Shape Robotics A/S

Rugmarken 18, DK-3520 Farum

Annual Report for 1 January - 31 December 2022

CVR No 38 32 26 56

The Annual Report was presented and adopted at the Annual General Meeting of the Company on / 2023

Name:
Chairman of the General Meeting

Contents

Management’s Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of Shape Robotics A/S for the financial year 1 January - 31 December 2022.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2022 of the Company and the Group and of the results of the Company and Group operations and of consolidated cash flows for 2022.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Farum, 21 March 2023

Executive Board

André Reinhard Fehrn

Board of Directors

Kasper Støy | Helle Rootzén | Michael Frank

Moises Pacheco

Independent Auditor's Report

To the shareholders of Shape Robotics A/S

Opinion

We have audited the consolidated financial statements and the financial statements of Shape Robotics A/S for the financial year 1 January 2022 - 31 December 2022, which comprise the income statement, balance sheet, statement of changes in equity and notes to the consolidated financial statements and the financial statements, including a summary of significant accounting policies, for the group and the company as well as the consolidated cash flow statement. The consolidated financial statements and the financial statements are prepared in accordance with the Danish Financial Statements Act (Årsregnskabsloven).

In our opinion, the accompanying consolidated financial statements and financial statements present fairly, in all material respects, the group's and the company's assets, equity and liabilities and financial position as at 31 December 2022 and the group's and the company's financial performance and the consolidated cash flows for the financial year 1 January 2022 - 31 December 2022 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements' section of the auditor's report. We are independent of the group and the company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the financial statements

The management is responsible for the preparation and fair presentation of the consolidated financial statements and the financial statements in accordance with the Danish Financial Statements Act and for such internal control as the management determines is necessary to enable the preparation of consolidated financial statements and financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the financial statements, the management is responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the group and the company or to cease operations, or has no realistic alternative but to do so.

Independent Auditor's Report

Auditor's responsibilities for the audit of the consolidated financial statements and the financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and 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 International Standards on Auditing 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 consolidated financial statements and financial statements.

As part of an audit conducted in accordance with International Standards on Auditing and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and 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 group's and the company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting in its preparation of the consolidated financial statements and 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 group's and 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 consolidated financial statements and 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 group and the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor’s Report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 regarding the management’s review
The management is responsible for the management’s review.

Our opinion on the consolidated financial statements and the financial statements does not include the management’s review, and we do not express any form of opinion on the management’s review.

In connection with our audit of the consolidated financial statements and the financial statements, it is our responsibility to read the management’s review and in this connection consider whether the management’s review is materially inconsistent with the consolidated financial statements or the financial statements or the knowledge we have obtained during our audit, or in any other way appears to be materially misstated.

Furthermore, it is our responsibility to consider whether the management’s review contains the information required under the Danish Financial Statements Act.

Based on the work performed, we believe that the management’s review is in accordance with the consolidated financial statements and the financial statements and has been prepared in accordance with the provisions of the Danish Financial Statements Act. We have not detected any material misstatement in the management’s review.

Beierholm Søborg, 21 March 2023
Beierholm
Statsautoriseret Revisionspartnerselskab
CVR No 32 89 54 68

Thomas Thomsen
State Authorized Public Accountant
mne-nr 34079

Company Information

The Company	Shape Robotics A/S Rugmarken 18 DK-3520 Farum CVR No: 38 32 26 56 Financial period: 1 January - 31 December Municipality of reg. office: Furesø
Board of Directors	Kasper Støy Helle Rootzén Michael Frank Moises Pacheco
Executive Board	André Reinhard Fehrn
Auditors	Beierholm Statsautoriseret Revisionspartnerselskab Knud Højgaards Vej 9 DK-2860 Søborg

Financial Highlights

Seen over a two-year period, the development of the Group is described by the following financial highlights:

	Group	
	2022	2021
	TDKK	TDKK
Key figures		
Profit/loss		
Revenue	87.385	17.772
Gross profit/loss	17.528	-1.599
Operating profit/loss	-1.876	-16.050
Net profit/loss for the year	-4.355	-16.320
Balance sheet		
Balance sheet total	104.955	26.048
Equity	43.368	14.993
Cash flows		
Cash flows from:		
- operating activities	-41.326	-14.928
- investing activities	-10.156	-3.099
including investment in property, plant and equipment	-2.432	-720
- financing activities	54.181	10.890
Change in cash and cash equivalents for the year	2.699	-7.137
Number of employees	28	22
Ratios		
Gross margin	20,1%	-9,0%
Profit margin	-3,1%	-90,8%
Solvency ratio	41,3%	57,6%
Contribution ratio	30,3%	35,3%

Group connection occurs by acquisition of Shape Robotics Romania S.R.L at the end of August 2021 after the purchase method, which is why comparative figures before 2021 are not included.

Management's Review

Key activities

Shape Robotics is a Danish EdTech company that offers primary learners digital and technological skills education, fostering lifelong interest and teaching basic STEAM vocational digital skills at an early age. Through their STEAM labs and basic robotics, young learners are taught introductory programming, robotics and AI in an environment that promotes problem-solving and teamwork, capabilities that will be useful no matter what eventual career the student will have. For today's youth to be digitally prepared for the future, internet access and a computer are no longer sufficient. By promoting more advanced digital and technological skills at an earlier age, the school curriculum will provide widespread digital and technological literacy and a head-start for students aiming for STEAM fields.

Under existing education programs that fail to promote advanced digital skills from a young age sufficiently, there is a stark underrepresentation of students that become engineers, IT specialists or engage in other STEAM fields. Those few graduates are often tempted to follow more lucrative career opportunities abroad, further straining the skilled worker shortage. Having Shape Robotics' STEAM labs in more schools can inspire more children to pursue STEAM careers, including exposing children from lower-income backgrounds to those career options. This would reduce the digital divide between household incomes and lead to more graduates in these fields, contesting the effects of brain drain through the increased output of skilled workers.

Our company wants to be a leading educational technology provider within the field of robotics and STEAM education. We have a strong position in one central eastern European country and are now looking to expand our reach into other countries. Our mission is to make a difference in the educational system by providing innovative solutions that enhance the learning experience for students. We see great potential for our products and services in the central and eastern European market and are committed to becoming a leading player in the region.

Market overview

The digital transformation is changing how our society and economy operate, presenting opportunities that were inconceivable just decades ago. However, as the world's digital capabilities increase, there is a demonstrated need for increasingly higher levels of digital education and training across all age groups for citizens to meet their everyday needs.

This problem is known as the digital divide – where an individual's prosperity and opportunities are tied to their attainment of crucial digital skills or access to hardware. Moreover, many industries are now reaching a digitalization bottleneck, with 70% of businesses saying that they lack staff with adequate digital skills, which is an obstacle to investment.

The COVID-19 pandemic further accelerated the digital transition and exacerbated its challenges, as more employees and students had to adapt to online and hybrid working. The Open Public Consultation of the Digital Education Action Plan revealed that 95% of respondents consider that the COVID-19 pandemic marks a turning point for how technology is used in education and training – reinforcing the need for early digital education.

As the world continues to digitalize, the risk grows that the next generation of workers will also struggle

Management’s Review

with digital illiteracy barriers. For example, more than one-third of 13-14-year- olds lack the most basic proficiency level in digital skills. And against common belief, studies show that young people do not develop digitally savvy skills just by growing up with digital devices.

Increasingly, many countries suffer from a shortage of highly skilled IT specialists, with brain drain towards countries with more advanced digital resources playing a significant role. Far too few students are graduating as engineers, IT specialists or other STEAM fields, and those that do tend to look to other countries for career opportunities. Affected countries need to take action to improve skilled worker retention.

Development in the year

Profit & Loss
The financial statement for the year 2022 reveals a net result of TDKK -4.355, representing an improvement of almost DKK 12 million compared to the previous year's figure of TDKK -16.320. Additionally, the EBITDA for the year 2022 was TDKK -193, a considerable improvement from the previous year's figure of TDKK -15.047. Consequently, the group was able to break even at the EBITDA level for the first time, which is a notable achievement for the organization.

Revenue
In the fiscal year 2022, the company recorded a revenue of TDKK 87.385 (17.770), indicating a substantial growth of almost 5 times when compared to the previous year. The revenue generated was derived mainly from Romania, the United States, Denmark, and Australia.

Cash and investments
Cash and cash equivalents at the end of the year was TDKK 4.738, with possibility of using credit facilities for additional T.DKK 2.000. Net cash flow for 2022 was TDKK 2.699 (-7.139). The liquidity draw in the year can primarily be attributed to an increase in inventory and an increase in binding in trade receivables.

Equity
On December 31st 2022 the equity was TDKK 43.368 (14.993). The nominal value of the share capital was TDKK 1.046 (797)

Share calculations
On December 31st 2022 the total number of shares in Shape Robotics A/S was 10.462.619, of which 41.034 was treasury shares with a nominal value of DKK 0,1. The result pr. share was DKK -0,42 (-2.05).

The company’s shares was listed on June 25, 2020 on Nasdaq First North Copenhagen at a price of DKK 9.8, and at the end of 2022, the closing market price for the share was DKK 26.4

Management’s Review

The past year and follow-up on development expectations from last year

The financial results for the year have been strong, with revenue and profitability in line with the expectations. The Board of Directors is very satisfied with the company's development and results in the past year.

Operating risks

The company continuously identifies potential risks that may affect the company's activities. The identified risks are analyzed and sought continuously.

Strategy

Change in management
In March 2022 Shape Robotics underwent a strategic management reorganization to optimize the use of its leadership team's skills. The change involved the appointment of the current CFO, André Fehrn, as the new CEO, and the existing CEO and founder, David Johan Christensen, stepping down to become Vice President and being nominated for the board of directors. The changes aimed to future-proof the company by ensuring efficient operations and continued innovative value creation.

Strategic partnership
Shape Robotics partnered with Samsung Electronics in June 2022 to enhance technology education in schools globally. As part of the agreement, Shape Robotics became one of Samsung's distributors in Romania and Bulgaria, serving as a Value Added Distributor. This enabled Shape Robotics to develop software for Samsung products to connect with other relevant technology, such as its flagship product, Fable Robot. With a focus on expanding alliances with education sector retailers and the public sector in CEE countries, Shape Robotics aimed to strengthen its presence in the rapidly growing and EU-supported market for educational technology in Central and Eastern Europe through the partnership.

Acquisition of VTS
In August 2022, Shape Robotics, acquired Video Technic Systems (VTS), a Romanian technology company. The acquisition aimed to boost Shape Robotics' delivery capacity for turnkey EdTech solutions in Central and Eastern Europe, where demand for education technology is rapidly increasing. VTS's expertise in designing and implementing technology solutions in Romania and Bulgaria supported Shape Robotics' goal of becoming a leading international EdTech supplier. With 12 employees, VTS had a turnover of almost DKK 27 million in 2021 and a positive result of over DKK 1 million.

Resellers and distributors
In September 2022, Shape Robotics was awarded a large order and entered into an exclusive distribution agreement for up to three years with KnowK, one of Italy's leading suppliers of educational technology. Italy, like Romania, received support from the EU in the extensive "Recovery and Resilience Plan" and allocated €2.1 billion (over DKK 15 billion) to digitize 100,000 classrooms over the next 5 years. KnowK has close collaborations with interest organizations in Italy, a strong focus on Italy's Recovery and Resilience Plan, and is publicly certified in Italy to educate teachers, including in the use of new educational technology. KnowK has over 70 dealers in Italy.

Management’s Review

In December 2022 Shape Robotics partnered with one of Romania's leading electronics and IT distributors, NOD (Network One Distribution), to sell Shape Robotics' own robot "Fable," as well as 3D printers and VR glasses, through NOD's extensive distribution network over the next three years. The first order of approximately DKK 7 million was delivered in the current month, and both parties expected to supplement with similar orders about three times a year for the next three years, with a total expected billing value of DKK 60 million. NOD is the leading electronics and IT distributor in Romania, with annual revenue of over 3 billion DKK, and is considered a heavyweight in Eastern and Central Europe with more than 20 years of experience and several thousand partners. From the time of Covid-19 and onwards, NOD has intensified its focus on digitalizing Romania and strategically aims to implement the most innovative solutions and latest technologies to promote development towards modernizing Romanian society.

Targets and expectations for the year ahead

The company's strategy is to continue to expand its international sales channels, participate in selected public projects, optimize operations and introduce new products and services. The aim is to strengthen the company's position as a leading global provider of educational technology.

The growing demand for robotics and digital solutions in the education segment as well as ready-made and thoroughly tested turn-key STEAM Labs support Shape Robotics' expectation of high growth in the future.

The company expects revenue in the range of MDKK 130 to 140 in the financial year 2023, and an EBITDA of MDKK +3 to +5 (bf. non-recurring costs).

Uncertainty relating to recognition and measurement

Recognition and measurement in the Annual Report have not been subject to any uncertainty.

Unusual events

The conflict and the ongoing hostilities in Ukraine from Russia, is unusual and a risk to all companies operating in Europe. The conflict can influence the decisions and the strategy of the company for new emerging market opportunities.

Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Income Statement 1 January - 31 December

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		TDKK	TDKK	TDKK	TDKK
Revenue		**87.385**	**17.772**	**21.455**	**9.388**
Other operating income		622	463	622	462
Expenses for raw materials and consumables		-60.901	-11.492	-15.131	-5.946
Other external expenses		-9.578	-8.342	-5.682	-7.909
Gross profit/loss		**17.528**	**-1.599**	**1.264**	**-4.005**
Staff expenses	1	-16.247	-12.905	-14.094	-12.890
Depreciation, amortisation and impairment of intangible assets and property, plant and equipment		-2.535	-1.083	-870	-978
Other operating expenses		-1.474	-543	0	-516
Profit/loss before financial income and expenses		**-2.728**	**-16.130**	**-13.700**	**-18.389**
Income from investments in subsidiaries		0	0	8.992	1.852
Financial income	2	0	2	93	2
Financial expenses		-1.721	-130	-1.474	-78
Profit/loss before tax		**-4.449**	**-16.258**	**-6.089**	**-16.613**
Tax on profit/loss for the year	3	94	-62	1.734	293
Net profit/loss for the year		**-4.355**	**-16.320**	**-4.355**	**-16.320**

Distribution of profit

Proposed distribution of profit

	Parent Company 2022	Parent Company 2021
Reserve for net revaluation under the equity method	8.978	1.852
Retained earnings	-13.333	-18.172
	-4.355	**-16.320**

Balance Sheet 31 December

Assets

	Note	Group		Parent Company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
Completed development projects		4.800	5.850	3.238	3.843
Goodwill		6.817	355	0	0
Development projects in progress		882	0	882	0
Intangible assets	4	**12.499**	**6.205**	**4.120**	**3.843**
Other fixtures and fittings, tools and equipment		3.171	1.391	426	623
Property, plant and equipment	5	**3.171**	**1.391**	**426**	**623**
Investments in subsidiaries	6	0	0	33.911	2.660
Receivables from group enterprises		0	0	0	595
Fixed asset investments		**0**	**0**	**33.911**	**3.255**
Fixed assets		**15.670**	**7.596**	**38.457**	**7.721**
Finished goods and goods for resale		43.577	8.446	6.781	8.040
Prepayments for goods		1.358	931	0	557
Inventories		**44.935**	**9.377**	**6.781**	**8.597**
Trade receivables		32.868	4.677	8.676	1.180
Receivables from group enterprises		0	0	10.874	2.478
Other receivables		5.010	2.066	1.789	510
Deferred tax asset	8	1.540	0	1.540	0
Corporation tax		194	293	194	293
Receivables		**39.612**	**7.036**	**23.073**	**4.461**
Cash at bank and in hand		**4.738**	**2.039**	**2.693**	**1.508**
Currents assets		**89.285**	**18.452**	**32.547**	**14.566**
Assets		**104.955**	**26.048**	**71.004**	**22.287**

Balance Sheet 31 December

Liabilities and equity

	Note	Group 2022	Group 2021	Parent Company 2022	Parent Company 2021
		TDKK	TDKK	TDKK	TDKK
Share capital	7	1.046	797	1.046	797
Reserve for net revaluation under the equity method		0	0	10.827	1.852
Reserve for development costs		0	0	3.214	2.998
Other statutory reserves		-155	0	0	0
Retained earnings		42.477	14.196	28.281	9.346
Equity		**43.368**	**14.993**	**43.368**	**14.993**
Mortgage loans		925	47	0	0
Lease obligations		0	31	0	0
Other payables		511	4	511	0
Long-term debt	9	**1.436**	**82**	**511**	**0**
Credit institutions		24.222	43	18.172	0
Trade payables		27.750	5.516	6.057	2.924
Other payables	9	8.179	5.414	2.896	4.370
Short-term debt		**60.151**	**10.973**	**27.125**	**7.294**
Debt		**61.587**	**11.055**	**27.636**	**7.294**
Liabilities and equity		**104.955**	**26.048**	**71.004**	**22.287**

Contingent assets, liabilities and other financial obligations	12
Related parties	13
Accounting Policies	14

Statement of Changes in Equity

Group

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Other statutory reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	797	0	0	0	14.196	14.993
Exchange adjustments	0	0	0	-155	155	0
Capital increase	249	0	0	0	33.903	34.152
Capital increase costs	0	0	0	0	-2.490	-2.490
Sale of treasury shares	0	0	0	0	1.071	1.071
Net profit/loss for the year	0	0	0	0	-4.358	-4.358
Equity at 31 December	**1.046**	**0**	**0**	**-155**	**42.477**	**43.368**

Parent Company

	Share capital	Reserve for net revalua-tion under the equity method	Reserve for development costs	Other statutory reserves	Retained earnings	Total
	TDKK	TDKK	TDKK	TDKK	TDKK	TDKK
Equity at 1 January	797	1.852	2.998	0	9.346	14.993
Capital increase	249	0	0	0	33.903	34.152
Capital increase costs	0	0	0	0	-2.490	-2.490
Sale of treasury shares	0	0	0	0	1.071	1.071
Development costs for the year	0	0	692	0	-692	0
Depreciation, amortisation and impairment for the year	0	0	-476	0	476	0
Net profit/loss for the year	0	8.975	0	0	-13.333	-4.358
Equity at 31 December	**1.046**	**10.827**	**3.214**	**0**	**28.281**	**43.368**

Cash Flow Statement 1 January - 31 December

	Note	Group 2022	Group 2021
		TDKK	TDKK
Net profit/loss for the year		-4.355	-16.320
Adjustments	10	4.162	1.269
Change in working capital	11	-38.060	-42
Cash flows from operating activities before financial income and expenses		**-38.253**	**-15.093**
Financial income		0	2
Financial expenses		-1.726	-129
Cash flows from ordinary activities		**-39.979**	**-15.220**
Corporation tax paid		-1.347	292
Cash flows from operating activities		**-41.326**	**-14.928**
Purchase of intangible assets		-7.724	-2.379
Purchase of property, plant and equipment		-2.432	-720
Cash flows from investing activities		**-10.156**	**-3.099**
Repayment of mortgage loans		878	47
Change in loans from credit institutions		20.850	-36
Reduction of lease obligations		-31	31
Cost of Capital increase		-2.490	0
Sale of treasury shares		1.071	518
Capital increase		33.903	10.330
Cash flows from financing activities		**54.181**	**10.890**
Change in cash and cash equivalents		**2.699**	**-7.137**
Cash and cash equivalents at 1 January		2.039	9.176
Cash and cash equivalents at 31 December		**4.738**	**2.039**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		4.738	2.039
Cash and cash equivalents at 31 December		**4.738**	**2.039**

Notes to the Financial Statements

		Group		Parent Company	
		2022	2021	2022	2021
		TDKK	TDKK	TDKK	TDKK
1	**Staff expenses**				
	Wages and salaries	15.360	11.917	13.207	11.902
	Pensions	729	831	729	831
	Other social security expenses	158	157	158	157
		16.247	**12.905**	**14.094**	**12.890**
	Average number of employees	**28**	**22**	**18**	**18**
2	**Financial income**				
	Interest received from group enterprises	0	0	93	0
	Exchange gains	0	2	0	2
		0	**2**	**93**	**2**
3	**Tax on profit/loss for the year**				
	Current tax for the year	1.446	62	-194	-293
	Deferred tax for the year	-1.540	0	-1.540	0
		-94	**62**	**-1.734**	**-293**

Notes to the Financial Statements

4 Intangible assets

Group

	Completed development projects	Goodwill	Development projects in progress	Total
	TDKK	TDKK	TDKK	TDKK
Cost at 1 January	8.042	372	0	8.414
Exchange adjustment	12	0	0	12
Additions for the year	0	6.842	882	7.724
Cost at 31 December	8.054	7.214	882	16.150
Transfers for the year	0	0	0	0
Revaluations at 31 December	0	0	0	0
Impairment losses and amortisation at 1 January	2.192	17	0	2.209
Exchange adjustment	46	0	0	46
Amortisation for the year	1.016	380	0	1.396
Impairment losses and amortisation at 31 December	3.254	397	0	3.651
Carrying amount at 31 December	**4.800**	**6.817**	**882**	**12.499**

To meet the growing demand for teaching with digital technologies in the 21st century, Shape Robotics continues to develop new products and solutions to complement, enhance, and expand existing products. Once projects are completed and put into production, they are depreciated over a period of 4-10 years. If the value is impaired, it will be written down.

Notes to the Financial Statements

4 **Intangible assets** (continued)

Parent Company

	Completed development projects	Development projects in progress
	TDKK	TDKK
Cost at 1 January	6.035	0
Additions for the year	0	882
Cost at 31 December	6.035	882
Impairment losses and amortisation at 1 January	2.192	0
Amortisation for the year	605	0
Impairment losses and amortisation at 31 December	2.797	0
Carrying amount at 31 December	**3.238**	**882**

Notes to the Financial Statements

5 Property, plant and equipment

Group

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	2.140
Exchange adjustment	98
Net effect from merger and acquisition	447
Additions for the year	2.432
Cost at 31 December	5.117
Impairment losses and depreciation at 1 January	749
Exchange adjustment	30
Depreciation for the year	1.167
Impairment losses and depreciation at 31 December	1.946
Carrying amount at 31 December	**3.171**

Parent Company

	Other fixtures and fittings, tools and equipment
	TDKK
Cost at 1 January	1.272
Additions for the year	67
Cost at 31 December	1.339
Impairment losses and depreciation at 1 January	648
Depreciation for the year	265
Impairment losses and depreciation at 31 December	913
Carrying amount at 31 December	**426**

Notes to the Financial Statements

6 Investments in subsidiaries

	Parent Company 2022 TDKK	Parent Company 2021 TDKK
Cost at 1 January	825	825
Additions for the year	22.259	0
Cost at 31 December	23.084	825
Value adjustments at 1 January	1.835	0
Exchange adjustment	-155	0
Net profit/loss for the year	9.527	1.852
Amortisation of goodwill	-380	-17
Value adjustments at 31 December	10.827	1.835
Carrying amount at 31 December	**33.911**	**2.660**
Positive differences arising on initial measurement of subsidiaries at net asset value	6.817	355

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Votes and ownership	Equity	Net profit/loss for the year
Shape Robotics Romania	Romania	100%	18.356	8.428
VIDEO TECHNIC SYSTEMS SRL	Romania	100%	9.223	1.406

Notes to the Financial Statements

7 Share capital

The share capital consists of 10,462,619 shares of a nominal value of DKK 0,1. No shares carry any special rights.

The share capital has developed as follows:

	2022	2021	2020	2019	2018
	TDKK	TDKK	TDKK	TDKK	TDKK
Share capital at 1 January	797	683	256	201	174
Capital increase	249	114	427	55	27
Capital decrease	0	0	0	0	0
Share capital at 31 December	**1.046**	**797**	**683**	**256**	**201**

On 31 December 2022, the company holds 41.034 treasury shares with a nominal value of DKK 0,1.

8 Deferred tax asset

The company holds a deferred tax asset of DKK 11.2 million, of which DKK 1.5 million has been recognized in the balance sheet as of December 31, 2022. The deferred tax asset primarily relates to carried forward losses. The valuation and recognition of the deferred tax asset was based on budgets for the period 2023 to 2024. Based on expected tax results for the next 2 years, the deferred tax asset is expected to be utilized at the present time for DKK 1.5 million in the Danish (parent) company.

9 Long-term debt

Payments due within 1 year are recognised in short-term debt. Other debt is recognised in long-term debt.

The debt falls due for payment as specified below:

	Group		**Parent Company**	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Mortgage loans				
Between 1 and 5 years	925	47	0	0
Long-term part	925	47	0	0
Within 1 year	0	0	0	0
	925	**47**	**0**	**0**

Notes to the Financial Statements

9 Long-term debt (continued)

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK
Lease obligations				
Between 1 and 5 years	0	31	0	0
Long-term part	0	31	0	0
Within 1 year	0	0	0	0
	0	**31**	**0**	**0**
Other payables				
Between 1 and 5 years	511	4	511	0
Long-term part	511	4	511	0
Other short-term payables	8.180	5.416	2.897	4.372
	8.691	**5.420**	**3.408**	**4.372**

10 Cash flow statement - adjustments

	Group	
	2022	2021
	TDKK	TDKK
Financial income	0	-2
Financial expenses	1.721	130
Depreciation, amortisation and impairment losses, including losses and gains on sales	2.535	1.079
Tax on profit/loss for the year	-94	62
	4.162	**1.269**

11 Cash flow statement - change in working capital

Change in inventories	-24.446	-959
Change in receivables	-23.157	-5.623
Change in other provisions	-3.745	-1.056
Change in trade payables, etc	13.288	7.596
	-38.060	**-42**

Notes to the Financial Statements

	Group		Parent Company	
	2022	2021	2022	2021
	TDKK	TDKK	TDKK	TDKK

12 Contingent assets, liabilities and other financial obligations

Charges and security

The following assets have been placed as security with mortgage credit institutes:

As security for debt to a bank, the company has provided a floating charge of nominally DKK 8,000t.kr.

The following assets have been placed as security with bankers:

Payment guarantees	9.300	0	0	0

Contingent liabilities

Rent	82	130	82	130
Leasing	9.042	4.952	0	0

13 Related parties

Transactions

There have been no transactions with the Supervisory Board, the Executive Board, senior officers, significant shareholders, group enterprises or other related parties, except for intercompany transactions and normal management remuneration.

Notes to the Financial Statements

14 Accounting Policies

The Annual Report of Shape Robotics A/S for 2022 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C.

The accounting policies applied remain unchanged from last year.

The Consolidated and Parent Company Financial Statements for 2022 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 year 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, Shape Robotics 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.

Notes to the Financial Statements

14 Accounting Policies (continued)

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. Amortisation of goodwill is allocated in the Consolidated Financial Statements to the operations to which goodwill is related. 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.

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 inte-

Notes to the Financial Statements

14 Accounting Policies (continued)

rest 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

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences 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. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Group.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Expenses for raw materials and consumables

Expenses for raw materials and consumables comprise the raw materials and consumables consumed to achieve revenue for the year.

Other external expenses

Other external expenses comprise indirect production costs and expenses for premises, sales and distribution as well as office expenses, etc.

Staff expenses

Staff expenses comprise wages and salaries as well as payroll expenses.

Notes to the Financial Statements

14 Accounting Policies (continued)

Amortisation, depreciation and impairment losses

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

Other operating income and expenses

Other operating income and other operating expenses comprise items of a secondary nature to the main activities of the Group, including gains and losses on the sale of intangible assets and equipment.

Income from investments in subsidiaries

The item “Income from investments in subsidiaries” in the income statement includes the proportionate share of the profit for the year.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Tax on profit/loss for the year

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

Balance Sheet

Intangible assets

Goodwill acquired is measured at cost less accumulated amortisation. Goodwill is amortised on a straight-line basis over its useful life, which is assessed at 5 years.

Development costs include costs, salaries and wages as well as depreciation that can be directly attributed todevelopment activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficientresources and a potential future market or development opportunity in the business can be identified and where it isthe intention to manufacture, market or use the project is recognized as intangible fixed assets, ifthe cost price can be calculated reliably, and there is sufficient certainty that future earnings can cover itproduction, selling and administrative costs.

Other development costs are recognized in the income statement,as costs are incurred.

Development costs recognized in the balance sheet are measured at cost less accumulated

Notes to the Financial Statements

14 Accounting Policies (continued)

depreciationwritings.After the completion of the development work, capitalized development costs are written off on a straight-line basis over the assessedeconomic useful life. The depreciation period is usually 4-10 years.

Property, plant and equipment

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

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

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 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.

Investments in subsidiaries

Investments in subsidiaries are recognised and measured under the equity method.

The item“Investments in subsidiaries” in the balance sheet include the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition with deduction or addition of unrealised intercompany profits or losses and with addition of the remaining value of any increases in value and goodwill calculated at the time of acquisition of the enterprises.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to “Reserve for net revaluation under the equity method“ under equity. The reserve is reduced by dividend distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at DKK 0. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

Notes to the Financial Statements

14 Accounting Policies (continued)

Inventories

Inventories are measured at the lower of cost under the FIFO method and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories in the process of normal operations with deduction of selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected selling price.

The cost of goods for resale, raw materials and consumables equals landed cost.

The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

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.

Equity

Reserve for net revaluation according to the intrinsic value method includes net revaluation of capital shares in affiliated companiescompanies, associated companies and capital interests in relation to cost price.The reserve can be eliminated by losses, realization of capital shares or changes in accounting estimates.The reserve cannot be recognized with a negative amount.

Reserve for development costs includes recognized development costs with deduction of associated deferred tax liabilities. The reserve cannot be used for dividends or to cover losses. The reserve is reduced or dissolved if the recognized development costs are written off or exit from the company's operations. This is done by transferring directly to the equity's free reserves.

Purchases and sales of own shares are recognized directly in equity. Any profit or loss from a later sale of equity shares is also recognized directly in equity.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets 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 within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legisla-

Notes to the Financial Statements

14 Accounting Policies (continued)

tion at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, 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.

Mortgage loans are measured at amortised cost, which for cash loans corresponds to the remaining loan. Amortised cost of debenture loans corresponds to the remaining loan calculated as the underlying cash value of the loan at the date of raising the loan adjusted for depreciation of the price adjustment of the loan made over the term of the loan at the date of raising the loan.

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 and equipment as well as fixed asset investments.

Cash flows from financing activities

Notes to the Financial Statements

14 Accounting Policies (continued)

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	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Solvency ratio	$\frac{\text{Equity at year end x 100}}{\text{Total assets at year end}}$
Contribution ratio	$\frac{\text{Contribution margin}}{\text{Revenue}}$