Annual report for 2023

Smarter Airports A/S
c/o Netcompany A/S, Strandgade 3, 1401 Copenhagen
CVR no. 41 74 67 50

Adopted at the annual general meeting on 26 June 2024

Mikael Bruhn Sjørslev
chairman

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Statement by management on the annual report

The Executive and Supervisory Boards of Directors have today considered and adopted the Annual Report of Smarter Airports A/S for the financial year 1 January - 31 December 2023.

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

In our opinion, the Financial Statements give a true and fair view of the financial position at 31 December 2023 of Smarter Airports A/S and of the results of the Company's operations for 2023.

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

Copenhagen, 26 June 2024

Executive board

Mehdi Motaghiani CEO	Mikael Bruhn Sjørslev CFO

Board of Directors

Christian Poulsen Chairman	André Rafal Rogaczewski Vice Chairman	Rasmus Hagstad Lund
Thomas Cordth		

Independent Auditor's Report

To the Shareholders of Smarter Airports A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2023, and of the results of the Company's operations for the financial year 1 January - 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Smarter Airports A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies (´´financial statements´´).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of 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.

Statement on Management's Review

Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, 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 in Management's Review.

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 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 Audit of the Financial Statements

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

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

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

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

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

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

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

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

Hellerup, 26 June 2024

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR no. 33 77 12 31

Christian Møller Gyrsting
State Authorised Public Accountant
mne44111

Company details

The company	Smarter Airports A/S c/o Netcompany A/S Strandgade 3 1401 Copenhagen	
	CVR no.:	41 74 67 50
	Reporting period:	1 January - 31 December 2023
	Established:	9 October 2020
	Domicile:	Copenhagen
Board of Directors	Christian Poulsen, Chairman André Rafal Rogaczewski, Vice Chairman Rasmus Hagstad Lund Thomas Cordth	
Executive board	Mehdi Motaghiani, CEO Mikael Bruhn Sjørslev, CFO	
Shareholders	The Company is owned through a Joint Venture, by: 50% ownership Netcompany A/S, Strandgade 3, DK-1401 Copenhagen 50% ownership by Copenhagen Airports A/S, Lufthavnsboulevarden 6, DK-2770 Kastrup	
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44 2900 Hellerup	

Business review

The Company's objective is to engage in IT business including development and sale of software, as well as other related business. The owners, Netcompany A/S and Copenhagen Airports A/S hold equal ownership shares of the Company.

Recognition and measurement uncertainties

During the fist half of 2023 operation of AIRHART version 1.0 at Copenhagen Airport, and the development of AIRHART version 2.0 continued.

In June AIRHART software version 2.0 was released and concluded the implementation of the original scope in respect of AIRHART at Copenhagen Airport. In connection with the release in Copenhagen the Company entered into a "Platform as a Service" (PaaS) agreement and an "Application Management Services" agreement (AMS) in respect of the solution in Copenhagen. Under the agreements the Company operates and maintains the solution.

In February a "Proof of Value" assignment was completed with another major European airport and in August a project to implement a light version of AIRHART was initiated at this airport. The project was successfully completed in December. The Company expect to generate PaaS subscription fees from this solution in 2024.

Sales activities continued in 2023 and a promising pipeline of potential new customers has been established.

As per December 2023 the company had no employees. All services are delivered by the joint venture partners on a consultancy basis.

Financial Development

2023 was the third reporting year.

The majority of expenses during 2023 is capital expenditure related to finalization of AIRHART version 2.0. Operational costs are related to cloud hosting costs, subcontracted services in respect of AMS and project deliveries, sales and marketing activities and administration.

Profit (-loss) after taxes 2023 is DKK -17.9m (2022: DKK 5.4m). The negative result was driven by amortization of the IT software developed.

The company took out loans with the owners at the beginning of 2023. The debt to the owners amounted to DKK 27m by the end of 2023.

Significant events occurring after the end of the financial year

No significant events have occurred after 31 December 2023 which should have been reflected in these financial statements.

"The company's knowledge resources is of particular importance to its future earnings"

The revenue potential of the Company depends on the situation in the airport industry and the Company’s ability to attract new airport customers. In this respect events that may adversely affect the financial situation and outlook of the aviation industry, in particular airports, may delay and/or decrease future revenue potential of the Company.

Accounting policies

The annual report of Smarter Airports A/S for 2023 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with selected policies for reporting class C, e.g. development projects.

The accounting policies applied are consistent with those of last year.

The annual report for 2023 is presented in TDKK

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

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

On initial recognition, assets and liabilities are measured at cost. On subsequent recognition, assets and liabilities are measured as described below for each individual accounting item.

Net sales

The company develops and sells IT software, AIRHART, to airports. Revenue from the sales comprise subscription fees, implementation fees, maintenance fees, and potentiel fees for development of customized software, which are recognised as a combination of a fixed straight-line basis over a period or at a particular time when the services are provided or a passenger dependent fee in a contractual period.

Other operating income

Other operating income comprises items of a secondary nature relative to the company's activities, including gains on the sale of intangible assets and items of property, plant and equipment.

External costs

External costs comprise product operation, service delivery, business development, administrative expenses, sales and marketing expenses, business support and other operating and maintenance costs. Third party hosting and software costs and product branding costs are considered operational costs.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date.

Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Current tax liabilities are carried in the balance sheet as Current liabilities to the extent such items have not been paid. Tax overpaid on account is included as a separate line item under Receivables. Interest and allowances regarding tax payments are recognised under Financial income and Financial expenses.

Deferred tax is calculated according to the balance sheet liability method on all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is calculated on the basis of the tax rules and tax rates that will apply under the legislation in force at the balance sheet date when the deferred tax item is expected to materialized as current tax. Changes in deferred tax resulting from changes in tax rates are recognised in the income statement. Deferred tax assets are recognised in the balance sheet at the value at which they are expected to be realisable.

Intangible assets

Intangible assets in which software is the principal element are recognised as assets if there is sufficient certainty that the capitalised value of future earnings will cover the related costs. Software costs comprise salaries, amortisation and other costs that can be attributed directly or indirectly to the software. Costs also include interest expenses incurred during development of the software.
Software projects that are clearly defined and identifiable, where the technical rate of utilisation, adequate resources and potential scope for development in the company can be demonstrated, and where the intention is to produce and use the project, are recognised as non-current intangible assets, provided there is sufficient assurance that the value in use from future earnings will cover development costs.

Amortisation is charged on a straight-line basis commencing when the asset is ready for use.

IT software	10 years

Trade receivables

Trade receivables are measured at amortized cost less write-down for lifetime expected credit losses. To measure the expected credit losses, trade receivables are grouped according to shared credit risk characteristics and days overdue. Furthermore, an allowance or lifetime credit losses for trade receivables is recognised on initial recognition.

Receivables for which there is no objective evidence of individual impairment are tested for impairment on a portfolio basis. The portfolios are primarily based on debtors' domicile and credit ratings in accordance with the Company's credit risk management policy. The objective indicators used for portfolios are determined based on historical loss experience.

Cash and cash equivalents

Cash and cash equivalents comprise cash and deposits at banks.

Equity

The Company’s nominal share capital amounts to DKK 260m, divided into DKK 130m A shares of DKK 1 each or any multiples thereof and DKK 130m B shares of DKK 1 each or any multiples thereof.

Before any distribution of dividend or proceeds is made to other shareholders, the A-shareholders shall receive an amount corresponding to DKK 11,580,000, after which A- shareholders and B-shareholders shall have equal pro-rata right to received dividend or other distributions.

The annual profit/loss is recognised as retained earnings.

Other payables

Other payables are recognised when, as a result of events occurring on or before the balance sheet date, the company has a legal or constructive obligation and it is probable that an outflow of economic benefits will be required to settle the obligation.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Liabilities

Financial liabilities are recognised on the raising of the loan at the proceeds received net of transaction costs incurred. On subsequent recognition, the financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest method. Accordingly, the difference between the net proceeds and the nominal value is recognised in the income statement over the term of the loan.

Mortgage debt is thus measured at amortised cost, which for cash loans corresponds to the outstanding debt. For bond loans, amortised cost corresponds to an outstanding debt calculated as the underlying cash value of the loan at the time of borrowing, adjusted by amortisation of the value adjustment of the loan at the time of borrowing.

Financial liabilities also include the capitalised residual finance lease commitment.

Other liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Income statement 1 January - 31 December

	Note	2023	2022
		TDKK	TDKK
Revenue		**21.466**	**2.461**
Other operating income		0	20.000
External expenses		-19.232	-12.374
Gross profit		**2.234**	**10.087**
Depreciation and amortisation of intangible assets	1	-24.294	-2.960
Financial income		95	0
Financial costs	2	-982	-191
Profit/loss before tax		**-22.947**	**6.936**
Tax on profit/loss for the year	3	5.048	-1.526
Profit/loss for the year		**-17.899**	**5.410**
Reserve for development cost		19.787	61.657
Retained earnings		-37.686	-56.247
		-17.899	**5.410**

Balance sheet 31 December

	Note	2023	2022
		TDKK	TDKK
Assets			
Software under development		209	104.862
Software		260.059	154.333
Intangible assets	4	**260.268**	**259.195**
Total non-current assets		**260.268**	**259.195**
Trade receivables		3.073	1.144
Other receivables		1.481	2.057
Deferred tax asset		6.038	990
Receivables		**10.592**	**4.191**
Cash		**2.267**	**3.790**
Total current assets		**12.859**	**7.981**
Total assets		**273.127**	**267.176**

Balance sheet 31 December

	Note	2023	2022
		TDKK	TDKK
Equity and liabilities			
Share capital		260.000	260.000
Reserve for development costs		205.029	256.886
Retained earnings		-226.438	-260.396
Equity	5	**238.591**	**256.490**
Intercompany payables		26.980	0
Total non-current liabilities		**26.980**	**0**
Trade payables		4.294	6.422
Other payables		3.262	4.264
Total current liabilities		**7.556**	**10.686**
Total liabilities		**34.536**	**10.686**
Total equity and liabilities		**273.127**	**267.176**

Notes

		2023	2022
		TDKK	TDKK
1	**Depreciation and amortisation of intangible assets**		
	Depreciation intangible assets	24.294	2.960
		24.294	**2.960**

		2023	2022
2	**Financial costs**		
	Other financial costs	980	188
	Exchange loss	2	3
		982	**191**

		2023	2022
3	**Tax on profit/loss for the year**		
	Tax payable	-5.047	1.247
	Deferred tax for the year	-1	279
		-5.048	**1.526**

4 Intangible assets

	Software under development	Software
Cost at 1 January 2023	104.862	157.293
Additions for the year	25.367	0
Transfers for the year	-130.020	130.020
Cost at 31 December 2023	209	287.313
Amortisation at 1 January 2023	0	2.960
Amortisation for the year	0	24.294
Amortisation at 31 December 2023	0	27.254
Carrying amount at 31 December 2023	**209**	**260.059**

Development projects relate to the development of the Airhart software, an airport management platform. The platform went into production at Copenhagen Airport in 2023 and will be sold to other major airports.

5 Equity

	Share capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2023	260.000	256.886	-260.396	256.490
Net profit/loss for the year	0	19.787	-37.686	-17.899
Transfer	0	-71.644	71.644	0
Equity at 31 December 2023	**260.000**	**205.029**	**-226.438**	**238.591**

The company's nominal share capital amounts to DKK 260m, divided into DKK 130m A shares of DKK 1 each or any multiples thereof and DKK 130m B shares of DKK 1 each or any multiples thereof.

6 Subsequent events

No material events have occurred after the balance sheet date.

7 Financial commitments

No further financial commitments as of 31 December 2023.

8 Related parties and ownership structure

Other related parties

Smarter Airports A/S is a joint venture owned by the following 2 companies:

50% ownership from Netcompany A/S, Strandgade 3, DK-1401 Copenhagen

50% ownership from Copenhagen Airports A/S, Lufthavnsboulevarden 6, DK-2770 Kastrup