Reapplix A/S

Blokken 45, DK-3460 Birkeroed

CVR no. 31 26 15 70

Annual report for 2019

This annual report has been adopted at the company's annual general meeting on July 28, 2020

Chairman of the meeting:

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Nicolai Ørsted

Contents

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

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

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

Auditors
EY Godkendt Revisionspartnerselskab
Dirch Passers Allé 36
DK-2000 Frederiksberg
CVR no. 30 70 02 28

FINANCIAL REVIEW

The net result for the financial year 2019 was a loss of DKK 89.6 million compared to DKK 38.0 million in 2018. The increase is primarily due to execution of the commercialization strategy and general strengthening of the organization and infrastructure.

R&D

Research and development expenses totaled DKK 11.8 million in 2019 compared to DKK 11.0 million in 2018. The increase was mainly due to slightly higher activity levels in 2019.

S&M

Sales and marketing expenses totaled DKK 17.5 million in 2019 compared to DKK 9.5 million in 2018. The increase was mainly due to Reapplix Inc. impacting a full 12 months instead of 6 months as well as strengthening of S&M organizations in both US and Europe.

General and administrative expenses

General and administrative expenses totaled DKK 15.6 million in 2019 compared to DKK 9.9 million in 2018. 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 3.8 million in 2019 compared to DKK 10.0 million in 2018. Financial expenses primarily cover interest expenses on convertible debt facility and debt to capital owners. Fair value adjustment to conversion options recognized in income statement amounted to TDKK 43,571 for the 12 months ended December 31, 2019

Income tax benefit

Income tax benefit totaled DKK 2.4 million in 2019 compared to DKK 2.2 million in 2018. 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, 2019, the group had a cash balance of DKK 19.6 million compared to DKK 11.0 million as of December 31, 2018. The increase in cash results from capital contributions and convertible loans less the cash burn during the year.

As of December 31, 2019, equity amounted to DKK -18.5 million compared with DKK 8.9 million as of December 31, 2018. The decrease mainly reflects the capital increases during the year less the financial result for the year. The Company has lost its share capital. Subject to the provisions of Section 119 of the Danish Companies Act, Management has made plans to re-establish the share capital through additional funding.

Cash flow

Net cash flow from operating activities amounted to an outflow of DKK 35.1 million in the year ended December 31, 2019 compared to DKK 23.2 million in the year ended December 31, 2018. 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 4.6 million in the year ended December 31, 2019 compared to DKK 2.5 million in the year ended December 31, 2018. Investing activities comprise investment in equipment for demonstration purposes, as well as production equipment.

Net cash inflow from financing activities amounted to an inflow of DKK 48.6 million in the year ended December 31, 2019 compared to DKK 33.4 million in the year ended December 31, 2018.Financing activities comprise cash contributions from convertible debt facility and debt to capital owners, which in the end of 2019 was not fully 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 July 2020 the Company entered into a capital increase agreement of DKK 126.6 million. Refer to note 22 for further information.

In July 2020 convertible debt facilities with a principle amount of DKK 23.4 million has been converted into share capital.

Reapplix has received Medicare reimbursement coding instructions with a national average payment rate of USD 1,622.74. The rate covers each patient visit to Hospital Outpatient Departments to receive 3C Patch® treatment (www.3cpatch.com/) for hard-to-heal diabetic foot ulcers.

The reimbursement coding instructions received from the Centers for Medicare and Medicaid Services (CMS) were provided under the Coverage with Evidence Development (CED) framework. Access to the procedure is granted via a CMS-approved claims-based study, which will passively collect and analyze real-world data on the procedure.

In parallel, CMS has re-opened its National Coverage Analysis (NCA) process for Autologous Blood-Derived Products for Chronic Non-Healing Wounds with a stated, expected NCA completion date of January 2021. Reapplix expects that the CED framework arrangement will be replaced by a positive National Coverage Determination decision with a permanent future coding and reimbursement rate at the beginning of 2021.

In general, the Company has achieved results that are in line with expectations in 2020. However, from the beginning of March 2020, management has found that the worldwide Covid-19 outbreak will potentially affect the Company's results and financial position in 2020. However, it is not possible for the company's management at the time of financial reporting to quantify the effect, as it will depend on the duration and extent of the virus outbreak.

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

ABOUT REAPPLIX A/S

Diabetic foot ulcers have a debilitating impact on patients. Despite numerous treatment options, about 60% of all patients experience a wound that does not heal. If the severity of a wound progresses to grade 4 or 5, the cost of treatment is eight times higher than a grade 1 or 2 wound. For about 20% of patients, treatment ends in amputation within one year.

Founded in 2008, Reapplix specializes in the biological treatment and management of diabetic foot ulcers.

Reapplix has established that one of the keys to successful wound treatment lies in the body's capacity to heal – and each patient is central to that process. The patented 3CPatch® System is an innovative, evidence-based biological wound therapy made entirely from the patient's own blood – nothing else. Using just a small sample of the patient's blood the 3C Patch® System separates, coagulates and compacts the blood components into a solid patch comprising a concentration of proteins, active cells and growth factors.

Each 3C Patch® takes about 20 minutes to produce and is applied directly to the wound at point-of-care. One of few evidence-based wound treatments, the 3C Patch® is clinically proven to significantly accelerate wound healing of hard-to-heal diabetic foot ulcers (Randomized Controlled Trial data published in The Lancet in September 2018). The outcome is a cost-effective, personalized wound treatment that draws on each patient's unique ability to help their own healing process.

Headquartered in Denmark and with Reapplix Inc. established in Texas, Reapplix is poised for commercial launch, with particular focus on the key US market.

Every wound is personal.

www.reapplix.com

Statement by Board of Directors and Executive Management on the annual report

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, 2019 and the comparative figures for the financial year January 1 – December 31, 2018.

The consolidated financial statements 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 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, 2019 and the comparative figures at December 31, 2018 and of the results of the Group's and Parent Company's operations and cash flows for the financial year January 1 – December 31, 2019 and the comparative figures for the financial year January 1 – December 31, 2018.

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, July 9, 2020

Executive Management

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

Board of Directors

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

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 for the financial year 1 January – 31 December 2019, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and 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 EU and additional 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 31 December 2019 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional 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" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the 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 financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the 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 financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the 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 EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the 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 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 financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, and whether the 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, July 9, 2020

EY
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kennet Hartmann

Kennet Hartmann
State Authorised Public Accountant
mne40036

Consolidated income statement and statement of comprehensive income

Note		2019 TDKK	2018 TDKK
5,6	Revenue	656	191
	Costs of sales	-336	-52
	Gross profit	**320**	**139**
7,8,9,12	Research and development expenses	-11,825	-10,971
8,9,12	Sales and marketing expenses	-17,479	-9,470
8,9,12	General and administrative expenses	-15,604	-9,903
	Operating loss	**-44,588**	**-30,205**
10	Financial income	223	41
11	Financial expenses	-4,058	-9,998
16	Fair value adjustment of conversion option	-43,571	0
	Loss before tax	**-91,994**	**-40,162**
17	Income tax benefit	2,377	2,209
	Net loss for the period	**-89,617**	**-37,953**
	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	-144	-49
	Other comprehensive loss for the year, net of tax	**-144**	**-49**
	Total comprehensive loss	**-89,761**	**-38,002**
	Net loss attributable to:		
	Owners of the Parent Company	-89,617	-37,953
	Total	**-89,617**	**-37,953**
	Total comprehensive income attributable to:		
	Owners of the Parent Company	-89,761	-38,002
	Total	**-89,761**	**-38,002**
18	**Earnings per share, basic and diluted**		
	Class D preferred shares (in DKK)	-32	0
	Class C preferred shares (in DKK)	-32	-74
	Class B preferred shares (in DKK)	-32	-74
	Class A ordinary shares (in DKK)	-32	-74

Consolidated balance sheet

Note		2019 TDKK	2018 TDKK
	ASSETS		
	Non-current assets		
12	Property, plant and equipment	6,135	2.692
17	Corporation tax receivable	0	377
	Deposits	401	164
	Total non-current assets	**6,536**	**3,233**
	Current assets		
13	Inventories	416	404
14	Trade receivable	83	20
17	Corporation tax receivable	2,760	2,237
	Other receivables	787	1,889
	Prepayments	417	230
	Cash and cash equivalents	19,640	10,962
	Total current assets	**24,103**	**15,742**
	TOTAL ASSETS	**30,639**	**18,975**
	EQUITY AND LIABILITIES		
	Equity		
15	Share capital	2,819	2,371
	Share premium	0	0
	Accumulated loss	-21,086	6,613
	Currency translation reserve	-193	-49
	Total equity	**-18,460**	**8,935**
	Non-current liabilities		
19	Lease liabilities	600	0
	Other payables and accruals	193	0
	Total non-current liabilities	**793**	**0**
	Current liabilities		
19	Lease liabilities	720	408
	Bank debt	77	68
16	Convertible debt facility	23,095	0
16	Conversion option	11,606	0
	Trade payables	1,383	3,379
17	Corporation tax payable	35	28
	Other payables and accruals	11,391	6,157
	Total current liabilities	**48,307**	**10,040**
	Total liabilities	**49,100**	**10,040**
	TOTAL EQUITY AND LIABILITIES	**30,639**	**18,975**

Consolidated statement of changes in equity

	Note	Share capital TDKK	Share premium TDKK	Accumulated deficit TDKK	Currency translation reserve TDKK	Total TDKK
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
Capital increase, debt for equity swap	15,16	1,858	125,347	0	0	127,205
Transfer to accumulated deficit		0	-125,347	125,347	0	0
Share-based payment expense	9	0	0	10	0	10
Equity as of December 31, 2018		**2,371**	**0**	**6,613**	**-49**	**8,935**
Equity as of January 1, 2019		**2,371**	**0**	**6,613**	**-49**	**8,935**
Net loss for the period		0	0	-89,617	0	-89,617
Other comprehensive income for the period		0	0	0	-144	-144
Total comprehensive income		0	0	-89,617	-144	-89,761
Capital increase, conversion of debt	15,16	431	58,952	0	0	59,383
Capital increase, cash injection	15	17	983	0	0	1,000
Transaction cost		0	0	-50		-50
Transfer to accumulated deficit		0	-59,935	59,935	0	0
Share-based payment expense	9	0	0	2,033	0	2,033
Equity as of December 31, 2019		**2,819**	**0**	**-21,086**	**-193**	**-18,460**

The Company has lost its share capital. Subject to provisions of Section 119 of the Danish Companies Act, Management has made plans to re-establish the share capital through additional funding. Refer to note 4.

Consolidated cash flow statement

	Note	2019 TDKK	2018 TDKK
Operating activities			
Loss before tax		-91,994	-40,162
Reversal of non-paid financial income	10	-223	-41
Reversal of non-paid financial expenses	11	4,058	9,998
Depreciation and amortization	12	1,226	578
Fair value adjustment conversion option	16	43,571	0
Other non-cash items		-107	-35
Adjustments to reconcile loss before tax to cash flows from operating activities			
Share-based payment expense	9	1,982	10
Change in inventories		-12	-404
Change in trade receivables		-63	-20
Change in other receivables		1,102	-878
Change in prepayments		-187	-52
Change in trade payables		-1,996	2,390
Change in other payables		5,427	2,250
Cash flows from taxes	17	2,237	3,213
Interest paid	11	-163	-88
Net cash flow used in operating activities		**-35,142**	**-23,241**
Investing activities			
Investment in property, plant and equipment	12	-4,644	-2,499
Net cash flow used in investing activities		**-4,644**	**-2,499**
Financing activities			
Capital contributions from shareholders	15	0	4,072
Cash from convertible loan	16	47,711	29,614
Bank loans		9	46
Lease payment		912	-362
Net cash provided by financing activities		**48,632**	**33,370**
Net change in cash and cash equivalents		**8,846**	**7,630**
Net foreign exchange differences		-168	-46
Cash and cash equivalents at the beginning of the period		10,962	3,378
Cash and cash equivalents at the end of the period		**19,640**	**10,962**

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, 20189 were authorized for approval at the Annual General Meeting to be held on July 9, 2020, with a resolution of the Board of Directors on July 9, 2020.

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.

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.

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.

1. Accounting policies – continued –

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.

1. Accounting policies – continued –

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.

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, 2019 or December 31, 2018.

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

The Group has issued short-term convertible debt instruments providing the holdes of the instruments the right either to receive cash settlement at maturity date or in the event of a default or to convert the debt into shares either at maturity date or in the event of an exit.

1. Accounting policies – continued –

When it is assessed that the convertible debt facilities consist of 2 separate financial instruments – the conversion option and the host contract – the conversion option is separated at initial recognition from the host contract and accounted for as a separate derivative instrument.

At the initial recognition the host contract is measured at fair value. Subsequently the host contract is measured at amortised cost. The host contract is classified as a financial liability until it is discharged or cancelled or expires.

When the conversion price is not fixed, the conversion option is accounted for as a derivative liability until it is discharged or cancelled or expires.

At initial recognition, the conversion option is measured as the difference between fair value of the entire convertible debt instrument and the fair value of the host contract.

Subsequently, the conversion option is measured at fair value through profit and loss as part of financial items.

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, 2019 and December 31, 2018 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.

1. Accounting policies – continued –

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, 2019 and December 31, 2018 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.

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.

1. Accounting policies – continued –

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.

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)
- Estimation of convertible debt facilities including the conversion options (note 16)
- 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 12-months periods ended at December 31, 2019 and December 31, 2018 to DKK 12 million and DKK 11 million, respectively.

Estimation of share-based compensation expenses

The calculated fair value and subsequent compensation expenses for the Parent Company's share-based compensation are subject to significant assumptions and estimates. The fair value of warrants granted is calculated using the Black-Scholes option pricing model.

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

The key assumptions applied in determining fair value have been:
- 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 and relevant 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 inflection 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:

Key assumptions applied in black-scholes pricing model	**2019 TDKK**	**2018 TDKK**
Expected volatility (%)	74 %	79 %
Expected future dividend yield per share (%)	0 %	0 %
Annual risk-free interest rate (%)	-0,8 %	-0.6 % to -0.3 %

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
2019	65.7	2 to 3

** 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 –

Estimation of convertible debt facilities including the conversion options

The fair value at initial recognition of the elements of the convertible debt facilities comprising of the host contract and the embedded conversion options, being accounted for as separate derivative liabilities, are subject to significant assumptions and estimates.

The fair value of the host contract is calculated by discounting the future expected cash flows under the host contract using a yield assessed to reflect a market participant's required rate of return for a stand-alone loan – i.e. excluding the conversion option – with similar characteristics.

The fair value of the conversion option is at initial recognition calculated as the difference between the fair value of the entire instrument and the fair value of the host contract.

Subsequently the conversion option is measured at fair value through profit and loss and the fair value is determined applying the Black-Scholes option pricing model.

The fair value of conversion option issued in 12 months period ended December 31, 2019 is based on unobservable input (level 3). The valuation method requires Management to make certain assumptions about the model inputs. The key assumptions are:

	December 31, 2019
Share price for D class share (DKK)	63.8
Expected volatility (%)	80.0
Expected life of conversion options in years	0.5

In addition, when determining the fair value, Management estimates the likelihood of the different conversion options disclosed in note 16.

Share price for D class shares (DKK)

The most significant assumptions applied is the share price for the underlying share class.

Fair value of the underlying share class has been determined on the basis of the fair value of Reapplix attributable to the particular share class. Share price of Reapplix has been determined based on the price per share at the latest financing round and considering additional relevant facts and circumstances.

Expected volatility (%)

The expected volatility is based on peer group data and reflects the assumptions that the historical volatility over a period similar to the life of the underlying conversion option 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.

Expected life of conversion option in years

Expected life of conversion options are based on hold to maturity. If the parent Company's shares are to be listed on a stock exchange or another regulated market (or another exit-event as discussed in note 16), the conversion options may be exercised at an earlier date.

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 15,973 thousand and DKK 15,448 thousand as at December 31, 2019 and December 31, 2018, respectively.

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

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, 2020 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.

- Amendments to References to the Conceptual Framework in IFRS Standard (issued 2018, effective date 1 January 2020).
- Amendments to IAS 1 and IAS 8, Definition of Material (issued 2018, effective date 1 January 2020).
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued 2019, effective date 1 January 2020)

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

As of December 31, 2019, Reapplix held cash of DKK 19.6 million. In the coming year, the Group expects to continue incurring substantial costs associated with the ongoing operational activities. In the opinion of Management, the cash available as of December 31, 2019 combined with the net proceeds of the first of two tranches each of DKK 63.3 million received in July 2020 from an increase of capital as described in note 22 is sufficient for the Group's expected working capital needs for the next 12 months.

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.

5. Revenue from contracts with customers

The Group's revenues are mainly 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 tables below illustrate revenue by geographical areas:

	2019 TDKK	2018 TDKK
Medical consumables (3CP™)		
Europe	385	191
United States of America (USA)	271	0
Total revenue	**656**	**191**

	2019 TDKK	2018 TDKK
Timing of revenue recognition		
Revenue from sale of Consumables at a point in time	656	191
Total revenue	**656**	**191**

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 medical consumables and when the customers have legal title to the asset.	The consideration is 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 stand-alone selling prices of the respective promised medical consumables.

6. Information about geographical areas

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

The Group is still at an early commercial phase with 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 is given 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 consists of property, plant and equipment and financial assets.

	2019 TDKK		2018 TDKK	
	Revenue	**Non-current assets**	**Revenue**	**Non-current assets**
Denmark	385	5,061	191	2,219
United States of America (USA)	271	1,475	0	1,014
Total	**656**	**6,536**	**191**	**3,233**

Major customers

Income from transactions with three major customers recognized under "Revenue" in 2019 represented 34%, 21% and 13% respectively of total revenue (2018: three major customers represent 55%, 29% and 10% respectively 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 0.1 million, and DKK 0.3 million for the 12-months period ended as at December 31, 2019 and December 31, 2018.

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

8. Employee benefit expenses

	2019 TDKK	2018 TDKK
Staff costs		
Wages/salaries	15,473	9,801
Share-based compensation expenses (note 9)	2,033	10
Other social security costs	972	309
Other staff costs	192	164
Total staff costs	**18,670**	**10,284**
Average number of employees during the year	11	10
Executive management remuneration		
Wages/salaries	6,608	6,505
Share-based compensation expenses (note 9)	1,545	5
Other social security costs	26	16
Other staff costs	74	40
Total executive management remuneration	**8,253**	**6,566**
Total staff costs are included within the income statement as follows:		
Research and development expenses	5,682	4,214
Sales and marketing expenses	6,724	2.512
General and administrative expenses	6,264	3,558
Total staff costs	**18,670**	**10,284**

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 21 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 – 24 months.

The expenses of warrants in the 12-months period ended December 31, 2019 are impacted by the issue of a new program for the Executive Management and the Chairman of the Board, which will run in parallel with former programs, but as mutually exclusive when exercised. Refer to note 2 for assumptions applied in determining fair value.

The table below summarizes the activity related to the warrants for the 12-months period ended December 31, 2019 and the 12-months period December 31, 2018:

9. Share-based compensation expenses – continued –

	Executive Management	Employees	Board of Directors	Total warrants
Outstanding at January 1, 2018	**127,160**	**7,297**	**60,520**	**194,977**
Granted	50,977	0	45,000	95,977
Outstanding at December 31, 2018	**178,137**	**7,297**	**105,520**	**290,954**
Granted	157,160	0	60,520	217,680
Outstanding at December 31, 2019	**335,297**	**7,297**	**166,040**	**508,634**

The Group has granted warrants to the Executive Management and Board of Directors that may only be exercised if and to the extent that warrants issued earlier have not been exercised (warrants running in parallel). All warrants granted are included in the table above. A number of exercisable warrants are running in parallel, meaning that the net exercisable number of warrants are 204,977 as of December 31, 2019 (December 31, 2018: 172,985).

The weighted average remaining contractual life of the warrants outstanding as of December 31, 2019 and December 31, 2018 was 1 year and 2 years, respectively.

The weighted average exercise prices of the warrants outstanding as at December 31, 2019 and December 31, 2018 were 54,03 and 54,63, respectively.

Share-based compensation recognised in the income statement:

	2019 TDKK	2018 TDKK
Research and development expenses	922	5
General and administrative expenses	1,111	5
Total share-based compensation recognized in the income statement	**2,033**	**10**

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

	2019 TDKK	2018 TDKK
Foreign exchange gain	223	41
Total financial income	**223**	**41**

11. Financial expenses

	2019 TDKK	2018 TDKK
Foreign exchange losses	93	21
Interest expenses, convertible debt facility (note 16)	3,802	1,232
Interest expenses, debt to capital owners (note 15,16)	0	8,657
Interest expenses, lease liabilities	85	61
Other interest expenses	78	27
Total financial expenses	**4,058**	**9,998**

12. Property, plant and equipment

	Fixtures and fittings, other plant and equipment TDKK	Right-of-use assets TDKK	Demonstration equipment TDKK	Total TDKK
Cost at January 1, 2018	312	0	0	312
Early adoption of IFRS 16	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
Currency adjustment	1	0	26	27
Additions	42	1,462	3,690	5,194
Disposals	0	0	-599	-599
Cost at December 31, 2019	594	2,233	5,377	8,204
Accumulated depreciation at January 1, 2018	312	0	0	312
Depreciation expense	80	386	112	578
Accumulated depreciation at December 31, 2018	392	386	112	890
Currency adjustment	0	0	2	2
Depreciation expense	106	565	555	1,226
Write-down	0	0	0	0
Disposals	0	0	-49	-49
Accumulated depreciation at December 31, 2019	498	951	620	2,069
Total net carrying value at:				
December 31, 2018	159	385	2,148	2,692
December 31, 2019	96	1,282	4,757	6,135

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 in the income statement as follows:

	2019 TDKK	2018 TDKK
Cost of sales	37	0
Research and development expenses	278	243
Sales and marketing expenses	706	160
General and administrative expenses	205	175
Total depreciation expense	**1,226**	**578**

13. Inventories

	2019 TDKK	2018 TDKK
Raw materials and packaging	222	198
Finished goods	194	206
Total inventories	**416**	**404**

The total amount of inventories recognized as an expense in the 12-months periods ended at December 31, 2019 and December 31, 2018 amounted to DKK 315 thousand and DKK 52 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:

	2019 TDKK	2018 TDKK
Trade accounts receivables, customers	83	20
Total gross trade receivables	**83**	**20**
Provision for impairment of receivables	0	0
Total net trade receivables	**83**	**20**

	2019 TDKK	2018 TDKK
Neither past due nor impaired	45	0
Past due but not impaired		
- Overdue 1 to 30 days	9	0
- Overdue 31 to 60 days	9	0
- Overdue 61 to 90 days	0	20
- Overdue 91 to 360 days	0	0
- Overdue more than 1 year	20	0
Total gross trade receivables	**83**	**20**

Trade receivables by type of customer	2019 TDKK	2018 TDKK
Hospitals	83	20
Total gross trade receivables	**83**	**20**

The Group does not expect any losses on their trade receivables, hence no provision has been recognized in 2019. (2018: DKK 0).

15. Shareholders' equity

The following table summarizes the Company's share activity:

DKK	Class A ordinary shares	Class B preferred shares	Class C preferred shares	Class D preferred shares	Total
January 1, 2018	**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**
Capital increase, conversion of debt	0	0	0	431,124	431,124
Capital increase, cash injection	0	0	0	17,241	17,241
December 31, 2019	**203,020**	**98,930**	**211,347**	**2,305,596**	**2,818,893**

On December 31, 2019 and December 31, 2018, the share capital of the Company comprised 2,818,893 shares and 2,370,528 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	2,305,596	1	1st	a)
Total	**2,818,893**			

(D) Firstly, an amount equal to the subscription amount paid for the D shares plus interest of 10% p.a. (actual days per year) 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 year) 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 year) 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 have 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 loans issued in February 2019 had a fixed interest of 12% p.a. and were converted in September 2019. The new shares are subscribed at a price of DKK 58 per share. The nominal amount of each share is DKK 1. Convertible loans issued during September and October 2019 carry a fixed interest rate of 12%.

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, were 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 totalling DKK 127.2 million, including interest, are included in equity (debt for equity swap) from December 31, 2018.

16. Convertible debt facility, conversion options and debt to capital owners

	Convertible debt TDKK	Debt to capital owners
Liabilities as at January 1, 2018	**21,999**	**61,631**
Subscriptions during the period	29,614	4,072
Interests during the period (note 11)	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**
Liabilities as at January 1, 2019	**0**	**0**
Subscriptions during the period	43,856	0
Interests during the period (note 11)	3,802	0
Conversion of convertible debt from February 27, 2019	-24,563	0
Liabilities as at December 31, 2019	**23,095**	**0**

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

Convertible debt facility
The convertible debt facility consists of two separate financial instruments, the host contract and the conversion option.

Host contract
The convertible debt (the host contact) consists of convertible loan series entered into as of September 30, 2019 and October 18, 2019. The Lenders are entitled at the Lender's discretion to convert any outstanding loan, including interest, into (D class) shares in the Company.

	Convertible debt issued September 30, 2019
Principal, DKK thousand	20,000
Interest, %	12%
Market yield, %	20%
Carrying amount, DKK thousand	19,801
Fair value, DKK thousand	19,801
Maturity date	June 30, 2020

	Convertible debt issued October 18, 2019
Principal, DKK thousand	3,360
Interest, %	12%
Market yield, %	20%
Carrying amount, DKK thousand	3,294
Fair value, DKK thousand	3,294
Maturity date	June 30, 2020

16. Convertible debt facility and conversion options – continued –

Conversion options

The conversion options give the lender the right to convert any outstanding loan, including interest, into (D class) shares in the Company. Loan conversion of outstanding amounts shall as a starting point be made at a price of DKK 100 per shares of nominally DKK, however with the following exeptions:

a) In the event that conversion is made in connection with an IPO, conversion of outstanding loan amounts shall be made at the final offer price per share of nominally DKK 1 as determined in the IPO with a deduction of 25%.

b) In the event that conversion is made in connection with an Exit other than an IPO, conversion of outstanding loan amounts shall be made at a price per share corresponding to the price in the Exit in question with a deduction of 25 %.

c) In the event that conversion is made in connection with an equity financing round by issuance of new shares at market rate and an investment of minimum DKK 20,000 thousand, conversion of outstanding loan amounts shall be made at a price per share of nominal DKK 1 corresponding to the price in the financing round in question with a deduction of 25%.

	Conversion options issued September 30, 2019
Carrying amount*. DKK thousand	9,940
Fair value*, DKK thousand	9,940
Maturity date	June 30, 2020

	Conversion options issued October 18, 2019
Carrying amount*. DKK thousand	1,666
Fair value*, DKK thousand	1,666
Maturity date	June 30, 2020

*Reference is made to note 2 in respect of assumptions applied in the calculation of the fair value of the conversion rights.

Fair value measurement

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

Fair value of conversion options is based on unobservable input (level 3). The most significant assumptions applied in determining the fair value as of December 31, 2019 are listed in note 2.

16. Convertible debt facility and conversion options – continued –

Reconciliation of fair value measurement under level 3 hierarchy

	Convertible options TDKK
Liabilities as at January 1, 2019	**0**
Issuance of conversion options, February 27, 2019	1,515
Issuance of conversion options, September 30, 2019	1,164
Issuance of conversion options, October 18, 2019	174
Fair value adjustments through income statement	43,571
Conversion to equity of options from February 27, 2019	-34,818
Liabilities as at December 31, 2019	**11,606**

Fair value adjustment to conversion options recognised in the income statement amounted to TDKK 43,571 million for the 12-months period ended December 31, 2019. TDKK 33,313 of the the fair value adjustment relates to the conversion option issued at Febuary 27, 2019 and was primarily due to the fact that the underlying share price increased from the date of issue to the date of conversion. TDKK 10,258 of the fair value adjustment relates to the conversion options issued at September 30, 2019 and October 18, 2019 and was primarily due to the fact that different valuation methods were applied at initial recognition and subsequent measurement of fair value as described under accounting policies.

17. Income tax and deferred tax

	2019 TDKK	2018 TDKK
Current tax on benefit on net loss	17,856	6,598
Adjustment to prior years	0	0
Tax credit research and development expenses	2,383	2,237
Provision for income tax	-6	-28
Change in unrecognized deferred tax before tax credit	-17,856	-6,598
Total income tax benefit for the period	**2,377**	**2,209**

Reconciliation of effective tax rate to Danish statutory tax rate

	December 31, 2019 TDKK	December 31, 2018 TDKK
Net loss before tax	91,994	40,162
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**20,239**	**8,836**
Tax effect of:		
Effect of (higher)/lower tax rates in foreign subsidiaries	-118	-55
Adjustment to prior years	0	0
Other non-deductible expenses, including share-based compensation	-13,088	123
Deferred tax asset not recognized	-4,656	-6,695
Total income tax benefit for the period	**2,377**	**2,209**

17. Income tax and deferred tax – continued –

	2019 TDKK	2018 TDKK
Corporation tax receivable at January 1	2,237	3,213
Received corporate tax during the financial year	-2,237	-3,213
Calculated corporate tax current year	2,383	2,237
Transferred from non-current	377	0
Corporation tax receivable (current)	**2,760**	**2,237**

	2019 TDKK	2018 TDKK
Corporation tax receivable at January 1	377	377
Received corporate tax during the financial year	0	0
Calculated corporate tax current year	0	0
Transferred to current	-377	0
Corporation tax receivable (non-current)	**0**	**377**

Deferred tax in the statement of financial position

	December 31, 2019 TDKK	December 31, 2018 TDKK
Deductible tax losses	15,973	15,448
Other temporary differences	122	-190
	16,095	15,258
Deferred tax asset not recognized	-16,095	-15,258
Carrying amount	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 15,973 thosuand and DKK 15,448 as of December 31, 2019 and December 31, 2018.

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 to commercialize and defend its intellectual property.

Significant judgment

The development of medical devices and launching such devices within the life sciences industry are subject to significant risks and uncertainties and there is no assurance that a medical device will be successfully developed or commericalized. As the result of this uncertainty and since the Company has reported significant losses since inception, has limited commercial products or revenues, Management has concluded that deferred tax assets should not be recognized as of December 31, 2019 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, 2019, there are no tax audits in process nor has Management been notified of any pending tax audit. As of December 31, 2019, the tax years that remain open for audit by the Danish tax authorities include 2014 through 2019.

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 12-months periods ended December 31, 2019 and December 31, 2018:

	2019 TDKK	2018 TDKK
Loss for the period	-89,617	-37,953
Preference dividend attributable to A shares	0	0
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	-89,617	-37,953
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	2,305,596	0
Total weighted average shares outstanding	2,818,893	513,297
Pro rate share of loss, A shares	-6,454	-15,011
Earnings/loss per share, A shares, DKK	**-32**	**-74**
Pro rate share of loss, B shares	-3,145	-7,315
Earnings/loss per share, B shares, DKK	**-32**	**-74**
Pro rate share of loss, C shares	-6,719	-15,627
Earnings/loss per share, C shares, DKK	**-32**	**-74**
Pro rate share of loss, D shares	-73,299	0
Earnings/loss per share, D shares, DKK	**-32**	**0**

Basic earnings per share 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 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 loss per share as the effect of such shares is anti-dilutive. There are no outstanding warrants related to the B, C or D class shares. Therefore, basic and diluted loss per share is the same for each period presented.

Furthermore, convertible debt facilities, which can be converted into D class shares as described in note 16, have been excluded from the calculation of diluted earnings per share as the effect of such shares is anti-dilutive. Therefore, basic and diluted earnings per share are the same for each period presented.

	2019	2018
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-dilutibe for the periods presented	224,977	194,977

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 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, 2019 the Group held cash and cash equivalents totaling DKK 19 million that together with funding from new investors in July 2020, 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 12-months period ending December 31, 2020.

Through its activities the Group is exposes 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. Historically, the Group 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 years ended December 31, 2019 and December 31, 2018, the impact on the Group's income statement of possible changes in the USD exchange rates against the Parent Company's functional currency of DKK would be as follows:

Currency	Possible change	2019 TDKK	2018 TDKK
USD	+/-10%	(86) / +86	(81) / +81

Interest rate risk

In all material aspects, the Group's only interest-bearing debt is the convertible debt facility.

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.

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 the financial liabilities are stated in the tables below. All amounts are contractual cash flows, i.e. inclusive of interest.

	Within 1 year	1 – 2 year(s)	2 – 5 years	Over 5 years	Total
Liabilities as at December 31, 2019					
Lease liabilities	600	720	0	0	1,320
Bank debt	77	0	0	0	77
Trade payables	1,383	0	0	0	1,383
Total	**2,060**	**720**	**0**	**0**	**2,780**

19. Capital management – continued –

	Within 1 year	1 – 2 year(s)	2 – 5 years	Over 5 years	Total
Liabilities as at December 31, 2018					
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**

Fair value

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

There were neither assets nor liabilities measured at fair value as of December 31, 2019 or December 31, 2018.

20. Contractual obligations and 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, 2019, and 2018 there are no contingent assets or liabilities.

21. Related party disclosures

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 close members of the families of these persons.

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

	2019 TDKK	2018 TDKK
Entities with significant influence over the entity and other shareholders		
Interest on convertible debt facility	3,802	1,232
Interest on debt to capital owners	0	8,657
Other related parties		
Lease of domicile, including equipment from N. E. Holm A/S	648	484
Purchase of goods from Innoventa Medica ApS	1,371	1,290
Purchase of other services from N. E. Holm A/S	12	0
Bookkeeping services rendered from close members of family of related parties	0	176

In 2008, the Group entered into a lease agreement with an extension of rented area in 2019 for its domicile, including equipment in Birkerød, Denmark.The domicile is owned by Niels Erik Holm, who is a minority shareholder in the company. The lease agreement is concluded on market terms and contains no rights or terms related to the fact that Niels Erik Holm is a minority shareholder in the company. Rental deposits amount to DKK 362 thousand.

From 2008 to 2018, a close family member of Niels Erik Holm, which is a minority shareholder in the Company, has rendered book-keeping services to the Group. The compensation for the services has been agreed on market terms and contains no rights or terms related to the fact that Niels Erik Nielsen is a minority shareholder in the company.

Since 2011, the Group entered into a supplier agreement with Innoventa Medica ApS, including the 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

21. Related party disclosures – continued –

Holm is a member of the Executive Management and a minority shareholder in the Company. Bo Jesper Hansen is a minority shareholder in the 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 Company.

	2019 TDKK	2018 TDKK
Entities with significant influence over the entity and other shareholders		
Debt to related parties related to D shares	0	0
Debt to related parties related to convertible debt facility	0	0
Other related parties		
Debt to Innoventa Medica ApS	-471	-658
Debt to N.E. Holm	-287	0
Rental deposit	362	126

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 the Executive Management and other-key-management. In addition to NE Holm A/S, Seed Capital Denmark II K/S, Novo Holdings A/S (Novo Seeds) and Vækstfonden all own more than 5%.

There have been no additional transactions between related parties in the 12-months period ended December 31, 2019 and the 12 months ended December 31, 2018 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 12-months period ended December 31, 2019 and the 12-months period ended December 31, 2018, 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 is classified as administrative expenses in the income statement. The following table lists compensation paid to members of the Board of Directors:

	2019 TDKK	2018 TDKK
Share-based compensation	488	5
Remuneration to the Board of Directors	1,054	0
Total compensation paid to the Board of Directors	**1,542**	**5**

Certain members of the Board of Directors have received warrants in the Parent Company (reference is made to note 9).

Transactions with shareholders and affiliates

There have been no transactions with shareholders or affiliates of shareholders during the 12-months period ending December 31, 2019 or the 12-months period ended December 31, 2018, except for the subscription of convertible debt and interests on convertible debt and debt to shareholders disclosed in note 16.

22. Subsequent events

In July 2020, a consortium consisting of new and existing investors agreed to a capital increase of DKK 126.6 million. The capital increase will be paid out in 2 equal sized tranches the first in July 2020 and the second in January 2021. The closing conditions for tranche 1 have all been meet subsequently on July 10, 2020 Reapplix will receive DKK 63.3 million.

In July 2020 convertible debt facilities with a principle amount of DKK 23.4 million has been converted into share capital.

Reapplix has received Medicare reimbursement coding instructions with a national average payment rate of USD 1,622.74. The rate covers each patient visit to Hospital Outpatient Departments to receive 3C Patch® treatment (www.3cpatch.com/) for hard-to-heal diabetic foot ulcers.

The reimbursement coding instructions received from the Centers for Medicare and Medicaid Services (CMS) were provided under the Coverage with Evidence Development (CED) framework. Access to the procedure is granted via a CMS-approved claims-based study, which will passively collect and analyze real-world data on the procedure.

In parallel, CMS has re-opened its National Coverage Analysis (NCA) process for Autologous Blood-Derived Products for Chronic Non-Healing Wounds with a stated, expected NCA completion date of January 2021. Reapplix expects that the CED framework arrangement will be replaced by a positive National Coverage Determination decision with a permanent future coding and reimbursement rate at the beginning of 2021.

In general, the Company has achieved results that are in line with expectations in 2020. However, from the beginning of March 2020, management has found that the worldwide Covid-19 outbreak will potentially affect the Company's results and financial position in 2020. However, it is not possible for the company's management at the time of financial reporting to quantify the effect, as it will depend on the duration and extent of the virus outbreak.

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

Parent company income statement and statement of comprehensive income

Note		2019 TDKK	2018 TDKK
	Revenue	1,556	191
	Costs of sales	-1,308	-52
	Gross profit	**248**	**139**
5,8	Research and development expenses	-11,825	-10,971
5,8	Sales and marketing expenses	-6,252	-4,050
5,8	General and administrative expenses	-15,604	-9,903
	Operating loss	**-33,433**	**-24,785**
6	Financial income	899	140
7	Financial expenses	-16,039	-15,594
	Fair value adjustment of conversion option	-43,571	0
	Loss before tax	**-92,144**	**-40,239**
12	Income tax benefit	2,383	2,237
	Net loss for the period	**-89,761**	**-38,002**
	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	0	0
	Other comprehensive loss for the year, net of tax	**0**	**0**
	Total comprehensive loss	**-89,761**	**-38,002**
	Net loss attributable to:		
	Shareholders of Reapplix A/S	-89,761	-38,002
	Total	-89,761	-38,002
	Total comprehensive income attributable to:		
	Shareholders of Reapplix A/S	-89,761	-38,002
	Total	**-89,761**	**-38,002**

Parent Company balance sheet

Note		2019 TDKK	2018 TDKK
	ASSETS		
	Non-current assets		
8	Property, plant and equipment	4,697	1,714
9	Investments in group entities	0	0
12	Corporation tax receivable	0	377
	Deposits	364	128
	Total non-current assets	**5,061**	**2,219**
	Current assets		
11	Inventories	332	330
10	Receivables from group entities	1,394	1,499
	Trade receivable	72	20
12	Corporation tax receivable	2,760	2,237
	Other receivables	787	1,889
	Prepayments	374	99
	Cash and cash equivalents	18,919	9,752
	Total current assets	**24,638**	**15,826**
	TOTAL ASSETS	**26,699**	**18,045**
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	2,819	2,371
	Share premium	0	0
	Accumulated loss	-21,279	6,564
	Total equity	**-18,460**	**8,935**
	Non-current liabilities		
	Lease liabilities	557	0
	Other payables and accruals	193	0
	Total non-current liabilities	**750**	**0**
	Current liabilities		
	Lease liabilities	667	408
	Bank debt	77	68
	Convertible debt facility	23,095	0
	Conversion option	11,606	0
	Trade payables	1,356	2,859
	Other payables and accruals	10,608	5,775
	Total current liabilities	**47,409**	**9,110**
	Total liabilities	**48,159**	**9,110**
	TOTAL EQUITY AND LIABILITIES	**29,699**	**18,045**

Parent Company statement of changes in equity

	Note	Share capital TDKK	Share premium TDKK	Accumulated deficit TDKK	Total TDKK
Equity as of January 1, 2018		513	0	-80,791	-80,278
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 loss		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	Share capital TDKK	Share premium TDKK	Accumulated deficit TDKK	Total TDKK
Equity as of January 1, 2019		**2,371**	**0**	**6,564**	**8,935**
Net loss for the period		0	0	-89,761	-89,761
Other comprehensive income for the period		0	0	0	0
Total comprehensive income		0	0	-89,761	-89,761
Capital increase, conversion of debt		431	58,952	0	59,383
Capital increase, cash injection		17	983	0	1,000
Transaction cost		0	0	-50	-50
Transfer to accumulated loss		0	-59,935	59,935	0
Share-based payment expense		0	0	2,033	2,033
Equity as of December 31, 2019		**2,819**	**0**	**-21,279**	**-18,460**

The Company has lost its share capital. Subject to the provisions of Section 119 of the Danish Companies Act, Management has made plans to re-establish the share capital through additional funding. Refer to note 4.

Parent Company cash flow statement

	Note	2019 TDKK	2018 TDKK
Operating activities			
Loss before tax		-92,144	-40,239
Reversal of financial income	6	-899	-140
Reversal of financial expenses	7	16,039	15,594
Reversal of fair value adjustment conversion option		43,571	
Depreciation and amortization	8	863	521
Other non-cash items		-107	5
Adjustments to reconcile loss before tax to cash flows from operating activities			
Share-based payment expense		1,982	10
Change in inventories		-2	-330
Changes in receivables from group enterprises	10	-11,884	-7,031
Change in trade receivables		-52	-20
Change in other receivables		1,102	-878
Change in prepayments		-275	79
Change in trade payables		-1,503	1,870
Change in other payables		5,027	1,868
Cash flows from taxes	12	2,237	3,213
Interest received	6	676	99
Interest paid	7	-154	-88
Net cash flow used in operating activities		**-35,523**	**-25,467**
Investing activities			
Investment in property, plant and equipment	8	-3,846	-1,464
Investment in subsidiary	9	0	-64
Net cash flow used in investing activities		**-3,846**	**-1,528**
Financing activities			
Capital contributions from shareholders		0	4,072
Cash from convertible loan		47,711	29,614
Bank loans		9	45
Lease payment		816	-362
Net cash provided by financing activities		**48,536**	**33,369**
Net change in cash and cash equivalents		**9,167**	**6,374**
Cash and cash equivalents at the beginning of the period		9,752	3,378
Cash and cash equivalents at the end of the period		**18,919**	**9,752**

1. Accounting policies
2. Significant accounting judgments, estimates and assumptions
3. Standards issued but not yet effective
4. Going concern
5. Employee benefit expenses
6. Financial income
7. Financial expenses
8. Property, plant and equipment
9. Investment in subsidiaries
10. Receivables from group **entities**
11. Inventories
12. Income tax and deferred tax
13. Related party disclosures

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, 2019 were authorized for approval at the Annual General Meeting to be held on July 9, 2020, with a resolution of the Board of Directors on July 9, 2020.

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.

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 the functional and presentation currency of the Parent Company. Where indicated, amounts are rounded to the nearest thousand, or TDKK.

As applicable to the Group, the Parent Company applies the same accounting policies as disclosed in the 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 statements. If an accounting policy is not specifically mentioned, the Group accounting policy is applied.

Investment in group entities

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 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 is disclosed in the consolidated 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 consolidated 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 consolidated financial statements (note 4) and also apply to the Parent Company.

5. Employee benefit expenses

	2019 TDKK	2018 TDKK
Staff costs		
Wages/salaries	11,778	8,461
Share-based compensation expenses	2,033	10
Other social security costs	269	128
Other staff costs	149	148
Total staff costs	**14,229**	**8,747**
Average number of employees during the year	8	7
Total staff costs are included in the income statement as follows:		
Research and development expenses	5,682	4,214
Sales and marketing expenses	2,283	975
General and administrative expenses	6,264	3,558
Total staff costs	**14,229**	**8,747**

Refer to the consolidated financial statements for information about Executive Management remuneration.

6. Financial income

	2019 TDKK	2018 TDKK
Foreign exchange gain	223	41
Interest income, group entitites	676	99
Total financial income	**899**	**140**

7. Financial expenses

	2019 TDKK	2018 TDKK
Foreign exchange losses	94	21
Interest expenses, convertible debt facility (Consolidated note 11, 16)	3,802	1,232
Interest expenses, debt to capital owners (Consolidated notes 11)	0	8,657
Impairment losses on investments in subsidiaries (note 9)	0	64
Impairment losses on receivables from subsidiaries (note 10)	11,989	5,532
Interest expenses, lease liabilities	76	61
Other interest expenses	78	27
Total financial expenses	**16,039**	**15,594**

8. Property, plant and equipment

	Fixtures and fittings, other plant and equipment TDKK	Right-of-use assets TDKK	Demonstration equipment TDKK	Total TDKK
Cost at January 1, 2018	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
Additions	42	1,326	2,791	4,159
Disposals	0	0	-329	-329
Cost at December 31, 2019	546	2,097	3,734	6,377
Accumulated depreciation at January 1, 2018	312	0	0	312
Depreciation expense	72	386	63	521
Accumulated depreciation at December 31, 2018	384	386	63	833
Depreciation expense	90	521	252	863
Write-down	0	0	0	0
Disposals	0	0	-16	-16
Accumulated depreciation at December 31, 2019	474	907	299	1,680
Total net carrying value at:				
December 31, 2018	120	385	1,209	1,714
December 31, 2019	72	1,190	3,435	4,697

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 in the income statement as follows:

8. Property, plant and equipment – continued –

	2019 TDKK	2018 TDKK
Cost of sales	37	0
Research and development expenses	278	243
Sales and marketing expenses	343	103
General and administrative expenses	205	175
Total depreciation expense	**1,226**	**521**

9. Investment in subsidiaries

	2019 TDKK	2018 TDKK
Cost at January 1	64	0
Additions during the year	0	64
Cost at December 31	**64**	**64**
Impairment losses at January 1	-64	0
Impairment losses during the year	**0**	-64
Impairment losses at December 31, 2018	**-64**	**-64**
Total net carrying value at:		
January 1	0	0
December 31	0	0

Subsidiary	Registered office	Ownership interest (%)	Share capital (TUSD)	Equity (TUSD)	Net loss (TUSD)
Reapplix Inc.	Delaware, USD	100	10	-2,635	-1,776

10. Receivables from group entities

	2019 TDKK	2018 TDKK
Receivables from group entities at January 1	7,031	0
Transactions during the year	11,884	7,031
Receivables from group entities at December 31	**18,915**	**7,031**
Impairment losses at January 1	-5,532	0
Impairment losses during the year	-11,989	-5,532
Impairment losses at December 31, 2018	**-17,521**	**-5,532**
Total net carrying value at:		
January 1	1,499	0
December 31	1,394	1,499

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

10. Receivables from group entities -continued-

Impairment
The Parent Company has recognised an allowance for expected credit losses (ECLs) 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 which the Parent Company expects to receive. The expected cash flow includes estimated cash flow to be recovered from the sale of the net asset in the subsidiary in case of default.

11. Inventories

	2019 TDKK	2018 TDKK
Raw materials and packaging	222	198
Finished goods	110	132
Total inventories	**332**	**330**

The total amount of inventories recognized as an expense in the 12-month periods ended at December 31, 2019 and December 31, 2018 amounted to DKK 1,287 thousand and DKK 52 thousand, respectively.

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

12. Income tax and deferred tax

	2019 TDKK	2018 TDKK
Current tax on benefit on net loss	17,889	6,615
Adjustment to prior years	0	0
Tax credit research and development expenses	2,383	2,237
Change in unrecognized deferred tax before tax credit	-17,889	-6,615
Total income tax benefit for the period	**2,383**	**2,237**

Reconciliation of effective tax rate to Danish statutory tax rate

	December 31, 2019 TDKK	December 31, 2018 TDKK
Net loss before tax	92,144	40,239
Corporate income tax rate in Denmark	22%	22%
Computed income tax benefit	**20,272**	**8,853**
Tax effect of:		
Adjustment to prior years	0	0
Other non-deductible expenses, including share-based compensation	-13,115	119
Deferred tax asset not recognized	-4,774	-6,735
Total income tax benefit for the period	**2,383**	**2,237**

12. Income tax and deferred tax – continued-

	2019 TDKK	2018 TDKK
Corporation tax receivable at January 1	2,237	3,213
Received corporate tax during the financial year	-2,237	-3,213
Calculated corporate tax current year	2,383	2,237
Transferred from non-current	377	
Corporation tax receivable (current)	**2,760**	**2,237**

	2019 TDKK	2018 TDKK
Corporation tax receivable at January 1	377	377
Received corporate tax during the financial year	0	0
Calculated corporate tax current year	0	0
Transferred to current	-377	0
Corporation tax receivable (non-current)	**0**	**377**

Deferred tax in the statement of financial position

	December 31, 2019 TDKK	December 31, 2018 TDKK
Deductible tax losses	13,632	15,385
Other temporary differences	8	-66
	13,640	15,319
Deferred tax asset not recognized	-13,640	-15,319
Carrying amount	**0**	**0**

The Company had net tax loss carry-forwards in Denmark for income tax purposes of DKK 13,632 thousand and DKK 15,385 thousand as of December 31, 2019 and December 31, 2018.

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 to commercialize and defend its intellectual property.

Significant judgment

The development of medical devices and launching such devices within the life sciences industry are subject to significant risks and uncertainties and there is no assurance that a medical device will be successfully developed or commericalized. As a result of this uncertainty and since the Company has reported significant losses since inception, has limited commercial products or revenues, Management has concluded that deferred tax assets should not be recognized as of December 31, 2019 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, 2019, there are no tax audits in process nor has Management been notified of any pending tax audit. As of December 31, 2019, the tax years that remain open for audit by the Danish tax authorities include 2014 through 2019.

13. Related party disclosure

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

In 2019, the Parent Company transferred demonstration equipment and inventories of total DKK 1.1 million to the subsidiary. Total receivable from the subsidiary as of December 31, 2019 amounts to DKK 1.4 million after impairment loss of DKK 17.5 million, and interest charged amounts to DKK 0.7 million for the 12-months period ended December 31, 2019.
Refer to note 10 for further information on impairment losses on receivables from group entities.

Refer to the consolidated financial statements for related party disclosure other than transactions with subsidiaries.

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