Consolidated financial statements for the financial year ended 2022

Shape Robotics A/S

Statement by the Executive Board and Board of Directors on the consolidated financial statements

We have on this day presented the consolidated financial statements for the financial year 01.01.22 - 31.12.22 for Shape Robotics A/S.

The consolidated financial statements is presented in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the company's assets, liabilities and financial position as at 31.12.22 and of the results of the company's activities for the financial year 01.01.22 - 31.12.22.

The consolidated financial statements is submitted for adoption by the general meeting.

Herlev, 10th November 2023

Executive Board

André Reinhard Fehrn

Board of Directors

Jeppe Frandsen
Chairman

Helle Rootzén

Kasper Holst Hansen

Moises Pacheco

Annette Siewert Lindgreen

Independent auditor’s report

Opinion

We have audited the consolidated financial statements of Shape Robotics A/S for the financial year 01.01.22 - 31.12.22, which comprise income statement, balance sheet, statement of changes in equity, statement of cash flows and notes to the consolidated financial statements, including significant accounting policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

In our opinion the consolidated financial statements give a true and fair view of the company’s financial position at 31.12.22 and of the results of the company's operations for the financial year 01.01.22 - 31.12.22 in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing 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 in preparing the financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the consolidated financial statements

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

As part of an audit conducted in accordance with ISAs 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, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

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

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

- Evaluate the overall presentation, structure and contents of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Soeborg, Copenhagen, 10th November 2023

Beierholm
Statsautoriseret Revisionspartnerselskab
CVR no. 32 89 54 68

Thomas Thomsen

State Authorized Public Accountant

Consolidated income statement
for the year ended 31 December

In thousands DKK	Notes	2022	2021
Revenue from contracts with customers	3	87.385	17.772
Costs of goods sold		-60.901	-11.492
Gross profit		**26.484**	**6.280**
Staff expenses	5	-16.312	-13.041
Other external expenses		-4.186	-6.155
Other operating income		622	463
Other operating expenses		-1.474	-543
Operating profit before amortisation, depreciation		**5.134**	**-12.996**
Depreciation and amortisation of intangible assets and property, plant and equipment	6	-7.094	-2.144
Operating profit before financial income and expenses		**-1.960**	**-15.140**
Financial income	7	-	2
Financial expenses	7	-2.380	-237
Profit before tax		**-4.340**	**-15.375**
Tax on loss for the year	8	53	-283
Net profit for the year		**-4.287**	**-15.658**

The consolidated profit for the period is 100% attributable to the owners of Shape Robotics A/S

Earnings per share attributable to ordinary shareholders of the Company			
Earnings per share	20	-0,51	-2,23
Diluted earnings per share	20	-0,51	-2,23

Consolidated statement of comprehensive income

for the year ended 31 December

In thousands DKK	Notes	**2022**	**2021**
Profit for the year		**-4.287**	**-15.658**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		-155	-
Other comprehensive income for the period, net of tax		**-155**	**-**
Total comprehensive income for the period		**-4.442**	**-15.658**

Total comprehensive income for the period is 100% attributable to the owners of Shape Robotics A/S:

Consolidated balance sheet
as at 31 December

In thousands DKK	Notes	**2022**	**2021**	**As at 1 January 2021**
Assets				
Non-current assets				
Goodwill	10	4.809	372	-
Customer relations	10	3.091	-	-
Completed development projects	10	4.800	5.850	4.559
Development projects in progress	10	897	-	-
Right-of-use assets	12	10.282	8.798	1.533
Other fixtures and fittings, tools and equipment	11	3.171	1.391	637
Deferred tax assets	9	1.540	-	170
Total non-current assets		**28.590**	**16.411**	**6.899**
Current assets				
Inventories	13	43.577	8.446	7.742
Prepayments for goods		1.358	931	677
Trade receivables	14	32.868	4.677	338
Other receivables	16	5.010	2.066	614
Corporation tax		194	293	272
Cash and cash equivalents		4.738	2.039	9.176
Total current assets		**87.745**	**18.452**	**18.819**
Total assets		**116.335**	**34.863**	**25.718**

Consolidated balance sheet
as at 31 December

In thousands DKK	Notes	**2022**	**2021**	**As at 1 January 2021**
Equity				
Share capital and share premium	19	1.046	797	683
Other reserves		- 155	-	-
Retained earnings		43.991	14.995	19.671
Total equity		**44.882**	**15.792**	**20.354**
Liabilities				
Non-current liabilities				
Borrowings	16	925	47	-
Lease liabilities	12	4.584	4.644	908
Other payables	16	511	4	495
Deferred tax liabilities	9	774	221	-
Total non-current liabilities		**6.793**	**4.916**	**1.403**
Current liabilities				
Lease liabilities	12	4.510	3.183	625
Borrowings	16	24.222	43	-
Trade payables	16	27.750	5.516	2.187
Other payables	16	8.178	5.414	1.149
Total current liabilities		**64.660**	**14.156**	**3.961**
Total liabilities		**71.453**	**19.072**	**5.364**
Total liabilities and equity		**116.335**	**34.863**	**25.718**

Consolidated statement of changes in equity

for the year ended 31 December 2022

In thousands DKK	Share capital	Share premium	Other reserves	Retained earnings	Total equity
As at 1 January 2022	**797**	**-**	**-**	**14.995**	**15.792**
Profit for the period	-	-	-	-4.287	-4.287
Other comprehensive income	-	-	-155	155	-
Total comprehensive income	**-**	**-**	**-155**	**-4.132**	**-4.287**
Transactions with owners in their capacity as owners					
Capital increase	249	33.903	-	-	34.152
Capital increase costs	-	-	-	-2.192	-2.192
Revaluation of treasury shares in relation to business combination	-	-	-	281	281
Transfer of share premium to retained earnings	-	-33.903	-	33.903	-
Share-based payments	-	-	-	65	65
Purchase of treasury shares	-	-	-	-124	-124
Sale of treasury shares	-	-	-	1.195	1.195
As at 31 December 2022	**1.046**	**-**	**-155**	**43.991**	**44.882**

Consolidated statement of changes in equity

for the year ended 31 December 2021

In thousands DKK	Share capital	Share premium	Other reserves	Retained earnings	Total equity
As at 1 January 2021	**683**	**-**	**-**	**19.668**	**20.351**
Profit for the period	-	-	-	- 15.658	- 15.658
Other comprehensive income	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**- 15.658**	**- 15.658**
Transactions with owners in their capacity as owners					
Capital increase	114	11.034	-	-	11.148
Capital increase costs	-	-	-	- 703	- 703
Transfer of share premium to retained earnings	-	- 11.034	-	11.034	-
Share-based payments	-	-	-	136	136
Sale of treasury shares	-	-	-	518	518
As at 31 December 2021	**797**	**-**	**-**	**14.995**	**15.792**

Consolidated statement of cash flows
for the year ended 31 December

In thousands DKK	Notes		2022		2021
Cash flows from operating activities					
Net profit for the period		-	4.287	-	15.658
Adjustments	18		9.501		2.793
Changes in net working capital	18	-	38.060	-	42
Financial income received			-		2
Financial expenses paid		-	1.726	-	129
Corporation tax paid		-	1.347		292
Net cash inflow (outflow) from operating activities		**-**	**35.919**	**-**	**12.742**
Cash flows from investing activities					
Payments for intangible assets	10	-	896	-	2.379
Payments for property, plant and equipment		-	2.432	-	720
Net cash inflow (outflow) from investing activities		**-**	**3.328**	**-**	**3.099**
Cash flows from financing activities					
Increase in borrowings			878		47
Change in loans from credit institutions			20.850	-	36
Principal elements of lease liabilities		-	5.724	-	2.156
Cost of Capital increase		-	2.189		-
Sale of treasury shares			669		518
Capital increase			27.462		10.330
Net cash inflow (outflow) from financing activities			**41.946**		**8.703**
Net increase (decrease) in cash and cash equivalents			**2.699**	**-**	**7.138**
Cash and cash equivalents at the beginning of the financial year			2.039		9.176
Cash and cash equivalents at end of year			**4.738**		**2.039**

Contents of the notes to the consolidated financial statements

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Shape Robotics A/S and its subsidiaries.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU as well as additional the Danish disclosure requirements applying to entities of reporting class D.

The consolidated financial statements are presented in thousands Danish Kroner ('DKK') and all values are rounded to the nearest thousand, except when otherwise indicated.

First-time adoption of IFRS

These consolidated financial statements are the first consolidated financial statements that are presented in accordance with IFRS.

The comparative figures for 2021 in the income statement and the balance sheet items as at 1 January 2021 and 31 December 2021 were restated in accordance with IFRS. The accounting policies applied are based on the standards and interpretations effective for 2022. No standards or interpretations which are not yet effective have been adopted.

Refer to note 28 for information on how the Group adopted IFRS.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:
- equity interests issued by the group
- fair values of assets transferred
- liabilities incurred to the former owners of the acquired business
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:
- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.
The board of the Group has appointed a strategic steering committee which assesses the financial performance and position of the group and makes strategic decisions. The steering committee, which has been identified as being the chief operating decision maker, consists of the Chief Executive Officer and the Board of Directors.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in DKK, which is the Group's presentation currency.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of a net investment in a foreign operation.

The results and financial position of foreign operations that have a functional currency different from Danish Kroner are translated into Danish Kroner as follows:
- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.
Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Revenue from contracts with customers

Revenue from contracts with customers comprises sale of goods (educational robots). Revenue from the sale of goods is recognised when a group entity sells a good to the customer. Revenue from the sale of goods is recognised at the point in time when control of the goods is transferred to the customer, which generally takes place on delivery.

Revenue from contracts with customers is measured at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. Amounts disclosed as net revenue exclude discounts, VAT and other duties.

Changes in inventories of finished goods and development projects

Changes in inventories of finished goods and development projects comprise changes in inventories and development projects for the year.

Costs of goods sold

Costs of goods sold used comprise the raw materials and consumables consumed to achieve revenue for the year.

Staff costs

Staff expenses comprise direct wages and salaries, pension contributions, social security contributions, sick leave, bonuses, and share-based payments which are recognized in the year in which the associated services are rendered by employees of the Group.

Employee benefits - Pensions

For pensions, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Note 1 Summary of significant accounting policies

Share-based payments

A number of employees have been granted equity-settled share options. Issued share options become exercisable after a certain period of time or upon an earlier exit event subject to the employee still being employed at the exercise date. The grant date fair value is recognized as a compensation expense over the vesting period with a corresponding entry to equity.

Other operating 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.

Other external expenses

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

Financial income and expenses

Financial income and expenses (net financial items) include interest income and expenses calculated in accordance with the effective interest method as well as exchange rate gains and losses on foreign currency transactions.

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

Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income, based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Note 1 Summary of significant accounting policies

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Non-current assets

Goodwill

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, but not lower than the level of operating segments as shown in note 4.

Development projects

Costs associated with research are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets where the following criteria are met:
- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of a development project include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are amortised from the point at which the asset is ready for use.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Amortisation methods and useful lives

The group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Completed development projects	4-10 years
Development projects in progress	Not amortized
Goodwill	Not amortized
Customer relations	10 years

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

Depreciation methods and useful lives

Depreciation is calculated using the straight-line method to allocate the cost of the assets, net of their residual values, over their estimated useful lives as follows:

Other fixtures, fittings and equipment	3-5 years

Leases

The Group's lease agreements relate primarily to leases of properties, vehicles and other equipment. Leases of vehichles are typically made for fixed periods of 2-4 years. Leases of properties are negotiated on an individual basis and contain a wide range of different terms and conditions. Other equipment is are typically leased for fixed periods of 2-4 years. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option
- lease payments to be made under reasonably certain extension options, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.
Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.
To determine the incremental borrowing rate, the Group:
- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Extension options are included in a number of property and equipment leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. The majority of extension and termination options held are exercisable only by the group and not by the respective lessor.

Impairment of assets

Goodwill and development projects in progress are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-current assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Inventories

Inventories are measured at the lower of cost and net realisable value under the FIFO method. 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 equals landed cost. The cost of finished goods and work in progress comprises the cost of raw materials, consumables and direct labour.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Trade receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. They are subsequently measured at amortised cost less loss allowance. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss.

Other receivables

Other receivables comprise deposita, VAT, prepayments operational costs.

Prepayments

Prepayments comprise incurred costs related to the following financial years. Prepayments are measured at cost.

Financial liabilities

Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets, is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

Equity reserves

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deductions, net of tax, from the proceeds.

Contents of the notes to the consolidated financial statements

Note 1 Summary of significant accounting policies

Share premium

Premium on issue of shares are recognised as share premium and subsequently transferred to retained earnings.

Foreign currency translation reserve

Exchange differences arising on translation of the parent company and of foreign controlled entities into DKK, are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Statement of cash flows

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

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 comprise cash flows from the raising and repayment of long-term debt and principal element on lease payments as well as payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprises cash and bank balances.

Key figures

The financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

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: $\frac{\text{Contribution margin}}{\text{Revenue}}$

Contents of the notes to the consolidated financial statements

Note 2 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

Critical estimates

Deferred tax

Recognition of deferred tax assets

The Group 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 tax losses carried forward. 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.

Contents of the notes to the consolidated financial statements

Note 3 Revenue from contracts with customers

Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods at a point in time:

In thousands DKK	**2022**	**2021**
Revenue recognised at a point in time	87.385	17.772
Total revenue	**87.385**	**17.772**

Information about revenue derived in individual countries and geographical areas has been included in note 4.

Normal payment terms for the sale of products is 60 days.

Contents of the notes to the consolidated financial statements

Note 4 Operating segments

Description of segments and principal activities

The Group serves one segment, which is inherent in the way Executive Management considers and operates the Company. The costs related to the main nature of the business, being development and production of robots for the educational sector, are not attributable to any specific revenue stream or customer type and are therefore borne centrally. The results of the single reporting segment, comprising the entire company, are shown in the statements of comprehensive income.

The Chief Executive Officer and the Board of Directors is the Chief Operating Decision Maker (CODM), which is made up of the senior leadership across the respective functional areas and is responsible for the strategic decision making and for the monitoring of the operating results of the single operating segment for the purpose of performance assessment. Segment performance is evaluated by the CODM based on profit or loss for the single segment and is measured consistently with profit or loss in the financial statements of the Company.

The CODM monitors revenue which is attributable to the geographical areas listed below:

In thousands DKK	**2022**	**2021**
Denmark (domicile)	1.430	2.482
Romania	80.556	12.064
Poland	1.441	-
United States	255	517
Other	3.702	2.709
Total revenue	**87.385**	**17.772**

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Non-current assets other than financial instruments and deferred tax assets are distributed as the following:

In thousands DKK	**2022**	**2021**
Denmark (domicile)	10.481	5.435
Romania	7.698	9.723
Poland	-	-
United States	-	-
Non-current assets	**18.179**	**15.158**

Information about major customers

The Group has two major customers in 2022 (2021: one). Revenue from the two customers during 2022 was DKK 11,532 thousands and DKK 16,890 thousands respectively. For 2021, the revenue from the single major customer was DKK 6,267 thousands. The Group has long standing relationships with the major customers.

Note 5 Staff costs

In thousands DKK	2022	2021
Wages and salaries	15.360	11.917
Pension cost, defined contribution plans	729	831
Other social security costs	158	157
Share-based payments	65	136
	16.312	**13.041**
Average number of employees	28	22

Key management personnel compensation

Key management personnel consists of the Executive Board and the Board of Directors. The compensation paid or payables to key management personnel for employee services is shown below:

In thousands DKK	Executive Board	Board of Directors	Total
2022			
Wages and salaries	1.217	533	1.750
Other social security costs	2	-	2
Share-based payments	12	11	23
Total	**1.231**	**544**	**1.775**

In thousands DKK	Executive Board	Board of Directors	Total
2021			
Wages and salaries	1.000	140	1.140
Other social security costs	2	-	2
Share-based payments	24	36	59
Total	**1.025**	**176**	**1.201**

Description of share-based payments

The Group has introduced share-based payment programs to members of the Board of Directors, Executive Management and selected key employees. The Group's current share option program was introduced in 2020.

Under the share option programme, share options of the parent company are granted to executives of the parent and selected key employees at the sole discretion of the Board of Directors. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant.

Note 5 Staff costs

The share options vests automatically (service condition), on a graded schedule which is typically three financial years, if the selected employee is in an unterminated position. Furthermore, accelerated vesting can occur if certain non-market conditions are met. The non-market conditions are the following: liquidation or mergers of the parent company and a delisting of the shares in the parent company on the Nasdaq First North Growth Market. If any of the non-market conditions are met, all share options vests automatically at once.

Share options granted by the Group to the employees are acquired on-market prior to the issue. Shares held by the Group and not yet issued to employees at the end of the reporting period are shown as treasury shares note 19.

The share options can only be exercised in a four week window following the publication of the annual report. The share option programme contains no cash settlement alternatives. The Group accounts for the share option programme as an equity-settled plan. The fair value of the share options is estimated at the grant date using the Black-Scholes option pricing model, taking into account the terms and conditions on which the share options were granted.

Set out below are summaries of options granted under the plan:

	2022		**2021**	
	Average exercise price per share option	Number of share options	Average exercise price per share option	Number of share options
As at 1 January	9,9	72.754	9,8	114.264
Granted during the year	15,0	3.532	11,9	1.680
Exercised during the year	9,9	- 31.948	9,8	- 14.962
Expired during the year	9,8	- 12.922	9,8	- 28.228
As at 31 December	**10,4**	**31.416**	**9,9**	**72.754**

No share options have vested and are exercisable at 31 December 2022 (2021: 0)

Share options outstanding at the end of the year have the following expiry dates and exercise prices:

In thousands DKK	Expiry date	Exercise price	Share options 31 December 2022	Share options 31 December 2021
Grant date				
25 June 2020	25-06-2023	9,8	27.884	71.074
22 February 2021	22-02-2022	11,9	-	1.680
21 January 2022	21-01-2024	15	3.532	-
Total			**31.416**	**72.754**

Weighted average remaining contractual life of options outstanding at end of period:	**0.5 years**	**0.8 years**

The fair value at grant date is determined using a Black-Scholes Model calculation that takes into account the share price at grant date, the exercise price, the risk free interest rate for the term of the warrants, the expected volatility and the term of the share option (the expected maturity).

Contents of the notes to the consolidated financial statements

Note 5 Staff costs

The average model inputs for the share options granted during the year ended 31 December 2022 (2021) included:

a. Share price at grant date: DKK 15 (2021: DKK 11.9)

b. Exercise price: DKK 15 (2021: DKK 11.9)

c. Expected price volatility of shares: 50% (2021: 50%)

d: Risk-free interest rate: 1% (2021: 1%)

e. Expected maturity: 1 - 1.8 years (2021: 1 year)

f. Probabiliy of non-market conditions: 0% (2021: 0%)

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

In thousands DKK	**2022**	**2021**
Equity-settled programme	65	136

Contents of the notes to the consolidated financial statements

Note 6 Depreciation, amortisation and impairment

In thousands DKK	**2022**	**2021**

Depreciation and amortisation

Depreciation of property, plant and equipment	1.167	345
Depreciation of right-of-use assets	4.832	1.078
Amortisation of intangible assets	1.123	716
	7.122	**2.139**

Contents of the notes to the consolidated financial statements

Note 7 Financial income and expenses

In thousands DKK	2022	2021
Financial income		
Foreign exchange rate gains	-	2
Total financial income	**-**	**2**
Financial expenses		
Interest on borrowings not at fair value through profit or loss	- 1.566	- 130
Interest on lease liabilities	- 674	- 107
Foreign exchange rate losses	- 155	-
	- 2.395	**- 237**
Amount capitalized as borrowing costs on development projects	15	-
Finance costs expensed	- 2.380	- 237
Net finance costs	**- 2.380**	**- 235**

Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the group's general borrowings during the year, in this case 3.5% (2021 – 3.5%).

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Note 8 Income tax expense

In thousands DKK	**2022**	**2021**
Current tax		
Current tax on profits for the year	-934	108
Deferred tax	987	-391
Income tax expense	**53**	**-283**

In thousands DKK	**2022**	**2021**
Reconcilliation of effective tax rate		
Tax at the Danish tax rate of 22% (2021: 22%)	-955	-3.383
Less tax in foreign operations in relation to the Danish tax rate of 22% rate (2021: 22%)	-661	-147
Tax effects of amounts which are not deductible (taxable) in calculating taxable income:		
Tax exempt income	-2.432	-583
Non-deductible expenses	929	101
Unrecognised deferred tax asset	1.706	3.317
Other adjustments	1.465	411
Income tax expense	**53**	**-283**

Contents of the notes to the consolidated financial statements

Note 9 Deferred tax

In thousands DKK	**2022**	**2021**
Deferred tax		
Deferred tax at the beginning of period	-221	170
Deferred tax recognised in the statement of profit or loss	987	-391
Deferred tax at year end	**766**	**-221**
Deferred tax relates to:		
Intangible assets	-902	-837
Property, plant and equipment	-41	-82
Right-of-use assets	262	221
Tax losses carried forward	12.185	8.915
Other	-	-
Total	**11.503**	**8.217**
Deferred tax, recognised	**766**	**221**
Of which presented as deferred tax assets	1.540	-
Of which presented as deferred tax liabilities	774	221
Deferred tax asset not recognised in the balance sheet	9.190	7.996
Deferred tax at 31 December	**11.503**	**8.217**

In line with the requirements if IAS 12, the deferred tax assets and liabilities are offset as they have a legal right to set off and relate to income tax with the same taxation authority.

The Group holds a deferred tax asset of DKK 11.5 million, of which DKK 1.5 million has been recognised in the balance sheet as of December 31, 2022. The deferred tax asset primarily relates to losses carried forward. 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 utilised at the present time for DKK 1.5 million for the Group.

Contents of the notes to the consolidated financial statements

Note 10 Intangible assets

In thousands DKK	Goodwill	Completed development projects	Customer relations	Development projects in progress	Total
Cost:					
At 1 January 2021	-	6.035	-	-	6.035
Additions	-	2.007	-	-	2.007
Additions from business combinations	372	-	-	-	372
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Exchange differences	-	-	-	-	-
At 31 December 2021	372	8.042	-	-	8.414
Accumulated depreciation and impairment:					
At 1 January 2021	-	1.476	-	-	1.476
Amortisation charge	-	716	-	-	716
Impairment	-	-	-	-	-
Exchange differences	-	-	-	-	-
At 31 December 2021	-	2.192	-	-	2.192
Carrying amount 31 December 2021	**372**	**5.850**	**-**	**-**	**6.222**
Cost:					
At 1 January 2022	372	8.042	-	-	8.414
Additions	-	-	-	897	897
Additions from business combinations	4.437	-	3.198	-	7.635
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Exchange differences	-	12	-	-	12
At 31 December 2022	4.809	8.054	3.198	897	16.958
Accumulated depreciation and impairment:					
At 1 January 2022	-	2.192	-	-	2.192
Amortisation charge	-	1.016	107	-	1.123
Impairment	-	-	-	-	-
Exchange differences	-	46	-	-	46
At 31 December 2022	-	3.254	107	-	3.361
Carrying amount 31 December 2022	**4.809**	**4.800**	**3.091**	**897**	**13.597**

Note 10 Intangible assets

Development projects

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. In 2022, the company worked on software to make their robots compatible with the Tizen operating system. Once projects are completed and put into production, they are amortised over a period of 4-10 years. If the value is impaired, it will be written down.

Fable Joint module

Developed in 2017 and 2018. Cost price of DKK 1.9 million. The Joint module is the “robot-arm” in the Group's best selling product “Fable Explore”. The cost price is derived from internal hours spent on development of hardware and software capitalized as asset, consultancy fees, certifications and molds for production. Book value end of 2022 is DKK 1 million.

Fable Spin Module

Developed in 2019 and 2020. Cost price of DKK 3.2 million. The Spin Module is the “driving unit” in the Group's second best selling product “Fable Go”. The cost price is derived from internal hours spend on development of hardware and software capitalized as asset, consultancy fees, certifications and molds for production. Book value end of 2022 is DKK 2.2 million.

Fable Blockly for Tizen OS

Ongoing project end of 2022. Book value end of 2022 DKK 0.9 million. Blockly for Tizen is the re-development of the software platform that controls the companys robots on Samsungs OS system Tizen, reenabling users to control the robot directly from Samsungs interactive displays, with JavaScript as coding syntax instead of Python.

Research and development expenditure

The Group is researching prototypes of educational robots. The Group has incurred research and development expenses of DKK 830 thousands (2021: DKK 1,206 thousands), which are included in other external expenses in the statement of profit or loss.

Contents of the notes to the consolidated financial statements

Note 11 Property, plant and equipment

In thousands DKK	Other fixtures, fittings and equipment	Total
Cost:		
At 1 January 2021	1.040	1.040
Additions	720	720
Additions from business combinations	380	380
Transfers	-	-
Disposals	-	-
Exchange differences	-	-
At 31 December 2021	**2.140**	**2.140**
Accumulated depreciation and impairment:		
At 1 January 2021	404	404
Depreciation charge	345	345
Impairment	-	-
Exchange differences	-	-
At 31 December 2021	749	749
Carrying amount 31 December 2021	**1.391**	**1.391**
Cost:		
At 1 January 2022	2.140	2.140
Additions	2.432	2.432
Additions from business combinations	447	447
Transfers	-	-
Disposals	-	-
Exchange differences	98	98
At 31 December 2022	5.117	5.117
Accumulated depreciation and impairment:		
At 1 January 2022	749	749
Depreciation charge	1.167	1.167
Impairment	-	-
Exchange differences	30	30
At 31 December 2022	1.946	1.946
Carrying amount 31 December 2022	**3.171**	**3.171**

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Note 12 Leases

In thousands DKK	**2022**	**2021**

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

Right-of-use assets		
Properties	1.024	1.957
Vehicles	1.149	598
Other equipment	8.109	6.243
	10.282	**8.798**
Additions to the right-of-use assets	6.316	9.876
Lease liabilities		
Current	4.510	3.183
Non-current	4.584	4.613
	9.094	**7.796**

Amounts recognized in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Depreciation charge of right-of-use assets		
Properties	932	579
Vehicles	357	123
Other equipment	3.543	376
	4.832	**1.078**
Interest expense on lease liabilities	674	107
Expense relating to short-term leases	45	-
Expense relating to low-value assets	1	-
Total cash outlow for leases	5.693	2.187

Practical expedients

The Group applies the practical expedient of low-value assets and short-term leases. As a consequence, no right-of-use asset or lease liability arises from the contracts.

Variable lease payments

During 2022 and 2021 there are no variable lease payments not included in lease liabilities.

Extension and termination options

Lease contracts for the Group are on a fixed time basis and does not include extension or termination options. A maturity analysis for the lease liabilities can be found in note 17.

Contents of the notes to the consolidated financial statements

Note 13 Inventories

The Group's inventories comprise the following:

In thousands DKK	**2022**	**2021**
Amounts recognised in the balance sheet		
Raw materials and stores	836	1
Finished goods	42.741	8.444
	43.577	**8.446**

There have been no write downs on inventory in 2022 or 2021.

Amounts recognised in profit or loss

Inventories recognised as an expense during the year ended 31 December 2022 amounted to DKK 60,901 thousands (2021: DKK 11,492 thousands).

Contents of the notes to the consolidated financial statements

Note 14 Trade Receivables

In thousands DKK	**2022**	**2021**
Trade receivables from contracts	32.868	4.677

Due to the short-term nature of the current receivables, the carrying amount is considered to be the same as the fair value.

The Group has historically not incurred any material losses from trade receivables. On that basis, Managment has concluded that the Company's credit risk from trade receivables is not material, and has therefore not recognised any significant allowance for expected credit losses related to trade receivables.

The carrying amounts of the trade receivables include receivables which are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained late payment and credit risk, and therefore continues to recognise the transferred assets in their entirety in its balance sheet.

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Note 15 Impairment tests

Impairment tests for goodwill

The carrying amount of goodwill amounts to DKK 4,809 thousands (2021: DKK 372 thousands) and relates to the acquisitions of Video Technic Systems SRL and Shape Robotics Romania SRL. The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units (CGUs) was determined based on value in use calculations which require the use of assumptions.

The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with the average growth rates in the economy.

The following table sets out the key assumptions for the goodwill:

Key assumptions	**2022**	**2021**
Long-term growth rate for terminal period:	5,0%	5,0%
Pre-tax discount rate:	16,0%	16,0%
Budgeted annual revenue growth rate:	8,0%	7,0%
Budgeted EBIT margin	10,7%	14,6%

Management has determined the values assigned to each of the above key assumptions as follows:

- Long-term growth rate for terminal period: This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
- Pre-tax discount rate: Reflect specific risks relating to the relevant segments and the countries in which they operate.
- Budgeted annual revenue growth rate: Average annual growth rate over the five-year forecast period; based on current industry trends and including long-term inflation forecasts for Romania.
- Budgeted EBIT margin: Based on past performance and management's expectations for the future.

The impairment test shows headroom from value in use to the carrying amount. Management is of the opinion that the assumptions applied are sustainable

Note 16 Financial assets and financial liabilities

The Group holds the following financial instruments:

In thousands DKK	**2022**	**2021**
Financial assets		
Financial assets at amortised cost		
Trade receivables	32.868	4.677
Other receivables	5.010	2.066
Cash and cash equivalents	4.738	2.039
	42.616	**8.782**
Financial liabilities		
Liabilities at amortised cost		
Trade payables	28.261	5.520
Other payables	8.689	5.418
Borrowings	25.147	90
Lease liabilities	9.094	7.827
	71.191	**18.855**

The Group's exposure to various risks associated with the financial instruments is explained in note 17.

Borrowings

	2022			**2021**		
In thousands DKK	Current	Non-current	Total	Current	Non-current	Total
Bank overdrafts	24.222	925	**25.147**	43	47	**90**

For the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

The borrowings comprise an overdraft account agreement, which is renegotiated yearly after the publication of the annual report. The overdraft account carries a fixed interest rate of 3.5% with the addition of the DANBOR rate.

Note 17 Financial risk management

The Group's principal financial liabilities, comprise loans and borrowings, and trade and other payables. The main purpose of these financial liabilities is to finance the Group's operations. The Group's principal financial assets include trade receivables, and cash and cash equivalents.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's management oversees the management of these risks. The Group's management is supported by the Board of Directors that advises on financial risks and the appropriate financial risk governance framework for the Group. The Board of Directors provides assurance to the Group's management that the Group's financial risk activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk for the Group comprises interest rate risk and currency risk. Financial instruments affected by market risk include borrowings, trade receivables, and trade payables.

Interest rate risk

The Group's main interest rate risk arises from borrowings with variable rates, which expose the Group to cash flow interest rate risk.

The Group conducts sensitivity analyses to assess the potential impact of interest rate changes on the Group's financial statements. This analysis helps in understanding the vulnerability of the Group's financial position to interest rate fluctuations. Furthermore, the Group continuously monitor interest rate trends and market conditons to antcipate potental changes and regularly assess the impact of interest rate fluctuations on financial statements and adjust financial strategies accordingly.

The Group's policy seeks, as much as possible, to have fixed interest rates where applicable to better mitigate the risk and make accurate forecasting decisions. The Group has not hedged its interest rate risk.

A reasonably possible change in the market interest rate compared to the interest rates as of the end of the reporting period will have the following hypothetical impact on profit after tax and equity:

In thousands DKK	**2022**	**2021**
Impact on post tax profit and equity		
Interest rate - increase of 5%	- 1.100	-
Interest rate - decrease of 5%	1.100	-

The sensitivity analysis is based on the assumption that all other variables and exposures remains constant. For 2021, the impact on post tax profit and equity is immaterial due to the amount borrowed.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a balance sheet exposure will fluctuate because of changes in foreign exchange rates.

The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency).

Contents of the notes to the consolidated financial statements

Note 17 Financial risk management

The Group operates internationally and is exposed to foreign exchange risk, primarily EUR and USD. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. The Group is managing the risk by actively trying to generate sales in the same currency as it is incurring expenses. The Group has not hedged its currency risk.

The following tables demonstrate the sensitivity to a reasonably possible change in USD exchange rate, with all other variables held constant. The Group's exposure to changes in EUR is not material due to DKK/EUR fixed rate policy.

In thousands DKK	**2022**	**2021**
Impact on post tax profit and equity		
Change in USD rate - increase of 20%	- 30	- 3
Change in USD rate - decrease of 20%	30	3

The sensitivity analysis is based on the assumption that all other variables and exposures remains constant.

Credit risk

Credit risk arises primarily from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

Credit risk is managed on a group basis. For banks and financial institutions, the Group havs established relationships with reliable banks. Furthermore, the Group maintains adequate cash reserves and identifies risks while ensuring proper segregation of duties where possible.

The Company's exposure and policy for managing credit risk from trade receivables has been described in note 14.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities to meet obligations when due. Due to the dynamic nature of the underlying businesses, the Company maintains flexibility in funding by maintaining availability under committed credit lines. To obtain the flexibility in funding the Group has selected to obtain short term overdraft facilities which are renegotiated within every 12 month period.

The Group's policy is to secure adequate liquidity to always meet the planned future financial and operational payment obligations for minimum the next 12 months period. The Group has an adequate liquidity position allowing management to carry out the planned growth strategy. The Group monitors the liquidity risk through follow up against plans and forecasting of cash flow.

Maturities of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities.

Contents of the notes to the consolidated financial statements

Note 17 Financial risk management

Contractual maturities of financial liabilities	> 1 year	1 - 2 years	2 - 5 years	< 5 years	Total contractual cash flows	Carrying amount
At 31 December 2022						
Trade payables	27.750	-	-	-	27.750	27.750
Borrowings	24.222	-	-	-	24.222	24.222
Other payables	8.178	-	-	511	8.689	8.689
Lease liabilities	4.690	5.299	-	-	9.989	9.094
	64.840	**5.299**	**-**	**511**	**70.650**	**69.755**
At 31 December 2021						
Trade payables	5.516	-	-	-	-	-
Borrowings	43	-	-	-	-	-
Other payables	5.414	-	-	-	-	-
Lease liabilities	3.273	5.248	-	-	8.521	7.827
	14.246	**5.248**	**-**	**-**	**8.521**	**7.827**

The amounts disclosed in the following table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

Note 18 Cash flow specifications

In thousands DKK	**2022**	**2021**
Adjustments		
Financial income	-	-2
Financial expenses	2.395	237
Depreciation, amortisation and impairment charges	7.094	2.144
Income tax	-53	283
Other adjustments	65	132
	9.501	2.793
Changes in net working capital		
Change in inventories	-24.446	-959
Change in receivables	-23.157	-5.623
Change in provisions	-3.745	-1.056
Change in trade payables	13.288	7.596
	-38.060	-42

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

In thousands DKK	Borrowings	Leases	Total
Net debt:			
At 1 January 2021	-	1.533	1.533
Cash flows	11	-2.156	-2.145
Additions	209	-	209
New leases	-	8.557	8.557
Interest expense	-130	-107	-237
At 31 December 2021	**90**	**7.827**	**7.917**
Cash flows	21.728	-5.724	16.004
Additions	4.985	-	4.985
New leases	-	15.491	15.491
Interest expense	-1.566	-674	-2.240
At 31 December 2022	**25.147**	**9.094**	**34.241**

Contents of the notes to the consolidated financial statements

Note 19 Share capital

Nominal value in DKK	2022 Number of shares	2022 Nominal value	2021 Number of shares	2021 Nominal value
The share capital comprise:				
Ordinary shares (fully paid)	10.462.619	1.046.262	7.962.619	796.262

No shares carry any special rights.

In thousands DKK	2022	2021
Changes in share capital		
Opening balance	797	683
Capital increase	249	114
Total	1.046	797

Nominal value in DKK	Number of shares	Nominal value
Treasury shares		
At 1 January 2021	202.490	20.249
Additions during the year	-	-
Sold during the year	- 35.334	- 3.533
At 31 December 2021	**167.156**	**16.716**
Additions during the year	12.907	1.291
Sold during the year	- 139.029	- 13.903
At 31 December 2022	**41.034**	**4.103**

Contents of the notes to the consolidated financial statements

Note 20 Earnings per share

	2022	2021
Net profit attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share	- 4.287	- 15.658
Weighted average number of ordinary shares*	**8.325.719**	**7.019.287**
Weighted average number of ordinary shares adjusted for the effect of dilution*	**8.325.719**	**7.019.287**

*The weighted average number of shares takes into account the weighted average effect of changes in treasury shares during the year. The calculation of diluted earnings per share does not include potential ordinary shares that are anti-dilutive.

Contents of the notes to the consolidated financial statements

Note 21 Capital management

The Group's objectives when managing capital are to:
- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group has not adopted a specific key ratio. During 2022, the Group's strategy, which was unchanged from 2021, was to monitor the share and capital structure to ensure that the Group's capital resources support the strategic goals. The overall target is to have secured long term financing with fixed interest rates at competitive rates. During the year, through a close dialogue with its main lenders and with the shareholders, the Group was able to decide on funding of current operation and future strategic initiatives in line with the overall target.

Contents of the notes to the consolidated financial statements

Note 22 Contingent liabilities, commitments and contingencies

Guarantees and security

The following assets have been placed as security with mortgage credit institutes:
As security for debt to a bank, the Group has provided a floating charge of nominally DKK 8,000 thousands

The following assets have been placed as security with bankers:
Payment guarantees in 2022 DKK 9,300 thousands (2021: DKK 0)

Contents of the notes to the consolidated financial statements

Note 23 Business combinations

Summary of acquisition

At 31 August 2022, the Group, acquired 100% of the voting shares in 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.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

In thousands DKK	
Purchase consideration	
Shares issued, at fair value	6.744
Treasury shares	610
	7.354

The assets and liabilities recognised as a result of the acquisition are as follows:

In thousands DKK	**Fair value**
Customer relations	3.198
Other fixtures, fittings	466
Prepayments	28
Inventories	13.148
Trade receivables	2.281
Other receivables	526
Cash and cash equivalents	1.300
Total assets	**20.947**
Borrowings	5.266
Deferred tax liability	512
Prepayments	584
Trade payables	9.898
Other payables	1.770
Total liabilities	**18.030**
Net identifiable assets acquired	**2.917**
Goodwill arising from the acquisition	4.437
Net assets acquired	**7.354**

The goodwill is attributable to the strong brand of the business and relations to its customers, which will positively contribute to the Group's future earning potential. None of the goodwill recognised is expected to be deductible for income tax purposes.

Acquired receivables

The fair value of the trade receivables amounts to DKK 2,281 thousands and it is expected that the full contractual amounts can be collected.

Note 23 Business combinations

Acquired leases

The Group measured the acquired lease liabilities using the present value of the remaining lease payments at the date of acquisition. The right-of-use assets were measured at an amount equal to the lease liabilities

Revenue and profit contribution

The acquired business contributed revenues of DKK 20.8 million and net profit of DKK 0.9 million to the Group for the period from 1 September to 31 December 2022. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been DKK 30.7 million and DKK 1.2 respectively million. These amounts have been calculated using the subsidiary's results and adjusting them for differences in the accounting policies between the group and the subsidiary

Acquisition-related costs

Acquisition-related costs of DKK 301 thousands that were not directly attributable to the issue of shares are included in other external expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

Note 24 Related party transactions

The Group has no related parties with control of the Group and no related parties with significant influence.

Information about remuneration to key management personnel has been disclosed in note 5.

Interests in subsidiaries are set out in note 26.

Transactions with other related parties

No transactions with related parties have taken place in 2022 or 2021.

Contents of the notes to the consolidated financial statements

Note 25 Fee to auditors appointed at the general meeting

In thousands DKK	**2022**	**2021**
Beierholm, Statsautoriseret Revisionspartnerselskab		
Audit fee	390	-
Other assurance services	-	-
Tax advisory service	-	-
Other services	6	-
	397	**-**
PricewaterhouseCoopers, Statsautoriseret Revisionspartnerselskab		
Audit fee	-	126
Other assurance services	-	-
Tax advisory service	-	-
Other services	-	27
	-	**153**

Contents of the notes to the consolidated financial statements

Note 26 Subsidiaries

The group's principal subsidiaries at year end are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of business	Ownership interests held by the group		
		2022	**2021**	**At 1 January 2021**
Parent company				
Shape Robotics A/S	Denmark	100%	100%	100%
Subsidiaries				
Shape Robotics Romania	Romania	100%	100%	0%
VIDEO TECHNIC SYSTEMS SRL	Romania	100%	0%	0%

Note 27 Subsequent events

Subsequent Events

During the preparation of this annual report, significant events have occurred subsequent to the year-end that require disclosure. The below mentioned highlights subsequent are disclosed as regulatory company announcements.

Framework Agreement in Romania

The Group successfully entered into a substantial framework agreement with a total estimated value of a minimum DKK 223 million. This agreement pertains to the delivery of STEAMLabs technology solutions in Romania over the course of 2023 and 2024.

Nasdaq Main Market Listing

In pursuit of enhancing visibility and market presence, the Board of Directors has made a strategic decision to initiate the process of listing the Group on the Nasdaq main market in Copenhagen. This decision underscores our commitment to transparency, accountability, and access to a broader base of investors.

Letter of Intent for Acquisition

The Group has taken a significant step by entering into a Letter of Intent (LOI) to acquire an Edtech company, "Skriware," based in Poland. This potential acquisition aligns with the long-term strategy to expand the portfolio and enhance the presence in the Edtech sector in relevant focus markets.

Note 28 First time adoption of IFRS

The financial statements for the year ended 31 December 2022 are the first that the group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2021 the Group prepared its financial statements in accordance with The Danish Financial Statements Act ('Danish GAAP')

The Group has prepared financial statements that comply with IFRS applicable as at 31 December 2022, together with the comparative period information for the year ended 31 December 2021. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1 January 2021 (date of transition to IFRS).

The disclosures required by IFRS 1 First-time Adoption of IFRS explaining the principal adjustments made by the group in restating Danish GAAP financial statements are provided below.

Except in respect of leases, as described below, there was no material impact on the cash flow statement in the adoption of IFRS.

Correction of errors under previous GAAP

In connection with the transition to IFRS, the Group has revisited the business combination of Video Technic Systems which resulted in the identification and recognition of customer relations as an intangible asset at DKK 3,198 thousands. Customer relations are amortised over a period of 10 years, resulting in an expense of DKK 107 thousands in 2022. As a consequence of the recognition of customer relations, a deferred tax liability adjustment of DKK 512 thousands was also recognised. Furthermore, an increase to the purchase consideration of DKK 280 thousands, an adjustment to goodwill of DKK 512 thousands and a reclassification of transaction cost in relation to business combinations of DKK 301 thousands from equity to other external expenses was made.

Notes to the reconciliation from Danish GAAP to IFRS

Leases

In accordance with the provisions in IFRS 1, the group has adopted IFRS 16 Leases from the date of transition. With the adoption of IFRS 16, the group recognised lease liabilities in relation to leases which under Danish GAAP were classified as operating leases. These liabilities were measured at the present value of the remaining lease liabilities as at the transition date using the incremental borrowing rates of 1 January 2021. The weighted average incremental borrowing rate applied was 3.22% at the date of transition. The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

By 31 December 2021, a lease liability of DKK 8,017 thousands and a right-of-use asset of DKK 8,798 thousand was recognised. Furthermore, as a consequence of temporary differences, a deferred tax liability of DKK 221 thousands was recognised 31 December 2021 (2022: DKK 262 thousands). In the cash flow statement, lease payments were under presented in cash flow from operating activities Danish GAAP. Under IFRS, the principal element of lease payments are presented in cash flows from financing activities, whereas the interest element is presented as cash flows from operating activities. As a consequence, the principal repayment of DKK 5,693 thousands in 2022 (2021: DKK 2,187 thousands) is presented under financing activities instead of operating activities.

Share-based payments

The Group has granted equity-settled share options to certain key employees, which according to IFRS 2 - Share-based payments is recognized as a compensation expense, measured at fair value at the grant date, in the profit and loss over the vesting period with a corresponding entry to equity. Under Danish GAAP, the Group has not recognized any expenses for equity-settled share options.As a consequence, the Group has recognized DKK 91 thousands in 2022 and DKK 186 thousands in 2021 as a compensation expense with a corresponding entry to equity.

Contents of the notes to the consolidated financial statements

Note 28 First time adoption of IFRS

Reversal of goodwill amortization

Under Danish GAAP, the Group was amortizing goodwill. Under IFRS, however, goodwill is subject to yearly amortization but is instead tested annually for impairments. As a consequence, the Group has reversed goodwill amortization of DKK 397 thousands in 2022 and DKK 17 thousands in 2021.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The group has applied the following exemptions:

- Leases: Lease liabilities are measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2021. Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before 1 January 2021. The lease payments associated with leases for which the lease term ends within 12 months of the date of transition to IFRS and leases for which the underlying asset is of low value have been recognised as an expense on either a straight-line basis over the lease term or another systematic basis.

- Exchange differences on translation of foreign operations are deemed to be zero as at 1 January 2021.

- No opening adjustment on the date of transition for share options that have fully vested prior to the date of transition has been recognized. Only the expenses related to the share options vesting after the date of transition to IFRS have been recognized.

Group reconciliation

In thousands DKK	As at 1 January 2021			For the year ended 31 December 2021	As at 31 December 2021		
	Assets	Liabilities	Equity	Profit for the year	Assets	Liabilities	Equity
According to the Danish Financial Statements Act	24.185	3.831	20.354	- 16.320	26.048	11.055	14.993
IFRS adjustments							
Share-based payments	-	-	-	- 136	-	-	-
Leases	1.533	1.533	-	781	8.798	8.017	782
Reversal of goodwill amortization	-	-	-	17	17	-	17
	1.533	1.533	-	662	8.815	8.017	799
According to IFRS	**25.718**	**5.364**	**20.354**	**- 15.658**	**34.863**	**19.072**	**15.792**

Contents of the notes to the consolidated financial statements

Note 28 First time adoption of IFRS

Group reconciliation

In thousands DKK	As at 1 January 2022			For the year ended 31 December 2022	As at 31 December 2022		
	Assets	Liabilities	Equity	Profit for the year	Assets	Liabilities	Equity
According to the Danish Financial Statements Act*	26.048	11.055	14.993	- 4.763	105.641	62.098	43.543
IFRS adjustments							
Share-based payments	-	-	-	- 65	-	-	-
Leases	8.798	8.017	782	145	10.282	9.355	927
Reversal of goodwill amortization	17	-	17	380	397	-	397
Capitalisation of borrowing costs	-	-	-	15	15	-	15
	8.815	8.017	799	476	10.694	9.355	1.339
According to IFRS	**34.863**	**19.072**	**15.792**	**- 4.287**	**116.335**	**71.453**	**44.882**

*Adjusted for errors under previous GAAP as described under *"Correction of errors under previous GAAP"*.

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André Reinhard Fehrn
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Thomas Rechter Thomsen
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