Reapplix A/S

Blokken 45, DK-3460 Birkeroed
CVR no. 31 26 15 70

Annual report for 2018

This annual report has been adopted at the company's annual general meeting on May 31, 2019

Chairman of the meeting:

Henrik Laursen

The company

Reapplix A/S
Blokken 45
DK-3460 Birkeroed
CVR no.: DK 31 26 15 70

Board of Directors

Peter Gerhard Friedrich Hentschel, Chairman
Ulf Lennart Rosén
Søren Møller
Birgit Aagaard-Svendsen
Tonni Bülow-Nielsen
Ulrik Spork
Cyrille Yann Nicolas Petit

Executive Management

Graeme Nigel Brookes, CEO
Morten Have-Rasmussen, CFO
Rasmus Lundquist, CSO
Niels Erik Holm, COO

Auditors

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

FINANCIAL REVIEW

The net result for the financial year 2018 was a loss of DKK 38.0 million compared to DKK 23.8 million in 2017. The increase is primarily due to execution of the commercialization strategy and general strengthening of the organization and infrastructure. In 2018, Reapplix formed the wholly owned subsidiary Reapplix Inc. with the purpose of bringing the 3C Patch System® to the market in the US.

R&D
Research and development expenses totaled DKK 11.0 million in 2018 compared to DKK 15.6 million in 2017. The decrease was mainly due to lower activity levels in 2018 as a result of the randomized controlled trial being completed in 2017.

S&M
Sales and marketing expenses totaled DKK 9.5 million in 2018 compared to DKK 0.8 million in 2017. The increase was mainly due to the formation of Reapplix Inc., establishment of a US based sales organization as well as initiation of pre-commercial marketing activities.

General and administrative expenses
General and administrative expenses totaled DKK 9.9 million in 2018 compared to DKK 3.8 million in 2017. The increase is mainly due to increased head count, as well as legal and consultant costs associated with corporate initiatives to continue to develop processes as the company moves from an R&D focus to commercialization.

Financial items
Net financials totaled an expense of DKK 10.0 million in 2018 compared to DKK 7.3 million in 2017. Financial expenses primarily cover interest expenses on convertible debt facility and debt to capital owners, which by the end of 2018 was converted to equity.

Income tax benefit
Income tax benefit totaled DKK 2.2 million in 2018 compared to DKK 3.5 million in 2017. The Income tax benefit represents a tax credit for research and development expenses at the applicable tax rate under the Danish Corporate Income Tax Act.

Statement of financial position
As of December 31, 2018, the group had a cash balance of DKK 11.0 million compared to DKK 3.4 million as of December 31, 2017. The increase in cash results from capital contributions and convertible loans less the cash burn during the year.

As of December 31, 2018, equity amounted to DKK 8.9 million compared with DKK -80.3 million as of December 31, 2017. The increase mainly reflects the capital increases during the year less the financial result for the year.

Cash flow
Net cash flow from operating activities amounted to an outflow of DKK 23.2 million in the year ended December 31, 2018 compared to DKK 14.7 million in the year ended December 31, 2017. Net cash flow from operating activities is attributable primarily to the initiation of sales and marketing activities, as well as general and administrative expenses.

Net cash outflow from investing activities amounted to an outflow of DKK 2.5 million in the year ended December 31, 2018 compared to DKK 0 million in the year ended December 31, 2017. Investing activities comprise investment in equipment for demonstration purposes, as well as production equipment.

Financing activities comprise cash contributions from convertible debt facility and debt to capital owners, which in the end of 2018 was converted to equity.

Distribution of profit
The Board of Directors proposes that the loss for the year is transferred to retained earnings.

Subsequent events
In March 2019, convertible loans on 3.1 mio EUR has been issued. Refer to note 4 Going Concern for further information.

Apart from the above, no important events have occurred after the end of the financial year.

ABOUT REAPPLIX A/S

Founded in 2008, Reapplix is a privately held wound care company backed by leading Danish institutional investors. Reapplix have developed a novel platform technology for Regenerative Medicine. Reapplix specializes in the biological treatment and management of diabetic foot ulcers. Its innovative, patented 3C Patch® System draws on the individual patient's capacity to heal and is clinically proven to accelerate wound healing of chronic diabetic foot ulcers. Reapplix business model is driven by high quality RCT evidence (published in The Lancet in September 2018). 3C Patch already has US and EU regulatory clearances and already has a commercial team in place in USA. In the longer term there is a very significant opportunity in the untapped European wound biologics market. Reapplix won the 2018 EY Entrepreneur of the Year Award in the life science category. www.reapplix.com

The Board of Directors and the Executive Management have today considered and adopted the Annual Report of Reapplix A/S for the financial year January 1 – December 31, 2018 and the comparative figures for the financial year January 1 – December 31, 2017.

The consolidated financial statements of the Group and the Parent Company's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and additional disclosure requirements of the Danish Financial Statements Act. Management's Review has been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements of the Group and the Parent Company financial statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2018 and the comparative figures at December 31, 2017 and of the results of the Group's and Parent Company's operations and cash flows for the financial year January 1 – December 31, 2018 and the comparative figures for the financial year January 1 – December 31, 2017.

In our opinion, Management's Review includes a true and fair account of the development in the operations and financial circumstances of the Group and the Parent Company, of the results for the year and of the financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

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

Birkeroed, May 31, 2019

Executive Management

Graeme Nigel Brookes	Morten Have-Rasmussen	Rasmus Lundquist
Niels Erik Holm		

Board of Directors

Peter Gerhard Friedrich Hentschel Chairman	Ulf Lennart Rosén	Søren Møller
Birgit Aagaard-Svendsen	Tonni Bülow-Nielsen	Ulrik Spork
Cyrille Yann Nicolas Petit		

To the shareholders of Reapplix A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Reapplix A/S (the "Group") for the financial year January 1 – December 31, 2018 and the comparative figures for the financial year January 1 – December 31, 2017, which comprise statement of profit or loss, statement of other comprehensive income, balance sheet, statement of changes in equity, statement of cash flow and notes, including a summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and additional disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at December 31, 2018 and the comparative figures at December 31, 2017 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year January 1 – December 31, 2018 and the comparative figures for the financial years January 1 – December 31, 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional disclosure requirements of the Danish Financial Statements Act.

Basis for opinion

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

Statement on the Management's review

Management is responsible for the Management's review. Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company 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 consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, 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 our procedures, we conclude that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatements of the Management's review.

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

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

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent 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 consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Parent 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 and the parent company 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 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 the consolidated financial statements and the parent company financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent 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 the parent company financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, May 31, 2019

ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised Public Accountant
mne33234

Kennet Hartmann
State Authorised Public Accountant
mne40036

Note		Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
5,6	Revenue	191	71
	Costs of sales	-52	-14
	Gross profit	**139**	**57**
7,8,9,12	Research and development expenses	-10,971	-15,565
8,9,12	Sales and marketing expenses	-9,470	-774
8,9,12	General and administrative expenses	-9,903	-3,764
	Operating loss	**-30,205**	**-20,046**
10	Financial income	41	0
11	Financial expenses	-9,998	-7,264
	Loss before tax	**-40,162**	**-27,310**
17	Income tax benefit	2,209	3,474
	Net loss for the period	**-37,953**	**-23,836**
	Other comprehensive loss to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations, net of tax	-49	0
	Other comprehensive loss for the year, net of tax	**-49**	**0**
	Total comprehensive loss	**-38,002**	**-23,836**
	Net loss attributable to:		
	Owners of the parent company	-37,953	-23,836
	Total	**-37,953**	**-23,836**
	Total comprehensive income attributable to:		
	Owners of the parent company	-38,002	-23,836
	Total	**-38,002**	**-23,836**
18	**Earnings per share, basic and diluted**		
	Class D preferred shares (in DKK)	0	0
	Class C preferred shares (in DKK)	-74	-46
	Class B preferred shares (in DKK)	-74	-46
	Class A ordinary shares (in DKK)	-74	-46

Note		December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
	ASSETS			
	Non-current assets			
12	Property, plant and equipment	2,692	0	0
17	Corporation tax receivable	377	377	116
	Deposits	164	114	111
	Total non-current assets	**3,233**	**491**	**227**
	Current assets			
13	Inventories	404	0	0
14	Trade receivables	20	0	17
17	Corporation tax receivable	2,237	3,213	3,434
	Other receivables	1,889	1,011	2,263
	Prepayments	230	178	76
	Cash and cash equivalents	10,962	3,378	18,064
	Total current assets	**15,742**	**7,780**	**23,854**
	TOTAL ASSETS	**18,975**	**8,271**	**24,081**
	EQUITY AND LIABILITIES			
	Equity			
15	Share capital	2,371	513	513
	Share premium	0	0	0
	Accumulated deficit	6,613	-80,791	-56,996
	Currency translation reserve	-49	0	0
	Total equity	**8,935**	**-80,278**	**-56,483**
	Non-current liabilities			
16	Convertible debt facility	0	0	20,370
	Total non-current liabilities	**0**	**0**	**20,370**
	Current liabilities			
23	Lease liabilities	408	0	0
	Bank debt	68	23	22
16	Convertible debt facility	0	21,999	0
15	Debt to capital owners	0	61,631	56,028
	Trade payables	3,379	989	1,724
17	Corporation tax payable	28	0	0
	Other payables and accruals	6,157	3,907	2,420
	Current liabilities	**10,040**	**88,549**	**60,194**
	Total liabilities	**10,040**	**88,549**	**80,564**
	TOTAL EQUITY AND LIABILITIES	**18,975**	**8,271**	**24,081**

Note		Share capital TDKK	Share premium TDKK	Accu-mulated deficit TDKK	Currency translation reserve TDKK	Total equity TDKK
	Equity as of January 1, 2017	**513**	**0**	**-56,996**	**0**	**-56,483**
	Net loss for the period	0	0	-23,836	0	-23,836
	Other comprehensive income for the period	0	0	0	0	0
	Total comprehensive income	0	0	-23,836	0	-23,836
9	Share-based payment expenses	0	0	41	0	41
	Equity as of December 31, 2017	**513**	**0**	**-80,791**	**0**	**-80,278**
	Equity as of January 1, 2018	513	0	-80,791	0	-80,278
	Adoption of IFRS 16	0	0	0	0	0
	Equity as of January 1, 2018, restated	513	0	-80,791	0	-80,278
	Net loss for the period	0	0	-37,953	0	-37,953
	Other comprehensive income for the period	0	0	0	-49	-49
	Total comprehensive income	0	0	-37,953	-49	-38,002
15,16	Capital increase, debt for equity swap	1,858	125,347	0	0	127,205
	Transfer to accumulated deficit	0	-125,347	125,347	0	0
9	Share-based payment expense	0	0	10	0	10
	Equity as of December 31, 2018	**2,371**	**0**	**6,613**	**-49**	**8,935**

Note		Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
	Operating activities		
	Loss before tax	-40,162	-27,310
10	Reversal of non-paid financial income	-41	0
11	Reversal of non-paid financial expenses	9,998	7,233
12	Depreciation and amortisation	578	0
	Other non-cash items	-35	44
	Adjustments to reconcile loss before tax to cash flows from operating activities:		
9	Share-based payment expense	10	41
	Change in inventories	-404	0
	Change in trade receivables	-20	0
	Change in other receivables	-878	1,252
	Change in prepayments	-52	-102
	Change in trade payables	2,390	-735
	Change in other payables	2,250	1,487
17	Cash flows from taxes	3,213	3,434
11	Interest paid	-88	-31
	Net cash flow used in operating activities	**-23,241**	**-14,687**
	Investing activities		
12	Investment in property, plant and equipment	-2,499	0
	Net cash flow used in investing activities	**-2,499**	**0**
	Financing activities		
15	Capital contributions from shareholders	4,072	0
16	Cash from convertible loan	29,614	0
	Bank loan	46	1
	Lease payment	-362	0
	Net cash provided by financing activities	**33,370**	**1**
	Net change in cash and cash equivalents	**7,630**	**-14,686**
	Net foreign exchange differences	-46	0
	Cash and cash equivalents at beginning of the period	3,378	18,064
	Cash and cash equivalents at the end of the period	**10,962**	**3,378**

1. Accounting policies
2. Significant accounting judgments, estimates and assumptions
3. Standards issued but not yet effective
4. Going concern
5. Revenue from contracts with customers
6. Segment information
7. Governmental grants
8. Employee benefit expenses
9. Share-based compensation expenses
10. Financial income
11. Financial expenses
12. Property, plant and equipment
13. Inventories
14. Trade receivables
15. Shareholders’ Equity
16. Convertible debt facility and debt to capital owners
17. Income tax and deferred tax
18. Earnings per share
19. Capital management
20. Contractual obligations and contingencies
21. Related party disclosures
22. Subsequent events
23. Early adoption of IFRS 16

Corporate information

Reapplix A/S (the "Company") is a limited liability company incorporated and domiciled in Denmark. The registered office of Reapplix A/S is Blokken 45, 3460 Birkeroed, Denmark. In June 2018, a fully-owned subsidiary, Reapplix Inc., was incorporated in Delaware, USA (together with Reapplix A/S, "Reapplix" or the "Group").

The consolidated financial statements for the year ended December 31, 2018 were authorized for approval at the Annual General Meeting to be held on May 31, 2019, with a resolution of the Board of Directors on May 31, 2019.

1. Accounting policies

Basis of preparation

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as adopted by the European Union and further requirements in the Danish Financial Statements Act.

The consolidated financial statements have been prepared on a historical cost basis except for share-based payment, convertible debt facility and derivative financial instruments.

The consolidated financial statements are presented in Danish Kroner, or DKK, which is the functional currency of the Parent Company based on facts and circumstances and the technical requirements of IFRS. All values are rounded to the nearest thousand DKK where indicated.

First consolidated financial statements in accordance with IFRS

The consolidated financial statements of Reapplix A/S for 2018 are the first consolidated financial statements to be prepared in accordance with International Financial Reporting Standards as adopted by the EU and further requirements in the Danish Financial Statements Act, as the Group was established during 2018, and Reapplix A/S previously only prepared separate financial statements according to the provisions of the Danish Financial Statements Act. Due to the fact that consolidated financial statements have not previously been prepared, this is the first consolidated IFRS financial statements, but not a transition from previous GAAP to IFRS. Hence, the consolidated financial statements do not include reconciliations from previous GAAP to IFRS. Refer to the financial statements of the Parent Company, which contains information regarding the transition to IFRS of the Parent Company.

The Group was established during 2018, hence comparative figures in the consolidated financial statements comprise only figures for the Parent Company.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the group and its subsidiary. Subsidiaries are those entities which are controlled by Reapplix. Reapplix controls an investment when Reapplix is exposed, or has rights, to variable returns from its involvement with the investment and has the ability to affect those returns through its power over the investment.

The financial statements of subsidiaries are consolidated from the date that control commences until the date that control ceases. The financial statements of subsidiaries are prepared for the same accounting period as Reapplix using consistent accounting policies.

On consolidation, intercompany balances, income, expenses, unrealized gains, and losses resulting from intercompany transactions are eliminated.

Foreign currency

Translation of foreign currency

On initial recognition, transactions denominated in foreign currencies are translated at the foreign exchange spot rate at the transaction date. Differences arising between the foreign exchange spot rates at the transaction date and the date of payment are recognized in the income statement as financial income or financial expenses.

1. Accounting policies – continued –

Receivables, payables, and other monetary items denominated in foreign currencies are translated at the foreign exchange spot rates at the balance sheet date. The difference between the foreign exchange spot rates at the balance sheet date and the date at which the balance was recognized are recognized in the income statement as financial income or financial expenses.

Group companies

The assets and liabilities of foreign operations are translated into the presentation currency at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the monthly average exchange rates, unless the exchange rates fluctuate significantly in which case, the exchange rate at the date of transaction is applied. The exchange differences arising on translation for consolidation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that foreign operation is recognized in the statement of profit or loss.

Financial instrument valuation hierarchy

Financial instruments recognized at fair value are allocated to one of the following valuation hierarchy levels:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: Techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

The Company has issued a convertible debt facility with embedded conversion options. Management has estimated the fair value to be null due to the short term life and embedded fair value feature of the option of the convertible note.

Management assessed that cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is classified as current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
  or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is classified as current when:

- it is expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- it is due to be settled within twelve months after the reporting period
  or
- there is an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1. Accounting policies – continued –

Property, plant and equipment

Property, plant and equipment includes fixtures, fittings, demonstration equipment (centrifuges), right-of-use assets, and other plant and equipment, and are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use. Depreciation is calculated on a straight-line basis over the expected useful lives of the underlying assets. The residual values of equipment are not material. The useful life of and method of depreciation of equipment are reviewed by management at least each year-end or more often based on changes in facts and circumstances. Changes in useful lives or residual values are adjusted prospectively as changes in accounting estimates.

Demonstration equipment are centrifuges held by the sales force primarily for demonstration purposes. Centrifuges are depreciated on a straight-line basis over a 5 year period. Depreciation is recorded in sales and marketing expense. To the extent that demonstration equipment in the future will be sold on a regular basis, it will be reclassified to inventory.

Property, plant and equipment are required to be tested for impairment when there are indications of impairment. Impairment tests are conducted at the individual asset level, or at the lowest level for which separately identifiable cash flows for groups of assets exist. Impaired assets or asset groups are written down to their recoverable amount, which is the higher of the value in use and the net realizable value of the asset or asset group, with impairment charges allocated proportionately to the assets within the impaired asset group.

Leases

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in ’property, plant and equipment’ and lease liabilities in a separate line in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low-value assets, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1. Accounting policies – continued –

Under IAS 17

In the comparative period, as a lessee the Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease.

Corporation tax receivable

Corporation tax receivable is recognized in the balance sheet as the tax benefit computed on the taxable loss for the year, adjusted for any changes to the prior year benefit due to changes in the taxable loss of prior years and for any taxes already paid or refunded. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation or "uncertainty" and establishes provisions where appropriate. To date, there have been no provisions established for uncertain tax positions.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities, with the exception of temporary differences occurring at the time of acquisition and liabilities neither effecting the result of operation nor the taxable income. The Group has no deferred tax balances as of December 31, 2018, December 31, 2017 or January 1, 2017.

For further details please refer to note 17.

Deposits

Deposits for property leased by the Group are measured at amortized cost.

Inventories

Inventories are measured at the lower of cost, in accordance with the weighted average price method, and the net realisable value. Provisions for obsolescence, and remaining production and selling costs are deducted from the expected selling price, when estimating the net realisable value of inventories.

The cost of manufactured, finished and semi-finished products includes raw materials, direct labour, other production materials and production overheads. Production overheads include indirect labour and materials, repairs, maintenance and depreciation costs related to property, plant and equipment used in the production process, and costs related to production administration and management.

Financial assets

Classification and measurement

The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Subsequently, the Group measures its financial assets held based on the following measurement categories:

- Those to be measured at fair value through profit or loss,
- Those to be measured at amortised cost, and
- Those to be measured at fair value through other comprehensive income.

The classification is based on the company business model for managing the assets and the contractual terms of the cash flows. The new classification and measurement of the Group's financial assets are, as follows:

1. Accounting policies – continued –

Receivables

Receivables from customers and other receivables are designated as receivables and are initially measured at fair value or transaction price and subsequently measured in the balance sheet at amortized cost, which generally corresponds to nominal value less expected credit loss provision. This is consistent with prior periods' classification.

Impairment

The Group record an allowance for expected credit losses for all loans and other debt financial assets not held at fair value through profit and loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive.

For receivables with customers and other receivables, the Group has applied the standard's simplified approach and has calculated expected credit losses based on lifetime expected credit losses. The provision for expected credit losses was not significant given that the Group has no history of credit losses and the nature of the Group's customers.

Prepayments

Prepayments include expenditures related to future financial periods and are measured at nominal value.

Cash and cash equivalents

Cash includes cash on hand and in banks, as well as short term marketable securities that are subject to an insignificant risk of changes in value.

Equity

Direct and incremental costs associated with capital increases are accounted for as a reduction in the proceeds from the capital increase and recognized in shareholders' equity.

The translation reserve in the consolidated financial statements comprises foreign-exchange differences arising on translation of financial statements of Group entities from their local foreign currencies to the presentation currency used by the Group (DKK). On the disposal, entirely or partially, of a Group entity, the exchange-rate adjustment is recognized in profit or loss as a portion of the gain/loss on the sale.

Debt for equity swap with shareholders acting in its capacity as such are considered a capital contribution to the Group. Hence, these equity instruments are issued at the carrying amount of the financial liability extinguished so that no profit or loss is recognised.

Financial liabilities

The Group's financial liabilities historically have included lease liabilities, bank debt, convertible debt, debt to capital owners, trade payables and other payables.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as finance costs in the statement of profit or loss.

Convertible debt

Convertible debt facility has been separated into liability and equity components based on the terms of the contract. On issuance of the convertible debt facility, the fair value of the liability component, is determined using a market rate for an equivalent non-convertible instrument.

The transaction costs are allocated to each component of the loan.

1. Accounting policies – continued –

Debt to capital owners

Debt to capital owners relate to the Group's obligation to redeem the D-shares at a price equal to the original subscription price including an annual interest. Debt to capital owners has been presented as a non-derivative financial liability.

Debt to capital owners is derecognised when the right to redemption has been waived (debt for equity swap).

Trade payables

Trade payables relate to the Group's purchase of products and services from various vendors in the normal course of business.

Other payables

Other payables are measured at net realizable value.

Statement of Profit or Loss and Other Comprehensive Income

Revenue

IFRS 15 are applied using the full retrospective approach.

The Group sells medical consumables through direct sales representatives and independent distributors. The Group recognizes revenue when control is transferred to the customer. For products sold through direct sales representatives and independent distributors, control is transferred upon shipment or upon delivery, based on the contract terms and legal requirements.

If a contract contains more than one performance obligation, the transaction price is allocated to each performance obligation based on relative standalone selling price. Shipping and handling is treated as a fulfilment activity rather than a promised service, and therefore, is not considered a performance obligation. Taxes assessed by a governmental authority that are both imposed on, and concurrent with, a specific revenue producing transaction and collected by the Group from customers (for example, sales, use, value added, and some excise taxes) are not included in revenue.

The amount of revenue recognized reflects sales rebates and returns, which are estimated based on sales terms, historical experience, and trend analysis.

The Group includes obligations for returns in other accrued expenses in the consolidated balance sheets and the right-of-return asset in other current assets in the consolidated balance sheets. The right-of-return asset and right-of-return liability at December 31, 2018, December 31, 2017 and January 1, 2017 were not material.

The Group offers warranties on various products. For standard, assurance-type warranties, the Group estimates the costs that may be incurred under its warranties and records a liability in the amount of such costs at the time the product is sold. The amount of the reserve is equal to the net costs to repair or otherwise satisfy the obligation. The Group includes the warranty obligation in other accrued expenses and other liabilities in the consolidated balance sheets.

Warranty obligations at December 31, 2018, December 31, 2017 and January 1, 2017 were not material.

Cost of sales

Cost of sales consists of variable production costs, including raw materials, other production materials and direct labour costs. In addition, cost of sales includes fixed production overhead costs such as indirect labour and materials, repairs, maintenance and depreciation costs related to property, plant and equipment used in the production process and costs related to production administration and management.

1. Accounting policies – continued –

Public grants

The Group receives government grants from the Innovation Fund Denmark and from the Market Development Fund. These grants provides compensation for a part of certain project specific research and development expenses, including wages and salaries. Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Grants relating to expense items are recognized in the statement of profit or loss and set off against the related research and development expenses on a systematic basis over the periods that the related expenses for which it is intended to compensate are expensed.

Employee benefits

Employee benefits are primarily made up of salaries, share-based payment and pension. The cost of these benefits is recognized as expense as services are delivered. The Group's contributions to the employee pension plan have not been material.

Share-based payment

Employees and Management of the Group receive remuneration in the form of equity settled awards whereby services are rendered as consideration for warrants. The fair value of these equity-settled awards is determined at the date of grant resulting in a fixed fair value at grant date that is not adjusted for future changes in the fair value of the equity awards that may occur over the service period. Fair value of warrants and options is determined using the Black Scholes model.

The cost of share-based payments is recognized as an expense together with a corresponding increase in equity over the period in which the performance and/or service conditions are fulfilled. In the event that equity instruments are granted conditionally upon an equal number of equity instruments granted in prior periods not being exercised, they are treated as a new grant for the current period and a modification of the equity instruments granted in the prior period.

The fair value of equity-settled awards is reported as compensation expense pro rata over the service period to the extent, such awards are estimated to vest. No cost is recognized for awards that do not ultimately vest.

When the terms of an equity-settled award are modified, the minimum expense recognised is the grant date fair value of the unmodified award, provided the original terms of the award are met. An additional expense, measured as at the date of modification, is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the holder. Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

Research and development expenses

Research and development expenses include salaries including share-based compensation and costs arising from research activities, clinical development, legal expenses related to the protection, defence and enforcement of the Group's intellectual property and rent associated with facilities used for research purposes. Given the uncertainty regarding the recoverability of clinical development costs, the Group has expensed all such expenses in the statement of loss and comprehensive loss for the periods presented.

Sales and marketing expenses

Sales and marketing expenses include salaries and costs arising from distribution of the Group's products including expenses related to marketing activities such as free trial periods with a fixed number of free kits.

General and administrative expenses

General and administrative expenses include salaries for administrative staff and management, costs of share-based payment and rent associated with facilities not used for research purposes.

Financial income and expense

Financial income and expense include interest income and expense, gains and losses due to changes in foreign exchange rates, interest expenses on convertible debt, allowances and surcharges related to the advance payment of tax scheme, and other miscellaneous items of financial income and expense. Furthermore, financial income and expense includes fair value adjustment of the conversion option embedded into the convertible debt facility.

1. Accounting policies – continued –

Income tax benefit

The income tax for the period comprises current and deferred tax, including prior-year adjustments and changes in provisions for uncertain tax positions. Tax is recognized in the statement of profit or loss, except to the extent that it relates to items recognized in equity or in other comprehensive income.

Income tax also includes the current benefit due from the current period's taxable loss and deferred tax adjustments. The benefit is comprised primarily of refundable tax credits for costs incurred in connection with research and development activities under the Danish Tax Credit Regime.

Current tax payables and receivables are recognized in the balance sheet as a receivable in the event of prepayments and amounts due.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where the tax value can be determined according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or the settlement of the obligation.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities. Deferred tax assets are set off within the same legal tax entity and jurisdiction.

Subsequent events

If the Group receives information after the reporting period, but prior to the date of the Board of Directors' approval of the financial statements, about conditions that existed at the end of the reporting period, the Group assesses whether the information affects the amounts recognised in the financial statements. The Group will adjust the amounts recognised in the financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in the light of the new information.

For non-adjusting events after the reporting period, the Group will not change the amounts recognised in the financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Statement of cash flows

The statement of cash flows is presented using the indirect method and shows cash flows resulting from operating activities, investing activities, financing activities and the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows used in operating activities primarily comprise the net loss for the year adjusted for non-cash items, such as foreign exchange gains and losses, depreciation, changes in working capital and cash received for interest and taxes.

Cash flows from investing activities are comprised primarily of investment in property, plant and equipment.

Cash flows from financing activities are comprised of repayment of bank debt, proceeds from capital increases net of transaction costs and proceeds from issuance of convertible debt instruments.

2. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of income, expenses, assets and liabilities as well as the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments and estimates that have the most significant effect on the amounts recognized in the financial statements. Refer to the following notes for more details:

- Development projects
- Estimation of share-based compensation expenses (note 9)
- Judgment in respect of recognition of deferred taxes related to taxable losses to be carried forward (note 17).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are listed below. The Group based its assumptions and estimates on information available when the financial statements were prepared.

Judgement regarding accounting for development costs

Intangible assets arising from development projects should be recognised in the statement of financial position. The criteria that must be met for capitalisation are:

- The Group has the technical feasibility to complete the intangible asset so that it will be available for use or sale
- The Group intends to complete the intangible asset and use or sell it
- The Group has the ability to use or sell the intangible asset
- The intangible asset will generate probable future economic benefits. Among other things, the Group must demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset
- Adequate technical, financial and other resources must be available to complete the development and to use or sell the intangible asset
- The Group is able to reliably measure the expenditure attributable to the intangible asset during its development.

Such an intangible asset should be recognised if sufficient certainty can be documented that the future income from the development project will exceed the aggregate cost of production, development, and sale and administration of the product. In line with industry practice, the Group expenses all research costs as incurred as these do not qualify for capitalisation as intangible assets until marketing approval by a regulatory authority is obtained or highly probable, due to regulatory and other uncertainties inherent in the development of new products.

Accordingly, the Group has not recognised such assets at this time. The total research and development costs related to operations amounted in the twelve month periods ended at December 31, 2018 and December 31, 2017 to DKK 11.0 million and DKK 15.6 million, respectively.

Estimation of share-based compensation expenses

Up until December 31, 2018, the Parent Company issued warrants to Employees, the Executive Management and Board of Directors.

The calculated fair value and subsequent compensation expenses for the Parent Company's share-based compensation are subject to significant assumptions and estimates. The variables and the pricing model are described below.

2. Significant accounting judgments, estimates and assumptions – continued –

The fair value of each warrant granted during the year is calculated using the Black-Scholes pricing model. This pricing model requires the input of subjective assumptions. The key assumptions used for determining the fair value of these are:

- Expected volatility
- Market share-price at grant year
- Expected future dividend yield per share
- Expected life of warrants in years
- Annual risk-free interest rate.

The expected volatility is based on peer group data and reflects the assumption that the historical volatility over a period similar to the life of the warrants is indicative of future trends, which may not necessarily be the actual outcome. The peer group consists of companies, which Management believes are similar to the Group in respect of similarity of product, geography and maturity.

The market share-price at grant year has, wherever possible, been determined as the implied fair value, which can be derived from the subscription price in the most recent capital increase round prior to granting the warrants. Where no capital increase has been carried out, at grant date, a fair value was estimated by considering a number of factors such as infliction points, valuations between independent parties etc.

The Parent Company does not expect to pay dividend in the foreseeable future.

The expected life of warrants, which is based on vesting terms, expected rate of exercise and life terms in the current warrant program.

The annual risk-free interest rate is based on a Danish government bond with the same maturity as the expected life of the warrants.

The fair value of each warrant is based on unobservable input (level 3). The assumptions applied in determining fair value have been:

	Twelve months ended December 31, 2018 TDKK	**Twelve months ended December 31, 2017 TDKK**	**Warrants issued prior to January 1, 2017 TDKK**
Key assumptions applied in black-scholes pricing model			
Expected volatility (%)	79 %	60 %	60 %
Expected future dividend yield per share (%)	0 %	0 %	0 %
Annual risk-free interest rate (%)	-0.6 % to -0.3 %	-0.6 % to 1.1 %	-0.5 % to 1.1 %

Market share-price at grant year	**Share price for A class share (DKK)**	**Expected life of warrants in years***
2013	15.78	7
2014	15.78	5
2016	12.95	3
2017	12.95	3
2018	2.37	2 to 4

** Expected life of warrants based on hold to maturity. If the Parent Company’s shares are to be listed on a stock exchange or another regulated market, the warrants are exercisable prior to the listing.*

2. Significant accounting judgments, estimates and assumptions – continued –

Judgment related to deferred taxes related to taxable losses to be carried forward

The Group recognizes deferred income tax assets if it is probable that sufficient taxable income will be available in the future against which the temporary differences and unused tax losses can be utilized. Management has considered future taxable income in assessing whether deferred income tax assets should be recognized and has concluded that the deferred income tax assets related to taxable losses to be carried forward do not meet the criteria for being recognized as assets in the statement of financial position.

The Group has net tax loss carry-forwards that are not recognized of DKK 15,448 million, DKK 8,705 thousands and DKK 6,172 thousands as at December 31, 2018, December 31, 2017 and January 1, 2017, respectively.

The Group's tax losses can be carried forward infinitely subject to the general rules on limited deductibility due to ownership changes.

Reference is made to note 17.

3. Standards issued but not yet effective

The IASB has issued, and the EU has endorsed, a number of new standards, amendments and interpretations that become effective for accounting periods beginning on January 1, 2019 or later. Therefore, they are not incorporated in the consolidated financial statements. Only standards and interpretations of relevance for the group, and in general are expected to change current accounting regulation most significantly are described below.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatments. This interpretation is effective for annual periods beginning on or after January 1, 2019 clarifies when there is uncertainty over income tax treatments:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

Reapplix plans to implement this interpretation retrospectively with the cumulative effect of initially applying the Interpretation recognized at the date of initial application. Reapplix has no significant uncertain tax positions as of December 31, 2018 and therefore expects no significant effect from this interpretation as of the implementation date.

No other standards that are not yet effective, would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Going concern

The Board of Directors and Management believes that the net proceeds of EUR 3.1 million from convertible loans issued in March 2019, together with existing cash resources, will be sufficient to fund the Group's anticipated operating expenses and capital expenditure for at least the 12 months period ending December 31, 2019.

The Board of Directors and Management are constantly monitoring the financial position and the liquidity, and are prepared to take the appropriate actions to secure the ongoing activities of the Group. This may include capital increases, new loan facilities or cost reductions, if necessary. On this basis the Board of Directors and Management continues to view the Group as a going concern.

Additionally, the Company has received letter of intent to support from the majority of the shareholders covering the period until January 1, 2020.

5. Revenue from contracts with customers

The Group's revenues are principally derived from device-based medical therapies and services related to wound healing. The Group's primary customers include hospitals and clinics.

Reapplix A/S' registered office is situated in Denmark. The table below illustrates revenue by geographical areas:

	Twelve months ended December 31, 2018 TDKK	**Twelve months ended December 31, 2017 TDKK**
Medical consumables (3CP™)		
Europe	191	71
Total revenue	**191**	**71**
Timing of revenue recognition		
Revenue from sale of medical consumables at a point in time	191	71
Total revenue	**191**	**71**

Summary of key performance obligations related to revenue streams

Below the key performance obligations regarding sale of medical consumables are summarized.

Revenue streams	**Performance obligations**	**When performance obligations are met and the timing of satisfaction of performance obligations**	**Significant payment terms**	**Nature of goods and services promised**	**The allocation of transaction price to performance obligations**
Sale of medical consumables	The Group typically satisfies its performance obligations upon shipment or upon delivery of the medical consumables.	Performance obligations are satisfied at a point in time when the Group has a present right to payment for the medical consumables and when the customers have legal title to the asset.	The consideration amounts are usually fixed. Customers have 30-90 days payment terms from invoice date.	The goods promised primarily comprise the medical consumables (3CP™).	The transaction prices are made stand-alone selling prices of the respective promised medical consumables.

6. Segment information

The operating segments are defined on the basis of the monthly reporting to the Executive Management, which is considered the Chief Operating Decision Makers (CODM).

The Group is still at an early commercial phase with a limited revenue generating activities. The Group is managed and operated as one business unit, which is reflected in the organizational structure and internal reporting. No separate lines of business or separate business entities have been identified with respect to any of the product candidates or geographical markets and no segment information is currently disclosed in the internal reporting.

Accordingly, Reapplix only has one operating segment, which is also the only reportable segment. Information on profit/loss and total assets for the segment can be found in the consolidated income statement and the consolidated balance sheet.

The table below illustrates revenue and non-current assets by geographical areas. Non-current assets consist of property, plant and equipment and financial assets.

	Twelve months ended December 31, 2018		Twelve months ended December 31, 2017		January 1, 2017
	Revenue TDKK	Non-current assets TDKK	Revenue TDKK	Non-current assets TDKK	Non-current assets TDKK
Denmark	191	2,219	71	491	227
United States of America (USA)	0	1,014	0	0	0
Total	**191**	**3,233**	**71**	**491**	**227**

Major customers
Income from transactions with three major customers recognized under “Revenue” in 2018 represent 55%, 29% and 10% respectively of total revenue. (In 2017: one major customer representing 100% of total revenue.)

7. Governmental grants

Government grants comprise research funding from the Innovation Fund Denmark and from the Market Development Fund. Government grants are recognized in the period where the expenses funded by the grants have been incurred. Government grants are recognized as a reduction in research and development expenses as the grants are considered to be cost refunds. Government grants amount to DKK 0.3 million and DKK 0.3 million for the twelve month periods ended as at December 31, 2018 and December 31, 2017.

None of the government grants received are subject to repayment clauses.

8. Employee benefit expenses

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Staff costs		
Wages/salaries	9,801	6,788
Share-based compensation expenses (note 9)	10	41
Other social security costs	309	34
Other staff costs	164	182
Total staff costs	**10,284**	**7,045**
Average number of employees during the year	10	5
Executive management remuneration		
Wages/salaries	6,505	5,648
Share-based compensation expenses (note 9)	5	32
Other social security costs	16	21
Other staff costs	40	10
Total executive management remuneration	**6,566**	**5,711**

Total staff costs is included within the income statement as follows:

Research and development expenses	4,214	4,520
Sales and marketing expenses	2,512	328
General and administrative expenses	3,558	2,197
Total staff costs	**10,284**	**7,045**

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting periods. Executive management consists of the Group's Chief Executive Officer, the Group's Chief Operating Officer, Chief Scientific Officer and Chief Financial Officer. See Note 20 for compensation paid to the members of the Board of Directors.

9. Share-based compensation expenses

The Group has issued warrants to employees, the Executive Management and Board of Directors. The warrants can be settled by subscribing for A-shares of Reapplix A/S at an exercise price in the range of DKK 48 - DKK 60 per share. Vesting period is in the range of 0 - 36 months. Due to the liquidation preference to B and C shares as discussed in note 14, the exercise price for the warrants were significantly above the fair value of one A-share at the respective grant dates.

Management has applied a Black Scholes option valuation model to determine fair value of the warrants. Fair value of the warrants granted in the twelve months period ended December 31, 2018 and December 31, 2017 respectively amounts to DKK 0 thousand and DKK 24 thousand respectively.

The most significant assumption applied is the underlying share price. Fair value of one A-share has been determined on the basis of the share of fair value of Reapplix attributable to A-shares. Fair value of Reapplix has been determined as the implied fair value, which has been derived from the subscription price in the most recent capital increase round prior to granting the warrants. Fair value per A-share has been determined to be in the range DKK 0 – DKK 5 upon grant date.

The table below summarizes the activity related to the warrants for the twelve months period ended December 31, 2018, the twelve months period December 31, 2017 and as at January 1, 2017:

	Executive management	**Employees**	**Board of Directors**	**Total Warrants**	**Warrants exercisable**
Outstanding at January 1, 2017	* 106,183	7,297	* 15,520	129,000	115,793
Granted	20,977	0	45,000	65,977	32,750
Outstanding at December 31, 2017	**127,160**	**7,297**	**60,520**	**194,977**	**148,543**
Granted	50,977	0	45,000	95,977	68,427
Outstanding at December 31, 2018	**178,137**	**7,297**	**105,520**	**290,954**	**216,970**

** Rasmus Lundquist was up until February 27, 2019 both a member of the Executive Management and the Board of Directors. Issued warrants is included in Executive Management.*

In December 2018, the Group has granted 65,977 warrants to the Executive management and the Board of Directors, that may only be exercised if and to the extent that warrants issued in September 2017 has not been exercised. Both warrants granted in December 2018 and September 2017 are included in the table above.

The weighted average remaining contractual life of the warrants outstanding as of December 31, 2018, December 31, 2017 and January 1, 2017 was 2 years, 2 years and 3 years, respectively.

9. Share-based compensation expenses – continued –

The following table summarizes the outstanding warrants:

Outstanding program	Underlying Shareclass	Number of warrants outstanding	Average exercise price per warrant (DKK)	Remaining term to maturity (years)
2013	A	15,520	47.95	7
2014	A	121,703	47.95	5
2016	A	129,000	47.95	3
Outstanding at January 1, 2017	**A**	**129,000**	**47.95**	**3**
2017	A	194,977	52.01	2
Outstanding at December 31, 2017	**A**	**194,977**	**52.01**	**2**
2018	A	290,954	54.63	2
Outstanding at December 31, 2018	**A**	**290,954**	**54.63**	**2**

Share-based compensation recognised in the income statement:

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Research and development expenses	5	3
General and administrative expenses	5	38
Total share-based compensation recognized in the income statement	**10**	**41**

For further details regarding significant estimates made by management, while measuring the fair value of share-based compensation, reference is made to note 2.

10. Financial income

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Foreign exchange gain	41	0
Total financial income	**41**	**0**

11. Financial expenses

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Foreign exchange losses	21	0
Interest expenses, convertible debt facility (note 16)	1,232	1,629
Interest expenses, debt to capital owners (note 16)	8,657	5,603
Interest expenses, lease liabilities	61	0
Other interest expenses	27	32
Total financial expenses	**9,998**	**7,264**

12. Property, plant and equipment

	Fixtures and fittings, other plant and equipment TDKK	Right-of-use assets TDKK	Demon-stration equipment TDKK	Total TDKK
Cost at January 1, 2017	312	0	0	312
Additions	0	0	0	0
Cost at December 31, 2017	312	0	0	312
Early adoption of IFRS 16 (note 23)	0	771	0	771
Additions	239	0	2,260	2,499
Disposals	0	0	0	0
Cost at December 31, 2018	551	771	2,260	3,582
Accummulated depreciation at January 1, 2017	312	0	0	312
Depreciation expense	0	0	0	0
Accummulated depreciation at December 31, 2017	312	0	0	312
Depreciation expense	80	386	112	578
Write-down	0	0	0	0
Disposals	0	0	0	0
Accummulated depreciation at December 31, 2018	392	386	112	890
Total net carrying value at:				
January 1, 2017	0	0	0	0
December 31, 2017	0	0	0	0
December 31, 2018	159	385	2,148	2,692

Right-of-use assets

The Group has entered into a lease agreement for its domicile including equipment in Birkeroed, Denmark.

Depreciation expense

Depreciation expense is included within the income statement as follows:

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Research and development expenses	243	0
Sales and marketing expenses	160	0
General and administrative expenses	175	0
Total depreciation expense	**578**	**0**

13. Inventories

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Raw materials and packaging	198	0	0
Finished goods	206	0	0
Total inventories	**404**	**0**	**0**

The total amount of inventories recognised as an expense in the twelve month periods ended at December 31, 2018 and December 31, 2017 amounted to DKK 52 thousand and DKK 14 thousand, respectively.

No write-down or reversal of write-down during the reporting periods.

14. Trade receivables

The following table summarizes the Group's trade receivables:

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Trade accounts receivables, customers	20	0	17
Total gross trade receivables	**20**	**0**	**17**
Provision for impairment of receivables	0	0	0
Total net trade receivables	**20**	**0**	**17**

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Neither past due nor impaired	0	0	17
Past due but not impaired	0	0	0
- Overdue 1 to 30 days	0	0	0
- Overdue 31 to 60 days	0	0	0
- Overdue 61 to 90 days	20	0	0
- Overdue 91 to 360 days	0	0	0
- Overdue more than 1 year	0	0	0
Total gross trade receivables	**20**	**0**	**17**

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Trade receivables by type of customer			
Hospitals	20	0	17
Total gross trade receivables	**20**	**0**	**17**

15. Shareholder's Equity

The following table summarizes the Company's share activity:

	Class A ordinary shares	Class B preferred shares	Class C preferred shares	Class D preferred shares	Total
January 1, 2017	**203,020**	**98,930**	**211,347**	**0**	**513,297**
Capital increase	0	0	0	0	0
December 31, 2017	**203,020**	**98,930**	**211,347**	**0**	**513,297**
Capital increase, debt for equity swap	0	0	0	1,857,231	1,857,231
December 31, 2018	**203,020**	**98,930**	**211,347**	**1,857,231**	**2,370,528**

On December 31, 2018 and December 31, 2017 the share capital of the Company comprised 2,370,528 shares and 513,297 shares respectively with a nominal value of DKK 1 each. Each share entitles the holder to cast one vote at general meetings in the Company.

The share capital of the Company is divided into share classes entitled to liquidation preferences in the following order:

Share class	Number of shares	Nominal value per share (DKK)	Liquidation preference order	Ref.
Class A	203,020	1	4th	
Class B	98,930	1	3rd	
Class C	211,347	1	2nd	
Class D	1,857,231	1	1st	a)
Total	**2,370,528**			

(D) Firstly, an amount equal to the subscription amount paid for the D-shares plus interest of 10 % p.a. (actual days per years) shall be paid to the holders of D-shares.

(C) Secondly, an amount equal to the subscription amount paid for the C-shares plus interest of 8 % p.a. (actual days per years) shall be paid to the holders of C-shares.

(B) Thirdly, an amount equal to the subscription amount paid for the B-shares plus interest of 8 % p.a. (actual days per years) shall be paid to the holders of B-shares.

(A-D) Finally, any remaining distribution of funds shall be made pro rata among all the shareholders (according to nominal share values).

(a) The investors had an unconditional right to convert the outstanding loan under the convertible debt facility, including accumulated interests, into preferred class D shares at the market price per share. The convertible loan issued in 2016 had a fixed interest of 8 % p.a. and was converted March 8, 2018. Convertible loans issued during 2018 had a fixed interest of 8 % p.a. and was converted October 12 and December 31, 2018. The new shares are subscribed at a price of DKK 58 per share. The nominal amount of each share is DKK 1.

Until December 31, 2018 holders of minimum 65 % of D-shares in the Company could, subsequent to December 31, 2017, require that the Company redeem the D-shares at a price equal to the original subscription price including an annual interest of 10 %. As such all D-shares including interest has been presented as debt until December 31, 2018. All holders of D-shares decided to waive the right to redemption at a general meeting as at December 31, 2018. Hence, D-shares of total amount DKK 127.2 million including interests are included in equity (debt for equity swap) from December 31, 2018.

16. Convertible debt facility and debt to capital owners

	Convertible debt facility TDKK	Debt to capital owners TDKK
Liabilities as at January 1, 2017	**20,370**	**56,028**
Interests during the year	1,629	5,603
Liabilities as at December 31, 2017	**21,999**	**61,631**
Liabilities as at January 1, 2018	21,999	61,631
Subscriptions during the year	29,614	4,072
Interests during the year	1,232	8,657
Conversion of convertible debt	-52,845	52,845
Debt for equity swap	0	-127,205
Liabilities as at December 31, 2018	**0**	**0**

Convertible debt facility
The Lender shall be entitled to convert any outstanding loan amount into (D-class) shares in the Company. On December 31, 2018 all convertible debt has been converted.

The convertible debenture carry interest of 8% pro anno. The interest amount shall at the Lender's discretion be paid in cash or converted to D-shares in the Company.

Debt to capital owners
Up until December 31, 2018 subscribed class D-shares was considered debt. Refer to note 15 for further information.

17. Income tax and deferred tax

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Current tax benefit on net loss	6,598	2,795
Adjustment to prior years (Parent note 14)	0	261
Tax credit research and development expenses	2,237	3,213
Provision for income tax	-28	0
Change in unrecognized deferred tax before tax	-6,598	-2,795
Total income tax benefit for the period	**2,209**	**3,474**

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Reconciliation of effective tax rate to Danish statutory tax rate		
Net loss before tax	40,162	27,310
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**8,836**	**6,008**
Tax effect of		
Effect of (higher)/lower tax rates in foreign subsidiaries	-55	0
Adjustment to prior years	0	261
Other non-deductible expenses, including share-based compensation	123	-3
Deferred tax asset not recognized	-6,695	-2,792
Total income tax benefit for the period	**2,209**	**3,474**

	December 31, 2018 TDKK	December 31, 2017 TDKK
Corporation tax receivable at January 1	3,213	3,434
Received corporate tax during the financial year	-3,213	-3,434
Calculated corporate tax current year	2,237	3,213
Corporation tax receivable (current)	**2,237**	**3,213**

	December 31, 2018 TDKK	December 31, 2017 TDKK
Corporation tax receivable at January 1	377	116
Received corporate tax during the financial year	0	0
Calculated corporate tax current year	0	261
Corporation tax receivable (non-current)	**377**	**377**

17. Income tax and deferred tax – continued –

Deferred tax in the statement of financial position

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Tax deductible losses	15,448	8,705	6,172
Other temporary differences	-190	-2	-2
	15,258	8,703	6,170
Deferred tax asset not recognized	-15,258	-8,703	-6,170
Carrying amount	**0**	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 15,448 thousands, DKK 8,705 thousands and DKK 6,172 thousands as of December 31, 2018, December 31, 2017 and January 1, 2017.

Income tax benefit for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act.

The tax loss carry forwards have no expiry date. The Company’s ability to use tax loss carry forwards in any one year is limited to 100% of the first DKK 8.2 million of taxable income plus 60% of taxable income above DKK 8.2 million.

The Company recognizes deferred tax assets, including the tax base of tax loss carry forwards, if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. This judgment is made periodically after considering current facts and circumstances, budgets and business plans as well as the risks and uncertainty associated with the Company’s ability successfully commercialize and defend its intellectual property.

Significant judgment

The development of medical devices and launching such devices within the life sciences industry is subject to significant risks and uncertainties and there is no assurance a medical device will be successfully developed or commercialized. As a result of this uncertainty and since the Company has reported significant losses since inception, and has limited commercial products or revenues, management has concluded that deferred tax assets should not be recognized as of December 31, 2018 or at any other prior date. The tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide virtually certain evidence that taxable profits will be available in the future to utilize the benefit from the tax assets.

As of December 31, 2018 there are no tax audits in process nor has management been notified of any pending tax audit. As of December 31, 2018, the tax years that remain open for audit by the Danish tax authorities include 2013 through 2018.

18. Earnings per share

The following reflects the net loss attributable to both preferred and ordinary shareholders and share data used in the basic and diluted earnings per share computations for the twelve months ended December 31, 2018 and December 31, 2017:

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Loss for the period	-37,953	-23,836
Preference dividend attributable to B shares	0	0
Preference dividend attributable to C shares	0	0
Preference dividend attributable to D shares	0	0
Loss attributable to all share classes	-37,953	-23,836
Weighted average A shares outstanding	203,020	203,020
Weighted average B shares outstanding	98,930	98,930
Weighted average C shares outstanding	211,347	211,347
Weighted average D shares outstanding	0	0
Total weighted average shares outstanding	513,297	513,297
Loss attributable to all share classes	-37,953	-23,836
Total weighted average shares outstanding	513,297	513,297
Earnings per share, A shares, DKK	**-74**	**-46**
Preference dividend attributable to B shares	0	0
Pro rata share of loss	-7,315	-4,594
Earnings attributable to B shares	-7,315	-4,594
Weighted average B shares outstanding	98,930	98,930
Earnings per share, B shares, DKK	**-74**	**-46**
Preference dividend attributable to C shares	0	0
Pro rata share of loss	-15,627	-9,814
Earnings attributable to C shares	-15,627	-9,814
Weighted average C shares outstanding	211,347	211,347
Earnings per share, C shares, DKK	**-74**	**-46**
Preference dividend attributable to D shares	0	0
Pro rata share of loss	0	0
Earnings attributable to D shares	0	0
Weighted average D shares outstanding	0	0
Earnings per share, D shares, DKK	**0**	**0**

18. Loss per share – continued –

Basic earnings per share amounts are calculated by dividing the net earnings for the period attributable to each share class by the weighted average number of shares outstanding during each the period. Due to the fact that the Group has incurred losses for each period presented, the potential A class shares issuable related to outstanding warrants have been excluded from the calculation of diluted earnings per share as the effect of such shares is anti-dilutive. There are no outstanding warrants related to the B or C class shares, therefore, basic and diluted earnings per share are the same for each period presented.

After the reporting period, convertible loans on EUR 3.1 million has been issued, whereafter the Lender shall be entitled to convert any outstanding loan amount into a variable number of D class shares in the Company.

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Instruments (including contingently issuable shares) that could potentially dilute basic earnings per A-share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented	194,977	149,787

19. Capital management

For the purpose of the Group's capital management, capital includes issued capital, all equity reserves and convertible loans. The primary objective of the Group's capital management is to maximize shareholder value. The board of directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and a continuous advancement of the Group's intellectual property, product pipeline and business. Cash, cash equivalents and financial assets are monitored on a regular basis by management and the board of directors in assessing current and long term capital needs. As of December 31, 2018 the Group held cash and cash equivalents totaling DKK 11 million that together with funding from new convertible loans in March 2019, as described in note 4, will be sufficient to provide adequate funding to allow the Group to meet its planned operating activities in the normal course of business for the twelve months period ending December 31, 2019.

The Group's activities expose it to a number of financial risks whereby future events, which can be outside the control of the Group, could have a material effect on the Group's financial position and results of operations. The known risks include foreign currency, interest, credit and liquidity risk and there could be other risks currently unknown to management. The Group historically has not hedged its financial risks.

Foreign Currency

The Group maintains operations in Denmark and in the United States of America and uses the DKK as its functional currency in Denmark and US Dollars (USD) in the US. The Group conducts cross border transactions where the functional currency is not always used. Accordingly, future changes in the exchange rates of the DKK and/or the USD will expose the Group to currency gains or losses that will impact the reported amounts of assets, liabilities, income and expenses and the impact could be material. For the year ended December 31, 2018 and December 31, 2017, the impact on the Group's income statement for possible changes in the USD exchange rates against the Parent Company's functional currency of DKK would be as follows:

Currency	Possible change	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
USD	+/-10%	+81 / (81)	+0 / (0)

Interest Rate Risk

In all material aspects, the Group's only interest bearing debt is the convertible debt facility and debt to capital owners. On December 31, 2018 all convertible debt and debt to capital owners has been converted to equity. Refer to note 15 for further information. Hence, the group is no longer subject to material interest rate risks.

Credit Risk

The Group's credit risk is associated with cash held in banks. The Group does not trade financial assets for speculative purposes and invests with the objective of preserving capital.

The Group's cash and cash equivalents are held primarily at two banks in Denmark with Moody's long term credit ratings exceeding A1.

19. Capital management – continued –

Liquidity risk

The Group's liquidity risk covers the risk that the group is not able to meet its liabilities as they fall due.

The maturities of financial liabilities appear from the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

	Within 1 year	1 - 2 year(s)	2 - 5 year(s)	Over 5 years	Total
Liabilities as at January 1, 2017					
Lease liabilities	408	0	0	0	408
Bank debt	68	0	0	0	68
Trade payables	3,377	0	0	0	3,377
Total	**3,853**	**0**	**0**	**0**	**3,853**
Liabilities as at December 31, 2017					
Bank debt	23	0	0	0	23
Convertible debt facility	21,999	0	0	0	21,999
Debt to capital owners	61,631	0	0	0	61,631
Trade payables	989	0	0	0	989
Total	**84,642**	**0**	**0**	**0**	**84,642**
Liabilities as at December 31, 2018					
Bank debt	22	0	0	0	22
Convertible debt facility	0	20,370	0	0	20,370
Debt to capital owners	56,028	0	0	0	56,028
Trade payables	1,724	0	0	0	1,724
Total	**57,774**	**20,370**	**0**	**0**	**78,144**

Debt to capital owners and convertible debt facility has been converted into equity on December 31, 2018. Refer to note 15 and note 16 for further information.

Fair value

The carrying value of financial assets and financial liabilities measured at amortized cost is considered not to differ significantly from fair value.

There were no assets nor liabilities measured at fair value as of December 31, 2018, December 31, 2017 or January 1, 2017.

20. Contractual obligations and contingencies

Contractual obligations

Until December 31, 2017 (IAS 17)
Until December 31, 2017, operating leases according to IAS 17 was recognized in the income statement on a straight-line basis over the lease term.

The group had concluded operating leases in respect of office premises including equipment. The leases are based on fixed lease payments, which are index-adjusted once every year.

	December 31, 2017 TDKK	January 1, 2017 TDKK
0 – 1 years	209	206
1 – 5 years	0	0
More than 5 years	0	0
	209	206

Operating lease payments recognised in the income statement amount to DKK 0.4 million for the twelve months ended December 31, 2017.

From January 1, 2018 (IFRS 16)
Effective from 1 January 2018, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. Hence, there is no obligation as of December 31, 2018. Refer to note 12 and 23.

Contingencies

Contingencies are assets and liabilities that arise from past events but whose existence will only be confirmed by the occurrence or non occurrence of future events that in some situations are beyond the Group's control. As of December 31, 2018 and 2017 and January 1, 2017 there are no contingent assets or liabilities.

21. Related party disclosure

The Group's related parties comprise the subsidiary of the Parent Company, the significant shareholders of the company and their subsidiaries, the Executive Management, the Other-key-management, the Board of Directors and the close members of the family of these persons.

All intercompany transactions between the Parent Company and the subsidiaries have been eliminated in the consolidated financial statements of the Group.

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Entities with significant influence over the entity and other shareholders		
Interest on convertible debt facility	1,232	1,629
Interest on debt to capital owners	8,657	5,603
Other related parties		
Lease of domicile including equipment from N. E. Holm A/S	484	437
Purchase of goods from Innoventa Medica ApS	1,290	697
Purchase of QMS from Innoventa Medica ApS	0	360
Purchase of other services from N. E. Holm A/S	0	8
Bookkeeping services received from close members of family of related parties	176	192

In 2008, the Group entered into a lease agreement for its domicile including equipment in Birkeroed, Denmark. The domicile is owned by Niels Erik Holm, who is a minority shareholder in the Parent Company. The lease agreement is entered on market terms and contains no rights or terms related to the fact that Niels Erik Holm is a member of the Executive management and a minority shareholder in the company. Rental deposits amounts to DKK 126 thousand.

Since 2008, a close member of family of Niels Erik Holm, which is a minority shareholder in the Parent Company, has rendered book-keeping services to the Group. The compensation for the services have been entered on market terms and contains no rights or terms related to the fact that Niels Erik Nielsen is a member of the Executive management and a minority shareholder in the Parent Company.

Since 2011, the Group entered into a supplier agreement with Innoventa Medica ApS including purchasing of goods related to the production of kits. The Group has entered into a Joint Ownership and Service Agreement with Innoventa Medica ApS under which the Group has been granted full co-ownership of Innoventa Medica ApS' quality management system ("**QMS**"). Innoventa Medica ApS is owned by Niels Erik Holm and Bo Jesper Hansen. Niels Erik Holm is a member of the Executive management and a minority shareholder in the Parent Company. Bo Jesper Hansen is a minority shareholders in the Parent Company.

Since 2008, the Group has entered into a service agreement with N.E. Holm A/S including offering cleaning services for its domicile. N.E. Holm A/S is owned by Niels Erik Holm, who is a member of the Executive management and a minority shareholder in the Parent Company.

21. Related party disclosures – continued –

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Entities with significant influence over the entity and other shareholders			
Debt to related parties related to D-shares	0	-61,631	-56,028
Debt to related parties related to convertible debt facility	0	-21,999	-20,370
Other related parties			
Debt to Innoventa Medica ApS	-658	-360	-135
Rental deposit	126	112	109

The Group is not ultimately controlled by any of the investors. See Note 8 for additional related party transactions, related to the remuneration paid to Executive Management and other-key-management. In addition to NE Holm A/S, Lundquist Holding ApS, Seed Capital Denmark II K/S, Novo Holdings A/S (Novo Seeds) and Vækstfonden all owns more than 5%.

There have been no transactions between related parties in the 12 months ended December 31, 2018 and the 12 months ended December 31, 2017 besides capital increases as described in note 15.

Terms and conditions of transactions with related parties

Amounts due to related parties are uncollateralized and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the twelve months ended December 31, 2018 and the twelve months ended December 31, 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. There are no related party receivables at any of the balance sheet dates.

Transactions with key management

The Group has not granted any loans, guarantees, or other commitments to or on behalf of any of the members of the board of directors or key management personnel.

Other than the remuneration described in Note 8, no other significant transactions have taken place with key management personnel during the period presented herein.

Compensation paid to members of the board of directors

Compensation paid to members of the board of directors are classified as administrative expense within the income statement. The following table lists compensation paid to members of the board of directors:

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Share-based compensation	5	5
Total compensation paid to the board of directors	**5**	**5**

Certain members of the board of directors have received warrants in the Parent Company (reference is made to note 9). Besides warrants, they have not received any other remuneration for their services.

21. Related party disclosures – continued –

Transactions with shareholders and affiliates
There have been no transactions with shareholders or affiliates of shareholders during the twelve months ending December 31, 2018 or the twelve months period ended December 31, 2017, except for the subscriptions of convertible debt and interests on convertible debt and debt to capital owners disclosed in note 16.

22. Subsequent events

In March 2019, convertible loans on 3.1 mio EUR has been issued. Refer to note 4 Going Concern for further information.

Other than the event disclosed above, there were no other events that were required to be reported or disclosed that are not already included within these financial statements.

23. Early adoption of IFRS 16

IFRS 16 “Leases” sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The Group has early adopted the new standard. The cumulative effect of initially applying the Standard has been recognised at January 1, 2018 and comparatives have not been restated due to immaterial impact.

As a result of the change in lease accounting, the group has capitalized its right of use assets. Upon implementation on January 1, 2018, the Group has recognized a liability to make lease payments (i.e. the lease liability) of DKK 771 thousand and an asset representing the right to use the underlying asset during the lease term (i.e. the right to use asset) of DKK 771 thousand.

The accumulated effect on equity at January 1, 2018 is zero and the accumulated effect on total assets is DKK 771 thousand. Further, the group has after the adoption of IFRS 16 separately recognized the interest expense on the lease liability with DKK 61 thousand and the depreciation on the right to use the assets with DKK 385 thousand instead of cost of operating lease agreements with DKK 423 thousand. Hence, the impact on net result for 2018 from adoption of IFRS 16 was DKK -23 thousand.

Note		Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
	Revenue	191	71
	Costs of sales	-52	-14
	Gross profit	**139**	**57**
5,8	Research and development expenses	-10,971	-15,565
5,8	Sales and marketing expenses	-4,050	-774
5,8	General and administrative expenses	-9,903	-3,764
	Operating loss	**-24,785**	**-20,046**
6	Financial income	140	0
7	Financial expenses	-15,594	-7,264
	Loss before tax	**-40,239**	**-27,310**
12	Income tax benefit	2,237	3,474
	Net loss for the period	**-38,002**	**-23,836**
	Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):		
	Exchange differences on translation of foreign operations, net of tax	0	0
	Other comprehensive income for the year, net of tax	**0**	**0**
	Total comprehensive loss	**-38,002**	**-23,836**
	Net loss attributable to:		
	Shareholders of Reapplix A/S	-38,002	-23,836
	Total comprehensive income attributable to:		
	Shareholders of Reapplix A/S	-38,002	-23,836

Note		December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
	ASSETS			
	Non-current assets			
8	Property, plant and equipment	1,714	0	0
9	Investments in group enterprises	0	0	0
12	Corporation tax receivable	377	377	116
	Deposits	128	114	111
	Total non-current assets	**2,219**	**491**	**227**
	Current assets			
11	Inventories	330	0	0
10	Receivables from group enterprises	1,499	0	0
	Trade receivables	20	0	17
12	Corporation tax receivable	2,237	3,213	3,434
	Other receivables	1,889	1,011	2,263
	Prepayments	99	178	76
	Cash and cash equivalents	9,752	3,378	18,064
	Total current assets	**15,826**	**7,780**	**23,854**
	TOTAL ASSETS	**18,045**	**8,271**	**24,081**
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	2,371	513	513
	Share premium	0	0	0
	Accumulated deficit	6,564	-80,791	-56,996
	Total equity	**8,935**	**-80,278**	**-56,483**
	Non-current liabilities			
	Convertible debt facility	0	0	20,370
	Total non-current liabilities	**0**	**0**	**20,370**
	Current liabilities			
	Lease liabilities	408	0	0
	Bank debt	68	23	22
	Convertible debt facility	0	21,999	0
	Debt to capital owners	0	61,631	56,028
	Trade payables	2,859	989	1,724
	Other payables and accruals	5,775	3,907	2,420
	Current liabilities	**9,110**	**88,549**	**60,194**
	Total liabilities	**9,110**	**88,549**	**80,564**
	TOTAL EQUITY AND LIABILITIES	**18,045**	**8,271**	**24,081**

Note		Share capital TDKK	Share premium TDKK	Accumulated deficit TDKK	Total equity TDKK
	Equity as of January 1, 2017	**1,389**	**0**	**-1,064**	**325**
14	Correction of material misstatements	-876	0	-55,932	-56,808
15	Opening effects from conversion to IFRS	0	0	0	0
	Equity as of January 1, 2017, restated	513	0	-56,996	-56,483
	Net loss for the period	0	0	-23,836	-23,836
	Other comprehensive income for the period	0	0	0	0
	Total comprehensive income	0	0	-23,836	-23,836
	Share-based payment expenses	0	0	41	41
	Equity as of December 31, 2017	**513**	**0**	**-80,791**	**-80,278**
	Equity as of January 1, 2018	513	0	-80,791	-80,278
15	Adoption of IFRS 16	0	0	0	0
	Equity as of January 1, 2018, restated	513	0	-80,791	-80,278
	Net loss for the period	0	0	-38,002	-38,002
	Other comprehensive income for the period	0	0	0	0
	Total comprehensive income	0	0	-38,002	-38,002
	Capital increase, debt for equity swap	1,858	125,347	0	127,205
	Transfer to accumulated deficit	0	-125,347	125,347	0
	Share-based payment expense	0	0	10	10
	Equity as of December 31, 2018	**2,371**	**0**	**6,564**	**8,935**

Note		Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
	Operating activities		
	Loss before tax	-40,239	-27,310
6	Reversal of non-paid financial income	-140	0
7	Reversal of non-paid financial expenses	15,594	7,233
8	Depreciation and amortisation	521	0
	Other non-cash items	5	44
	Adjustments to reconcile loss before tax to cash flows from operating activities:		
	Share-based payment expense	10	41
	Change in inventories	-330	0
	Change in receivables from group enterprises	-7,031	0
	Change in trade receivables	-20	0
	Change in other receivables	-878	1,252
	Change in prepayments	79	-102
	Change in trade payables	1,870	-735
	Change in other payables	1,868	1,487
12	Cash flows from taxes	3,213	3,434
6	Interest received	99	0
7	Interest paid	-88	-31
	Net cash flow used in operating activities	**-25,467**	**-14,687**
	Investing activities		
8	Investment in property, plant and equipment	-1,464	0
9	Investment in subsidiary	-64	0
	Net cash flow used in investing activities	**-1,528**	**0**
	Financing activities		
	Capital contributions from shareholders	4,072	0
	Cash from convertible loan	29,614	0
	Bank loan	45	1
15	Lease payment	-362	0
	Net cash provided by financing activities	**33,369**	**1**
	Net change in cash and cash equivalents	**6,374**	**-14,686**
	Cash and cash equivalents at beginning of the period	3,378	18,064
	Cash and cash equivalents at the end of the period	**9,752**	**3,378**

Corporate information

Reapplix A/S (the "Parent Company") is a limited liability company incorporated and domiciled in Denmark. The registered office of Reapplix A/S is Blokken 45, 3460 Birkeroed, Denmark. The financial statements for the year ended December 31, 2018 were authorized for approval at the Annual General Meeting to be held on May 31, 2019, with a resolution of the Board of Directors on May 31, 2019.

1. Accounting policies

Basis of preparation

The financial statements of the Parent Company have been prepared in accordance with International Financial Reporting Standards, or IFRS, as adopted by the European Union. In prior years, the financial statements were prepared in accordance with the provisions applying to reporting class B enterprises under the Danish Financial Statements Act. Upon adoption of IFRS, standards and interpretations which are mandatory for reporting periods beginning on or after January 1, 2018 have been applied. The impact on reported financial position and financial performance is discussed in note 15.

As part of the transition to IFRS the Parent Company have identified material misstatements in prior year. These have been corrected and are disclosed in note 14.

The consolidated financial statements have been prepared on a historical cost basis except for share-based payment, convertible debt facility and derivative financial instruments. The Parent Company financial statements are presented in Danish Kroner, or DKK, which is both the functional and presentation currency of the Parent Company. Where indicated, amounts are rounded to the nearest thousand, or TDKK.

As of January 1, 2017, the accounting policies have been changed to comply with International Financial Reporting Standards (IFRS) as adopted by the European Union. The date of transition is January 1, 2017 and all comparative figures for 2017 have been restated. Following IFRS 1, all standards and interpretations effective at December 31, 2018 have been applied. As part of the first time adoption of IFRS, the Company has decided to early adopt IFRS 16 Leases. The cumulative effect of initially applying the Standard has been recognised at January 1, 2018 and comparatives for 2017 have not been restated, due to immaterial impact. Further details are regarding first time adoption of IFRS 1 and early adoption of IFRS 16 are discussed in note 15.

As applicable to the Group, the Parent Company applies the same accounting policies as disclosed in the Group's consolidated financial statements. Therefore, only accounting policies specific to the Parent Company or that differ from the accounting policies applied by the Group are disclosed in these notes to the financial statement. If an accounting policy is not specifically mentioned, the Group accounting policy is applied.

Investment in group companies

Investments in subsidiaries are measured in the Parent Company financial statements at the lower of cost or recoverable amount. Any distributed dividends are recognized in the income statement of the Parent Company.

Parent Company notes

The notes applicable to the financial statements of the Parent Company are the same as those presented in the Group Consolidated Financial Statements, except for those notes presented in this section.

2. Significant accounting judgments, estimates and assumptions

A description of Management's key accounting estimates and judgements are disclosed in the Group financial statements (note 2) and also apply to the Parent Company.

3. Standards issued but not yet effective

A description of relevant new IFRS standards are disclosed in the Group financial statements (note 3) and also apply to the Parent Company.

4. Going concern

A description of matters related to Going concern are disclosed in the Group financial statements (note 4) and also apply to the Parent Company.

5. Employee benefit expenses

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Staff costs		
Wages/salaries	8,461	6,788
Share-based compensation expenses	10	41
Other social security costs	128	34
Other staff costs	148	182
Total staff costs	**8,747**	**7,045**
Average number of employees during the year	7	5

Total staff costs is included within the income statement as follows:

Research and development expenses	4,214	4,520
Sales and marketing expenses	975	328
General and administrative expenses	3,558	2,197
Total staff costs	**8,747**	**7,045**

Refer to Group financial statements for information about Executive Management remuneration.

6. Financial income

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Foreign exchange gain	41	0
Other interest income	99	0
Total financial income	**140**	**0**

7. Financial expenses

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Foreign exchange losses	21	0
Interest expenses, convertible debt facility (Consolidated note 16)	1,232	1,630
Interest expenses, debt to capital owners (Consolidated notes 15, 16)	8,657	5,603
Impairment losses on investment in subidiaries (note 9)	64	0
Impairment losses on receivables from subidiaries (note 10)	5,532	0
Interest expenses, lease liabilities	61	0
Other interest expenses	27	31
Total financial expenses	**15,594**	**7,264**

8. Property, plant and equipment

	Fixtures and fittings, other plant and equipment TDKK	Right-of-use assets TDKK	Demon-stration equipment TDKK	Total TDKK
Cost at January 1, 2017	312	0	0	312
Additions	0	0	0	0
Cost at December 31, 2017	312	0	0	312
Early adoption of IFRS 16 (note 24)	0	771	0	771
Additions	192	0	1,272	1,464
Disposals	0	0	0	0
Cost at December 31, 2018	504	771	1,272	2,547
Accummulated depreciation at January 1, 2017	312	0	0	312
Depreciation expense	0	0	0	0
Accummulated depreciation at December 31, 2017	312	0	0	312
Depreciation expense	72	386	63	521
Write-down	0	0	0	0
Disposals	0	0	0	0
Accummulated depreciation at December 31, 2018	384	386	63	833
Total net carrying value at:				
January 1, 2017	0	0	0	0
December 31, 2017	0	0	0	0
December 31, 2018	120	385	1,209	1,714

Right-of-use assets

The Parent Company has entered into a lease agreement for its domicile including equipment in Birkeroed, Denmark.

Depreciation expense

Depreciation expense is included within the income statement as follows:

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Research and development expenses	243	0
Sales and marketing expenses	103	0
General and administrative expenses	175	0
Total depreciation expense	**521**	**0**

9. Investment in subsidiaries

	December 31, 2018 TDKK	December 31, 2017 TDKK
Cost at January 1	0	0
Investment in subsidiary	64	0
Cost at December 31	64	0
Impairment losses at January 1	0	0
Impairment losses during the year	-64	0
Impairment losses at December 31	-64	0
Total net carrying value at:		
January 1	0	0
December 31	0	0

	Registered office	Ownership Interests (%)	Share capital (TUSD)	Equity (TUSD)	Net profit (TUSD)
Reapplix Inc.	Delaware, USA	100	10	-848	-858

10. Receivables from group enterprises

	December 31, 2018 TDKK	December 31, 2017 TDKK
Receivables from group enterprises at January 1	0	0
Transactions during the year	7,031	0
Receivables from group enterprises at December 31	7,031	0
Impairment losses at January 1	0	0
Impairment losses during the year	-5,532	0
Impairment losses at December 31	-5,532	0
Total net carrying value at:		
January 1	0	0
December 31	1,499	0

Receivables from group enterprises comprise receivable from subsidiary, Reapplix Inc.

Impairment
The parent company has recognized an allowance for expected credit losses (ECLs) for on demand receivables from the subsidiary, Reapplix Inc. ECLs are based on the difference between the contractual cash flow due in accordance with the contract and the cash flow the parent company expects to receive. The expected cash flow includes estimated cash flow to be recovered from sale of the net asset in the subsidiary in case of default.

11. Inventories

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Raw materials and packaging	198	0	0
Finished goods	132	0	0
Total inventories	**330**	**0**	**0**

The total amount of inventories recognised as an expense in the twelve month periods ended at December 31, 2018 and December 31, 2017 amounted to DKK 52 thousand and DKK 14 thousand, respectively.

No write-down or reversal of write-down during the reporting periods.

12. Income tax and deferred tax

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Current tax benefit on net loss	6,615	2,795
Adjustment to prior years (note 14)	0	261
Tax credit research and development expenses	2,237	3,213
Change in unrecognized deferred tax before tax	-6,615	-2,795
Total income tax benefit for the period	**2,237**	**3,474**

	Twelve months ended December 31, 2018 TDKK	Twelve months ended December 31, 2017 TDKK
Reconciliation of effective tax rate to Danish statutory tax rate		
Net loss before tax	40,239	27,310
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**8,853**	**6,008**
Tax effect of		
Adjustment to prior years	0	261
Other non-deductible expenses, including share-based compensation	119	-3
Deferred tax asset not recognized	-6,735	-2,792
Total income tax benefit for the period	**2,237**	**3,474**

	December 31, 2018 TDKK	December 31, 2017 TDKK
Corporation tax receivable at January 1	3,213	3,434
Received corporate tax during the financial year	-3,213	-3,434
Calculated corporate tax current year	2,237	3,213
Corporation tax receivable (current)	**2,237**	**3,213**

	December 31, 2018 TDKK	December 31, 2017 TDKK
Corporation tax receivable at January 1	377	116
Received corporate tax during the financial year	0	0
Calculated corporate tax current year	0	261
Corporation tax receivable (non-current)	**377**	**377**

12. Income tax and deferred tax – continued –

Deferred tax in the statement of financial position

	December 31, 2018 TDKK	December 31, 2017 TDKK	January 1, 2017 TDKK
Tax deductible losses	15,385	8,705	6,172
Other temporary differences	-66	-2	-2
	15,319	8,703	6,170
Deferred tax asset not recognized	-15,319	-8,703	-6,170
Carrying amount	**0**	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 15,385 thousands, DKK 8,705 thousands and DKK 6,172 thousands as of December 31, 2018, December 31, 2017 and January 1, 2017.

Income tax benefit for the year includes a tax credit for research and development at the applicable tax rate under the Danish Corporate Income Tax Act.

The tax loss carry forwards have no expiry date. The Company's ability to use tax loss carry forwards in any one year is limited to 100% of the first DKK 8.2 million of taxable income plus 60% of taxable income above DKK 8.2 million.

The Company recognizes deferred tax assets, including the tax base of tax loss carry forwards, if management assesses that these tax assets can be offset against positive taxable income within a foreseeable future. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. This judgment is made periodically after considering current facts and circumstances, budgets and business plans as well as the risks and uncertainty associated with the Company's ability successfully commercialize and defend its intellectual property.

Significant judgment

The development of medical devices and launching such devices within the life sciences industry is subject to significant risks and uncertainties and there is no assurance a medical device will be successfully developed or commercialized. As a result of this uncertainty and since the Company has reported significant losses since inception, and has limited commercial products or revenues, management has concluded that deferred tax assets should not be recognized as of December 31, 2018 or at any other prior date. The tax assets are currently not deemed to meet the criteria for recognition as management is not able to provide virtually certain evidence that taxable profits will be available in the future to utilize the benefit from the tax assets.

As of December 31, 2018 there are no tax audits in process nor has management been notified of any pending tax audit. As of December 31, 2018, the tax years that remain open for audit by the Danish tax authorities include 2013 through 2018.

13. Related party disclosure

The Parent Company's related parties comprise the subsidiary of the parent company, the significant shareholders of the company and their subsidiaries, the Executive Management, the Board of Directors and the close members of the family of these persons.

In 2018, the Parent Company has transferred demonstration equipment and inventories of total DKK 1.1 million to the subsidiary. Total receivable from the subsidiary as of December 31, 2018 amounts to DKK 1.5 million after impairment loss on 5.5 million, and interest charged amount to DKK 0.1 million for the twelve months ended December 31, 2018. Refer to note 10 for further information of impairment losses on receivables from group enterprises.

The subsidiary was established during 2018. Hence, there were no transactions with subsidiaries for the twelve months ended December 31, 2017.

Refer to Group financial statements for related party disclosures other than transactions with subsidiaries.

14. Correction of material misstatements

The financial figures at December 31, 2017, and comparative figures at January 1, 2017 have been restated to correct material misstatements.

The correction of material misstatements has resulted in changes in the following areas:

a) **Operating expenses** – has been changed as a result of incorrect cut-off of operating expenses between the financial years 2016, 2017 and 2018. These corrections also affects Corporation tax receivables, prepayments, Trade payables and Other payables as illustrated below.

b) **Revision of accruals** – has been revised to represent the correct provisions at January 1, 2017 and December 31, 2017. The effect of these corrections are reflected in Other payables and related expense accounts in Profit & Loss.

c) **Debt to capital owners** – Holders of minimum 65 % of D-shares in the Company can, subsequent to December 31, 2017, require that the Company redeem the D-shares at a price equal to the original subscription price including annual interest of 10 %. As such all D-shares including interest has been presented as debt to capital owners. Effect of interests is reflected in Financial expenses in Profit or Loss.

To illustrate the effect of correction of material misstatements, the following reconciliations of the reported figures for 2017 have been prepared.

The letters a) to c) in the tables below refer to descriptions of the correction of material misstatements mentioned above.

14. Correction of material misstatements – continued –

		January 1, 2017 TDKK reported under previous GAAP	Effect of correcting material misstatements TDKK	Restated January 1, 2017 TDKK reported under previous GAAP
	ASSETS			
	Non-current assets			
	Property, plant and equipment	0	0	0
a	Corporation tax receivable	0	116	116
	Deposits	111	0	111
	Total non-current assets	**111**	**116**	**227**
	Current assets			
	Trade receivable	17	0	17
	Corporation tax receivable	3,434	0	3,434
a	Other receivables	2,223	40	2,263
a	Prepayments	0	76	76
	Cash and cash equivalents	18,064	0	18,064
	Total current assets	**23,738**	**116**	**23,854**
	TOTAL ASSETS	**23,849**	**232**	**24,081**
	EQUITY AND LIABILITIES			
	Equity			
c	Share capital	1,389	-876	513
a, b, c	Accumulated deficit	-1,064	-55,932	-56,996
	Total equity	**325**	**-56,808**	**-56,483**
	Current liabilities			
	Bank debt	22	0	22
	Convertible debt facility	20,370	0	20,370
c	Debt to capital owners	0	56,028	56,028
a	Trade payables	1,634	90	1,724
a, b	Other payables	1,498	922	2,420
	Total current liabilities	**23,524**	**57,040**	**80,564**
	TOTAL EQUITY AND LIABILITIES	**23,849**	**232**	**24,081**

14. Correction of material misstatements – continued –

		Twelve months ended December 31, 2017 TDKK reported under previous GAAP	Effect of correcting material misstatements TDKK	Restated twelve months ended December 31, 2017 TDKK reported under previous GAAP
a	Gross results	-3,586	-35	-3,621
	Revenue	0	0	0
	Cost of sales	0	0	0
a, b	Staff costs	-6,941	-63	-7,004
	Depreciation and write-down relating to tangible fixed assets	0	0	0
a	Research and development expenses	-8,260	-1,120	-9,380
	Sales and marketing expenses	0	0	0
	General and administrative expenses	0	0	0
	Operating loss	**-18,787**	**-1,218**	**-20,005**
	Financial income	0	0	0
c	Financial expenses	-1,661	-5,603	-7,264
	Loss before tax	**-20,448**	**-6,821**	**-27,269**
a	Income tax benefit	3,213	261	3,474
	Net loss for the period	**-17,235**	**-6,560**	**-23,795**
	Other comprehensive loss	0	0	0
	Total comprehensive loss	**-17,235**	**-6,560**	**-23,795**

14. Correction of material misstatements – continued –

		December 31, 2017 TDKK reported under previous GAAP	Effect of correcting material misstatements TDKK	Restated December 31, 2017 TDKK reported under previous GAAP
	ASSETS			
	Non-current assets			
	Property, plant and equipment	0	0	0
a	Corporation tax receivable	0	377	377
	Deposits	114	0	114
	Total non-current assets	**114**	**377**	**491**
	Current assets			
	Trade receivable	0	0	0
	Corporation tax receivable	3,213	0	3,213
a	Other receivables	990	21	1,011
a	Prepayments	0	178	178
	Cash and cash equivalents	3,378	0	3,378
	Total current assets	**7,581**	**199**	**7,780**
	TOTAL ASSETS	**7,695**	**576**	**8,271**
	EQUITY AND LIABILITIES			
	Equity			
c	Share capital	1,389	-876	513
a, b, c	Accumulated deficit	-18,298	-62,493	-80,791
	Total equity	**-16,909**	**-63,369**	**-80,278**
	Current liabilities			
	Bank debt	23	0	23
	Convertible debt facility	21,999	0	21,999
c	Debt to capital owners	0	61,631	61,631
a	Trade payables	653	336	989
a, b	Other payables	1,929	1,978	3,907
	Total current liabilities	**24,604**	**63,945**	**88,549**
	TOTAL EQUITY AND LIABILITIES	**7,695**	**576**	**8,271**

15. First time adoption of IFRS and early adoption of IFRS 16

First time adoption of IFRS

As of January 1, 2017, the accounting policies have been changed to comply with International Financial Reporting Standards (IFRS) as adopted by the EU. The date of transition is January 1, 2017 and all comparative figures for 2017 have been restated. Following IFRS 1, all standards and interpretations effective at December 31, 2018 have been applied. IFRS 9 and IFRS 15 are applied using the full retrospective approach. As part of the first time adoption of IFRS, the company has decided to early adopt IFRS 16 Leases. The cumulative effect of initially applying the standard has been recognised at January 1, 2018 and comparatives for 2017 have not been restated, due to immaterial impact.

Besides adoption disclosures, the adoption of IFRS has resulted in changes to the accounting policies in the following areas:

d) **Revenue presentation** – in accordance with IAS 1, revenue must be disclosed as a separate line item. Under previous GAAP, the company was exempted from disclosing revenue.

e) **Income statement presentation** has been changed in respect of analysis of expenses. The company presents expenses using a classification based on their function within the entity as this information is reliable and more relevant to the readers of the financial statements, compared to the presentation under previous GAAP (based on the nature of the expenses).

f) **Share-based payments** – in accordance with IFRS 2 ‘Share-based payment’ the fair value of employee services received in exchange for the grant of share-based compensation plans is recognised as an expense, and allocated over the vesting period. Under previous GAAP, no expense has been recognized for these warrants.

To illustrate the effect of adopting IFRS, the following reconciliations of the restated figures for 2017 under previous Danish GAAP to the IFRS figures have been prepared. As the company has not previously disclosed a cash flow statement, the following reconciliations do not contain the cash flow statement.

The letters d) to f) in the tables below refer to descriptions of the changes in accounting policies due to IFRS adoption mentioned above.

15. First time adoption of IFRS and early adoption of IFRS 16 – continued –

GAAP change		Restated January 1, 2017 TDKK reported under previous GAAP	Effect of first time IFRS adoption	January 1, 2017 TDKK reported under IFRS
	ASSETS			
	Non-current assets			
	Property, plant and equipment	0	0	0
	Corporation tax receivable	116	0	116
	Deposits	111	0	111
	Total non-current assets	**227**	**0**	**227**
	Current assets			
	Trade receivable	17	0	17
	Corporation tax receivable	3,434	0	3,434
	Other receivables	2,263	0	2,263
	Prepayments	76	0	76
	Cash and cash equivalents	18,064	0	18,064
	Total current assets	**23,854**	**0**	**23,854**
	TOTAL ASSETS	**24,081**	**0**	**24,081**
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	513	0	513
	Accumulated deficit	-56,996	0	-56,996
	Total equity	**-56,483**	**0**	**-56,483**
	Current liabilities			
	Bank debt	22	0	22
	Convertible debt facility	20,370	0	20,370
	Debt to capital owners	56,028	0	56,028
	Trade payables	1,724	0	1,724
	Other payables	2,420	0	2,420
	Total current liabilities	**80,564**	**0**	**80,564**
	TOTAL EQUITY AND LIABILITIES	**24,081**	**0**	**24,081**

15. First time adoption of IFRS and early adoption of IFRS 16 – continued –

GAAP Change		Restated twelve months ended December 31, 2017 TDKK reported under previous GAAP	Effect of IFRS adoption	Restated twelve months ended December 31, 2017 TDKK reported under IFRS
d, e	Gross results	-3,621	3,621	0
d	Revenue	0	71	71
d	Cost of sales	0	-14	-14
e, f	Staff costs	-7,004	7,004	0
	Depreciation and write-down relating to tangible fixed assets	0	0	0
e, f	Research and development expenses	-9,380	-6,185	-15,565
f	Sales and marketing expenses	0	-774	-774
e, f	General and administrative expenses	0	-3,764	-3,764
	Operating loss	**-20,005**	**-41**	**-20,046**
	Financial income	0	0	0
	Financial expenses	-7,264	0	-7,264
	Loss before tax	**-27,269**	**-41**	**-27,310**
	Income tax benefit	3,474	0	3,474
	Net loss for the period	**-23,795**	**-41**	**-23,836**
	Other comprehensive loss	0	0	0
	Total comprehensive loss	**-23,795**	**-41**	**-23,836**

15. First time adoption of IFRS and early adoption of IFRS 16 – continued –

GAAP Change		Restated December 31, 2017 TDKK reported under previous GAAP	Effect of IFRS adoption	Restated December 31, 2017 TDKK reported under IFRS
	ASSETS			
	Non-current assets			
	Property, plant and equipment	0	0	0
	Corporation tax receivable	377	0	377
	Deposits	114	0	114
	Total non-current assets	**491**	**0**	**491**
	Current assets			
	Trade receivable	0	0	0
	Corporation tax receivable	3,213	0	3,213
	Other receivables	1,011	0	1,011
	Prepayments	178	0	178
	Cash and cash equivalents	3,378	0	3,378
	Total current assets	**7,780**	**0**	**7,780**
	TOTAL ASSETS	**8,271**	**0**	**8,271**
	EQUITY AND LIABILITIES			
	Equity			
	Share capital	513	0	513
	Accumulated deficit	-80,791	0	-80,791
	Total equity	**-80,278**	**0**	**-80,278**
	Current liabilities			
	Bank debt	23	0	23
	Convertible debt facility	21,999	0	21,999
	Debt to capital owners	61,631	0	61,631
	Trade payables	989	0	989
	Other payables	3,907	0	3,907
	Total current liabilities	**88,549**	**0**	**88,549**
	TOTAL EQUITY AND LIABILITIES	**8,271**	**0**	**8,271**

15. First time adoption of IFRS and early adoption of IFRS 16 – continued –

Early adoption of IFRS 16

IFRS 16 “Leases” sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The company has early adopted the new standard. The cumulative effect of initially applying the Standard has been recognised at January 1, 2018 and comparatives have not been restated due to immaterial impact.

As a result of the change in lease accounting, the company has capitalized its right-of-use assets. Upon implementation on January 1, 2018, the company has recognized a liability to make lease payments (i.e. the lease liability) of DKK 771 thousand and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset) of DKK 771 thousand.

The accumulated effect on equity at January 1, 2018 is zero and the accumulated effect on total assets is DKK 771 thousand. Further, the company has after the adoption of IFRS 16 separately recognized the interest expense on the lease liability of DKK 61 thousand and the depreciation of the right to use the assets of DKK 385 thousand instead of cost of operating lease agreements of DKK 423 thousand. Hence, the impact on net result for 2018 from adoption of IFRS 16 was DKK -23 thousand.

	January 1, 2018 TDKK	**Effect of adoption of IFRS 16 TDKK**	**January 1, 2018 TDKK after adoption of IFRS 16**
ASSETS			
Non-current assets			
Property, plant and equipment	0	771	771
Corporation tax receivable	377	0	377
Deposits	114	0	114
Total non-current assets	**491**	**771**	**1,262**
Total current assets	**7,780**	**0**	**7,780**
TOTAL ASSETS	**8,271**	**771**	**9,042**
EQUITY AND LIABILITIES			
Equity			
Share capital	513	0	513
Accumulated deficit	-80,791	0	-80,791
Total equity	**-80,278**	**0**	**-80,278**
Current liabilities			
Lease liabilities	0	771	771
Bank debt	23	0	23
Convertible debt facility	21,999	0	21,999
Debt to capital owners	61,631	0	61,631
Trade payables	989	0	989
Other payables	3,907	0	3,907
Total current liabilities	**88,549**	**771**	**89,320**
TOTAL EQUITY AND LIABILITIES	**8,271**	**771**	**9,042**

15. First time adoption of IFRS and early adoption of IFRS 16 – continued –

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2018 is based upon the operating lease obligations as at December 31, 2017:

	January 1, 2018 TDKK
Operating lease obligation at December 31, 2017	209
Effect of extension options that with reasonable certainty will be exercised	637
Effect of discounting	-76
Lease liabilities at January 1, 2018	**771**

Lease liabilities are recognized in a separate line item in the statement of financial position. The lease period includes reasonable certain extension periods, ending December 31, 2019. The discounting rate of 10% is determined based on the incremental borrowing rate of the group at January 1, 2018.