements comprise the Parent Company, Inpay Holding A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or in which the Parent Company, through share ownership or otherwise, exercises control. Enterprises in which the Group holds between 20% and 50% of the votes and exercises significant influence but not control are classified as associates.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises. The Parent Company's investments in the consolidated subsidiaries are set off against the Parent Company's share of the net asset value of subsidiaries stated at the time of consolidation.

Business combinations
Business acquisitions carried through on or after 1 July 2018
Acquisitions of subsidiaries are accounted for using the purchase method under which the identifiable assets and liabilities of the entity acquired are measured at fair value at the time of acquisition. Acquired contingent liabilities are recognised at fair value in the Consolidated Financial Statements to the extent that the value can be measured reliably.

The time of acquisition is the time when the Group obtains control of the entity acquired.

The cost of the entity acquired is the fair value of the consideration agreed, including consideration contingent on future events. Transaction costs directly attributable to the acquisition of subsidiaries are recognised in the income statement as incurred.

Positive differences between the cost of the entity acquired and identifiable assets and liabilities are recognised as goodwill in intangible assets in the balance sheet and are amortised in the income statement on a straight-line basis over their estimated useful lives. Where the differences are negative, they are recognised immediately in the income statement.

Where the purchase price allocation is not final, positive and negative differences from acquired subsidiaries due to changes to the recognition and measurement of identifiable net assets may be adjusted for up to 12 months after the time of acquisition. These adjustments are also reflected in the value of goodwill or negative goodwill, including in amortisation already made.

Where cost includes contingent consideration, this is measured at fair value at the time of acquisition. Contingent consideration is subsequently measured at fair value. Any value adjustments are recognised in the income statement.

In respect of step acquisitions, any previously held investments in the entity acquired are remeasured at fair value at the time of acquisition. The difference between the carrying amount of the investment previously held and the fair value is recognised in the income statement.

Pooling of interests
Intragroup business combinations are accounted for under the pooling-of-interests method. Under this method, the enterprises in the intragroup business combination, are combined at carrying amounts, and no differences are identified. Any consideration which exceeds the carrying amount of the acquired enterprise is recognised directly in equity. The pooling-of-interests method is applied as if the enterprises had always been combined by restating comparative figures.

For Inpay Holding A/S, the method has been applied to the enterprises contributed as part of the formation of the Company; Inpay A/S, Inpay Services ApS, Inpay Services UK Ltd, Inpay Global ApS, Eurogiro A/S, PostalPay Technologies ApS and Clouditorium ApS.

For the consolidated interim financial statements of 2023, this means that the consolidated numbers are presented including comparatives for 2022, despite the parent company being established at 17 November 2022.

Leases
Leases in terms of which the Group assumes substantially all the risks and rewards of ownership (finance leases) are recognised in the balance sheet at the lower of the fair value of the leased asset and the net present value of the lease payments computed by applying the interest rate implicit in the lease or an alternative borrowing rate as the discount rate. Assets acquired under finance leases are depreciated and written down for impairment under the same policy as determined for the other fixed assets of the Group. The remaining lease obligation is capitalised and recognised in the balance sheet under debt, and the interest element on the lease payments is charged over the lease term to the income statement.

All other leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

Translation policies
Danish kroner is used as the presentation currency. All other currencies are regarded as foreign currencies. Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting.

Income statements of foreign subsidiaries and associates that are separate legal entities are translated at transaction date rates or approximated average exchange rates. Balance sheet items are translated at the exchange rates at the balance sheet date. Exchange adjustments arising on the translation of the opening equity and exchange adjustments arising from the translation of the income statements at the exchange rates at the balance sheet date are recognised directly in equity.

Income statements of enterprises that are integrated entities are translated at transaction date rates or approximated average exchange rates; however, items derived from non-monetary balance sheet items are translated at the transaction date rates of the underlying assets or liabilities. Monetary balance sheet items are translated at the exchange rates at the balance sheet date, whereas non-monetary items are translated at transaction date rates. Exchange adjustments arising on the translation are recognised in financial income and expenses in the income statement.

Segment information on revenue
Information on business segments is based on the Group´s risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income statement

Net sales
Revenues are recognised at the rate of completion of the paymentservices, which means that revenue equals the selling price of the service completed for the year, and when it is probable that the economic benefits, including payments, will flow to the Company.

Direct expenses
Direct expenses comprise direct costs related to the processing of transactions, including bank fees, currency gains and losses, etc.

Other external expenses
Other external expenses comprise expenses for premises, sales as well as office expenses, etc.

Staff expenses
Staff costs include wages and salaries including compensated absence and pensions as well as other social security contributions etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Financial income and expenses
Financial income and expenses comprise interest, financial expenses in respect of finance leases, realised and unrealised exchange adjustments, price adjustment of securities, amortisation of mortgage loans as well as extra payments and repayment under the on-account taxation scheme.

Tax on profit/loss for the period
Tax for the period consists of current tax for the period and deferred tax for the period. The tax attributable to the profit for period is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Company is jointly taxed with Inpay TopCo ApS . The tax effect of the joint taxation with the subsidiaries is allocated to Danish enterprises showing profits or losses in proportion to their taxable incomes (full allocation with credit for tax losses).

The subsidiary Inpay A/S is liable to the increased tax rate applying for certain financial institutions with effect from 2023.

Balance sheet

Intangible fixed assets
Development projects
Costs of development projects comprise salaries, amortisation and other expenses directly or indirectly attributable to the Company's development activities. Development projects that are clearly defined and identifiable and in respect of which technical feasibility, sufficient resources and a potential future market or development opportunity in the enterprise can be demonstrated, and where it is the intention to manufacture, market or use the project, are recognised as intangible assets. This applies if sufficient certainty exists that the value in use of future earnings can cover cost of sales, distribution and administrative expenses involved as well as the development costs.

Development projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred.

Capitalised development costs are measured at cost less accumulated amortisation and impairment losses or at a lower recoverable amount. An amount corresponding to the recognised development costs is allocated to the equity item 'Reserve for development costs'. The reserve is reduced by amortisation of and impairment losses on the development projects on a continuing basis.

As of the date of completion, capitalised development costs are amortised on a straight-line basis over the period of the expected economic benefit from the development work. The amortisation period is 3-5 years.

Property, plant and equipment
Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Interest expenses on loans contracted directly for financing the construction of property, plant and equipment are recognised in cost over the construction period.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Other fixtures and fittings, tools and equipment: 3-5 years

Leasehold improvements: 3-5 years

The fixed assets' residual values are determined at nil. Depreciation period and residual value are reassessed annually.

Impairment of fixed assets
The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to its lower recoverable amount.

Receivables
Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts.

Prepayments
Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities
Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised in respect of temporary differences concerning goodwill not deductible for tax purposes and other items - apart from business acquisitions - where temporary differences have arisen at the time of acquisition without affecting the profit for the year or the taxable income.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. In cases where the computation of the tax base may be made according to alternative tax rules, deferred tax is measured on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

Current tax receivables and liabilities
Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the period adjusted for tax on taxable incomes for prior years. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

Financial debts
Loans are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

Prepayments received from customers primarily comprise transaction payables to the Group's customers (merchants) relating to normal transactions with those. The balance comprises normal purchases of goods and services on credit terms. These payables are measured at amortised cost usually corresponding to nominal value.

Other debts are measured at amortised cost, substantially corresponding to nominal value.

Cash Flow Statement
The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions. Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities
Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities
Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise "Cash at bank and in hand".

The cash flow statement cannot be immediately derived from the published financial records.

Financial Highlights
Explanation of financial ratios
Gross margin: Gross profit x 100 / Revenue

Profit margin: Profit before financials x 100 / Revenue

Return on assets: Profit before financials x 100 / Total assets at year end

Solvency ratio: Equity at year end x 100 / Total assets at year end

Return on equity: Net profit for the year x 100 / Average equity

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