

Company Registration No. 38916394

Amazon Data Services Denmark ApS

Annual Report

For the year ended December 31, 2021

c/o Azets Insight A/S, Lyskaer 3C, 1. TV.,
Herlev, 2730,
Denmark

The Annual Report was presented and adopted at the
Annual General Meeting of the Company
on _____, 2022

Chairman of the Annual General Meeting

Amazon Data Services Denmark ApS
38916394

Table of contents

	Page
Management Statement	<u>3</u>
Management Review	<u>4</u>
Independent Auditors' Report	<u>5</u>
Statement of Cash Flows	<u>7</u>
Statement of Comprehensive Income	<u>8</u>
Balance Sheet	<u>9</u>
Statement of Stockholder's Equity	<u>10</u>
Notes to Annual Report	<u>11</u>

Amazon Data Services Denmark ApS
38916394

Management Statement

The Executive Board have today considered and adopted the Management Statement, Management Review and Financial Statements of Amazon Data Services Denmark ApS for the year ended December 31, 2021.

The Management Statement, Management Review and Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the additional requirements of the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position at December 31, 2021 of the Company and of the results of the Company's operations for the year.

The financial statements of the Company have been subjected to an extended review by an independent audit firm in line with requirements of the Danish Financial Statements Act.

We recommend that the Management Statement, Management Review and Financial Statements be adopted at the Annual General Meeting.

Management

DocuSigned by:



February 18, 2022

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38916394

Management Review

Business Review

The Company's revenue for the year ended December 31, 2021 was DKK 20,580,841 (2020: DKK 16,994,674).

The Company's profit for the year was DKK 783,423 (2020: DKK 682,319).

Principal Activities

The principal activity of the Company is the provision of data hosting services to related parties.

Going Concern

The financial statements have been prepared on a going concern basis as we have ready access to financial resources and there are reasonable grounds to believe that we will be able to pay our debts as and when they become due and payable.

Principal Risks and Uncertainties

The Company is dependent on the continued success of the Amazon.com group companies. The principal risks and uncertainties they face include, among others, risks related to competition, management growth, new products, services and technologies, potential fluctuations in operating results, international expansion, outcomes of legal proceedings and claims, data center and fulfilment center optimization, seasonality, commercial agreements, acquisitions and strategic transactions, foreign exchange rates, loss of key personnel, system interruption, data loss or security breaches, inventory, intellectual property rights, stock price volatility, government regulation and taxation, payments and fraud. More information about the principal risks and uncertainties facing the group is included in Amazon.com, Inc's filings with the U.S. Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2021, and all subsequent filings.

Independent Auditors' Report

To the shareholders of Amazon Data Services Denmark ApS

Conclusion

We have performed an extended review of the financial statements of Amazon Data Services Denmark ApS for the financial year 1 January – 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including policies. The financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Based on the work performed, in our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for conclusion

We conducted our extended review in accordance with the Danish Business Authority's Assurance Standard for Small Enterprises and FSR – Danish Auditors' standard on extended review of financial statements prepared in accordance with the Danish Financial Statements Act. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the extended review of the financial statements" section of our report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Independence

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.

Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, 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 extended review of the financial statements

Our responsibility is to express a conclusion on the financial statements. This requires that we plan and perform procedures in order to obtain limited assurance for our conclusion on the financial statements and in addition perform specifically required supplementary procedures to obtain further assurance for our conclusion.

An extended review comprises procedures that primarily consist of making inquiries of Management and others within the Company, as appropriate, analytical procedures and the specifically required supplementary procedures as well as evaluation of the evidence obtained.

Independent Auditors' Report

The procedures performed in an extended review are less than those performed in an audit, and accordingly, we do not express an audit opinion on the financial statements.

Statement on the Management's review

Management is responsible for the Management's review.

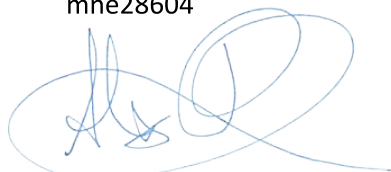
Our conclusion on the financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

In connection with our extended review of the financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the extended review, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Copenhagen, 18 February 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28
Alex Petersen
State Authorised
Public Accountant
mne28604



Amazon Data Services Denmark ApS
38916394

Statement of Cash Flows

	Year ended December 31,	
	2020	2021
	DKK	DKK
Cash, cash equivalents and restricted cash, beginning of year	19,436,693	21,971,021
OPERATING ACTIVITIES:		
Net income / (loss)	682,319	783,423
Adjustments to reconcile net income / (loss) to net cash from operating activities:		
Depreciation of property and equipment, lease assets and other	12,364,305	10,029,806
Finance income, finance costs and other expense (income), net	(4,350)	97,991
Amounts due to related parties, net	805,318	(19,576,249)
Accounts receivable, net and other	38,828	(301,493)
Prepayments	(44,555)	(161,606)
Accounts payable	(814,784)	3,192,058
Accrued expenses and other	(4,813,110)	(1,604,393)
Other assets	(303,764)	32,845
Cash received for interest	—	1,334
Cash paid for interest	(1,597)	(24)
Cash paid for income taxes, net of refunds	—	(4,418,622)
Net cash provided by (used in) operating activities	<u>7,908,610</u>	<u>(11,924,930)</u>
INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,687,547)	(3,048,405)
Net cash provided by (used in) investing activities	<u>(2,687,547)</u>	<u>(3,048,405)</u>
FINANCING ACTIVITIES:		
Principal repayments of lease liabilities	(2,686,735)	(6,997,686)
Net cash provided by (used in) financing activities	<u>(2,686,735)</u>	<u>(6,997,686)</u>
Net increase (decrease) in cash and cash equivalents	<u>2,534,328</u>	<u>(21,971,021)</u>
Cash, cash equivalents and restricted cash, end of year	<u><u>21,971,021</u></u>	<u><u>—</u></u>

See accompanying notes to annual report

Statement of Comprehensive Income

		Year ended December 31,	
		2020	2021
		DKK	DKK
	Note		
Net service sales	4	16,994,674	20,580,841
Administrative expenses	2	(16,235,242)	(19,600,924)
Operating income		<u>759,432</u>	<u>979,917</u>
Finance income		—	1,334
Finance costs		(37,057)	(24)
Other income (expense), net	1.4	162,394	(11,231)
Income before income taxes		<u>884,769</u>	<u>969,996</u>
Provision for income taxes	3	(202,450)	(186,573)
Net income representing total comprehensive income		<u><u>682,319</u></u>	<u><u>783,423</u></u>

See accompanying notes to annual report

Balance Sheet

		December 31,	
	Note	2020 DKK	2021 DKK
CURRENT ASSETS			
Cash and cash equivalents		21,971,021	—
Amounts due from related parties	4	1,695,683	22,292,409
Accounts receivable, net and other	1.7	415,746	717,238
Prepayments		53,687	215,293
Income tax receivable		—	2,264,216
Total current assets		<u>24,136,137</u>	<u>25,489,156</u>
NON-CURRENT ASSETS			
Property and equipment, net	5	19,419,319	13,076,076
Leases	6	441,203	7,048,169
Deferred tax assets	3	601,380	1,154,911
Other assets	1.10	432,583	399,738
Total non-current assets		<u>20,894,485</u>	<u>21,678,894</u>
Total assets		<u><u>45,030,622</u></u>	<u><u>47,168,050</u></u>
CURRENT LIABILITIES			
Accounts payable		626,989	3,869,407
Accrued expenses and other	1.11	1,653,847	110,318
Amounts due to related parties	4	11,164	1,080,582
Income tax payable		1,414,302	—
Total current liabilities		<u>3,706,302</u>	<u>5,060,307</u>
STOCKHOLDER'S EQUITY			
Share capital, DKK10 par value:			
Authorized shares – Unlimited and Unlimited			
Issued shares – 5,000 and 5,000			
Outstanding shares – 5,000 and 5,000			
		50,000	50,000
Additional paid-in capital		39,300,000	39,300,000
Stock-based compensation reserve		27,365	27,365
Retained earnings		1,946,955	2,730,378
Total stockholder's equity		<u>41,324,320</u>	<u>42,107,743</u>
Total liabilities and stockholder's equity		<u><u>45,030,622</u></u>	<u><u>47,168,050</u></u>

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February 18, 2022

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Executive officer

See accompanying notes to annual report

Statement of Stockholder's Equity

	Share capital	Additional paid-in capital	Stock-based compensation reserve	Retained earnings	Total
	DKK	DKK	DKK	DKK	DKK
Balance at January 1, 2020	50,000	39,300,000	27,365	1,264,636	40,642,001
Net income representing total comprehensive	—	—	—	682,319	682,319
Balance as at December 31, 2020	50,000	39,300,000	27,365	1,946,955	41,324,320
Net income representing total comprehensive	—	—	—	783,423	783,423
Balance as at December 31, 2021	50,000	39,300,000	27,365	2,730,378	42,107,743

See accompanying notes to annual report

Notes to Annual Report

DESCRIPTION OF BUSINESS AND ACCOUNTING POLICIES

1.1 Description of business

Amazon Data Services Denmark ApS ("we", "our" or "the Company") is a private limited company domiciled in Denmark. Our registered address is located at c/o Azets Insights A/S, Lyskaer 3c, 1. tv., Herlev, 2730, Denmark.

Our immediate parent is A100 ROW, Inc. ("the Parent"), a company incorporated in United States of America. Our ultimate parent entity is Amazon.com, Inc., a company incorporated in the United States of America.

Our principal activity is the provision of data hosting services to related parties.

Our annual report was authorized for issue by the managing director on February 18, 2022.

1.2 Basis of preparation

The annual report has been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by EU, and in conformity with the Danish Financial Statements Act, as laid down in the IFRS order issued in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting Class B as well as selected provisions as regards larger entities. The annual report has been prepared using the accrual basis of accounting and on the basis of historical cost.

The annual report has been presented in Danish Krone ("DKK"), which is also our functional currency.

Comparative information has been updated where necessary to conform to changes in presentation in the current period.

1.3 Revenue

Revenue is measured based on the amount of consideration that we expect to receive. Revenue also excludes any amounts collected on behalf of third parties, including VAT.

A description of our principal revenue generating activities is as follows:

Revenue from related parties – We provide data hosting services to related parties. Revenue is recognized over time as services are rendered.

1.4 Other income (expense), net

Other income (expense), net, consists primarily of foreign currency gains (losses) (of DKK111,323 and (DKK11,231)) and intercompany rental income (of DKK51,071 and DKK0) in 2020 and 2021.

1.5 Income taxes

Income taxes have been provided for using an asset and liability based approach.

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax bases, as well as net operating loss and tax credit carryforwards, and are stated at enacted or substantively enacted tax rates expected to be in effect when taxes are actually paid or recovered.

Notes to Annual Report

Deferred tax assets represent amounts available to reduce income taxes payable in future periods. Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

In its capacity as a group company, the company is jointly taxed with other Danish group entities and is jointly and severally liable with the other jointly taxed entities for the payment of income taxes and withholding taxes on dividends, interest, and royalties falling due for payment after the joint taxation became effective.

1.6 Cash and cash equivalents

We classify all highly liquid instruments with an original maturity of three months or less as cash equivalents.

1.7 Accounts receivable, net and other

Included in "Accounts receivable, net and other" on our balance sheet are amounts primarily related to VAT and short term deposits. As of December 31, 2020 and 2021, VAT receivables were DKK271,746 and DKK717,238 and short term deposits were DKK144,000 and DKK0.

1.8 Property and equipment, net

Property and equipment are stated at cost less accumulated depreciation. Costs include costs incurred to acquire or construct an item of property and equipment, and costs incurred subsequently to add to or replace part of it. Incentives that we receive from property and equipment vendors are recorded as a reduction to our costs. Property includes leasehold improvements. Equipment includes assets such as servers and networking equipment, heavy equipment and computers and associated equipment.

Depreciation is recorded on a straight-line basis over the estimated useful lives of the assets (generally four years for our servers, five years for networking equipment, ten years for heavy equipment, two to five years for computers and associated equipment and the shorter of the lease term or the useful life for leasehold improvements). Depreciation expense is classified within "Administrative expenses" in the statement of comprehensive income.

1.9 Leases

We record lease assets and liabilities for leases with contractual terms longer than twelve months. For leases of twelve months or less we recognize the rental expense on a straight-line basis over the lease term. Our leases generally have terms that range from 1 to 20 years for equipment and 1 to 3 years for property.

Certain lease contracts include obligations to pay for other services, such as operations and maintenance. For leases of property, we account for these other services as a component of the lease. For substantially all other leases, the services are accounted for separately and we allocate payments to the lease and other services components based on estimated stand-alone prices.

Lease liabilities are recognized at the present value of the fixed lease payments, reduced by landlord incentives using a discount rate based on similarly secured borrowings available to us. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by landlord incentives, plus any direct costs from executing the leases or lease prepayments reclassified from "Prepayments" upon lease commencement. Lease assets are tested for impairment in the same manner as property and equipment.

Notes to Annual Report

When we have the option to extend the lease term, terminate the lease before the contractual expiration date, or purchase the leased asset, and it is reasonably certain that we will exercise the option, we consider the option in determining the measurement of the lease. We remeasure lease liabilities, with a corresponding adjustment to the lease assets, for changes in price indices or market interest rates when there is a change in cash flows.

Lease assets are depreciated within "Administrative expenses" on a straight-line basis over the shorter of the estimated useful lives of the assets or, in the instance where title does not transfer at the end of the lease term, the lease term. The interest component of a lease is included in "Finance costs" and recognized using the effective interest method over the lease term.

1.10 Other assets

Other assets consists primarily of non-recurring charges for telecommunication services of DKK432,583 and DKK399,738 as of December 31, 2020 and 2021.

1.11 Accrued expenses and other

Included in "Accrued expenses and other" on our balance sheet are liabilities primarily related to leases (of DKK1,112,747 and DKK0) and other operating expenses (of DKK541,100 and DKK110,318) as of December 31, 2020 and 2021.

1.12 Financial instruments

Initial recognition and subsequent measurement

Financial assets and financial liabilities are recognized in our balance sheet when we become party to the contractual provisions of the instruments. We classify financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition. Accounts receivable and amounts due from related parties that do not contain a significant financing component are measured at the transaction price.

A financial asset is classified based on the business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

- A financial asset is subsequently measured at amortized cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:
 - it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
 - its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- A financial asset is subsequently measured at fair value through other comprehensive income if it is held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- Any financial assets that are not held in one of the two business models mentioned above are measured at fair value through profit or loss.

Notes to Annual Report

Financial assets at amortized cost are subsequently measured using the effective interest rate ("EIR") method. EIR is deemed to be nil due to short term maturity of the financial assets.

Our financial assets and liabilities consist of cash and cash equivalents, amounts due from related parties, accounts receivable, net and other (excluding VAT receivable), accounts payable, lease liabilities and amounts due to related parties.

Our financial liabilities are classified as subsequently measured at amortized cost.

Derecognition

Financial assets and financial liabilities are derecognized from our balance sheet when the contractual rights over the cash flows are extinguished or have been transferred, provided that in that transfer the risks and benefits inherent to ownership have been substantially conveyed.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

1.13 Foreign currency

Transactions denominated in foreign currencies are initially recognized at the rates of exchange on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rates at the reporting date.

Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rates as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated into the functional currency using the exchange rates at the date when the fair value was determined.

Currency translation differences are recognized in the statement of comprehensive income.

1.14 Use of estimates

The preparation of annual report in conformity with IFRS requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenues and expenses, and related disclosures of contingent liabilities in the annual report and accompanying notes.

Estimates are used for, but not limited to, useful lives of equipment. Actual results could differ materially from this estimate.

For example, in December 2021 we completed a useful life study for our servers and networking equipment and are increasing the useful lives from four years to five years for servers and from five years to six years for networking equipment in January 2022. We had previously increased the useful life of our servers from three to four years in January 2020.

Amazon Data Services Denmark ApS
38916394

Notes to Annual Report

2. Administrative expenses

Significant items included within "Administrative expenses", include:

	Year ended December 31,	
	2020	2021
	DKK	DKK
Depreciation of property and equipment and lease assets	12,364,305	10,029,806
Facilities	1,092,483	4,311,018
Telecommunication costs	2,181,143	4,697,270

3. Income taxes

The components of the provision for income taxes are as follows:

	Year ended December 31,	
	2020	2021
	DKK	DKK
Current taxes	625,020	740,104
Deferred taxes	(422,570)	(553,531)
Provision for income taxes	202,450	186,573

The items accounting for differences between income taxes computed at the statutory rate and the provision recorded for income taxes are as follows:

	Year ended December 31,	
	December 31,	December 31,
	2020	2021
	DKK	DKK
Income before income taxes	884,769	969,996
Income taxes computed at the statutory rate of 22%	194,649	213,399
Effect of:		
Other	7,801	(26,826)
Total provision for income taxes	202,450	186,573

Deferred income tax assets are as follows:

	December 31,	
	2020	2021
	DKK	DKK
Deferred tax assets		
Depreciation and amortization	601,380	1,154,911
Total deferred tax assets	601,380	1,154,911

Amazon Data Services Denmark ApS
38916394

Notes to Annual Report

4. Related parties

Related party transactions:

During the year, we entered into the following transactions with related parties:

	Sale of services		Leases to	
	2020	2021	2020	2021
	DKK	DKK	DKK	DKK
Other related parties	16,994,674	20,580,841	51,071	—

As of December 31,	Amounts due from related parties		Amounts due to related party	
	2020	2021	2020	2021
	DKK	DKK	DKK	DKK
Other related parties	1,695,683	22,292,409	(11,164)	(1,080,582)

Amounts due from other related parties includes DKK20,994,586 (2020: DKK0) related to cash pooling arrangements, repayable on demand and bearing interest at 0% (2020: N/A).

Amounts due from related parties are unsecured, non-interest bearing and payable within 90 days from the date of invoice. No guarantees have been given or received. No expense has been recognized in the years ended December 31, 2020 and 2021, for bad or doubtful debts in respect of amounts owed by related parties.

Remuneration of key management personnel

No remuneration was paid to the key management personnel for the years ended December 31, 2020 and 2021.

5. Property and equipment, net

	Leasehold improvements	Equipment	Total
	DKK	DKK	DKK
Net book value at January 1, 2020	191,668	19,998,105	20,189,773
Additions	—	7,740,146	7,740,146
Depreciation	(100,000)	(8,410,600)	(8,510,600)
Net book value at December 31, 2020	<u>91,668</u>	<u>19,327,651</u>	<u>19,419,319</u>
Net book value at January 1, 2021	91,668	19,327,651	19,419,319
Additions	—	3,048,405	3,048,405
Depreciation	(91,668)	(9,299,980)	(9,391,648)
Net book value at December 31, 2021	<u>—</u>	<u>13,076,076</u>	<u>13,076,076</u>

Amazon Data Services Denmark ApS
38916394

Notes to Annual Report

At December 31, 2020

Cost	359,000	40,788,682	41,147,682
Accumulated depreciation	(267,332)	(21,461,031)	(21,728,363)
Net book value	91,668	19,327,651	19,419,319

At December 31, 2021

Cost	359,000	43,837,087	44,196,087
Accumulated depreciation	(359,000)	(30,761,011)	(31,120,011)
Net book value	—	13,076,076	13,076,076

6. Leases

We have entered into non-cancellable leases relating to equipment, office, fulfillment and data center facilities. The carrying amount of lease assets at December 31, 2020 and 2021, and additions and depreciation expense for the year then ended are as follows:

	Equipment DKK	Property DKK	Total DKK
December 31, 2020			
Depreciation expense	—	(3,853,705)	(3,853,705)
Carrying amount	—	441,203	441,203
December 31, 2021			
Additions	6,743,438	501,686	7,245,124
Depreciation expense	(196,636)	(441,522)	(638,158)
Carrying amount	6,546,802	501,367	7,048,169

Other information about lease amounts recognized in our annual report is summarized as follows:

	Year ended December 31,	
	2020	2021
	DKK	DKK
Interest on lease liabilities (recognized in "Finance costs")	1,597	23
Expense relating to short-term leases and variable lease cost (recognized in facilities in note 2 "Administrative expenses")	41,842	2,750,764
Total cash outflow for leases	2,741,409	9,748,473

Amazon Data Services Denmark ApS
38916394

Notes to Annual Report

Our lease liabilities, by maturity, were as follows:

	December 31,	
	2020	2021
	DKK	DKK
Less than one year	1,112,770	—
Total minimum lease payments	1,112,770	—
Less: imputed interest	(23)	—
Present value of lease payments	<u>1,112,747</u>	<u>—</u>

We are committed to leases not yet commenced with a present value of future lease payments totaling DKK2,494,241. This is not reflected in the lease liabilities as at December 31, 2021.

7. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	December 31,	
	2020	2021
	DKK	DKK
Financial assets at amortized cost		
Cash and cash equivalents	21,971,021	—
Accounts receivable, net and other (excluding VAT receivable)	144,000	—
Amounts due from related parties	1,695,683	22,292,409
Total	<u>23,810,704</u>	<u>22,292,409</u>

The accounting policies for financial instruments have been applied to the line items below:

	December 31,	
	2020	2021
	DKK	DKK
Financial liabilities at amortized cost		
Accounts payable	626,989	3,869,407
Amounts due to related parties	11,164	1,080,582
Lease liabilities	1,112,747	—
Accrued expenses and other	541,100	110,318
Total	<u>2,292,000</u>	<u>5,060,307</u>

We consider the carrying amount of all financial instruments approximate their fair value as at December 31, 2020 and 2021.

Amazon Data Services Denmark ApS
38916394

Notes to Annual Report

8. Financial risk management

The main risks arising from our use of financial instruments are liquidity risk, credit risk, interest rate risk and foreign exchange risk. We do not hold or issue derivative financial instruments for trading purposes or in our risk management activities. Policies for managing these risks are summarized below.

Liquidity risk

Liquidity risk is the risk that we will not meet future financial obligations due to a shortage of funds. Our financing activities are managed centrally by maintaining an adequate level of cash and cash equivalents to finance our operations. Our surplus funds are also managed centrally by placing them with reputable financial institutions on varying maturities. We do not use derivatives and other instruments in our risk management activities.

Credit risk

Credit risk arises from cash and cash equivalents as well as other current assets. We estimate losses on receivables based on expected losses, including our historical experience of actual losses.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and regions. As at December 31, 2020 and 2021, no material financial assets were past due or impaired. We only deposit cash with major banks with high quality credit standing and limit exposure to any one counter-party.

Interest rate risk

We do not hold any financial assets or liabilities that are subject to significant risk as a result of changes in interest rates. Therefore, any changes in interest rates at the reporting date would not affect the result for the year.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. Our exposure to the risk of changes in foreign exchange rates relates primarily to our operating activities.

Having performed a sensitivity analysis on all foreign currency balances, management believe that foreign currency risk is not material to the annual report.

9. Capital management

We consider share capital, additional paid-in capital and all other equity reserves as capital. We manage our capital structure and make adjustments in light of changes in economic conditions and our needs.